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**HTS Continuing Disclosure Services**  
A Division of Hilltop Securities  
(See "Continuing Disclosure of Information" herein)

**PRELIMINARY OFFICIAL STATEMENT**

**Dated August 2, 2023**

**Ratings:**  
**S&P: "A+"**  
(See "OTHER INFORMATION – Ratings" herein)

**NEW ISSUE - Book-Entry-Only**

In the opinion of Bond Counsel, interest on the Certificates will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "TAX MATTERS" herein.

**THE CERTIFICATES WILL NOT BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS**

**\$25,915,000\***  
**TOWN OF HORIZON CITY, TEXAS**  
(El Paso County)  
**COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2023**

**Dated Date: August 15, 2023**

**Due: August 15, as shown on page 2**

**Interest to Accrue from Date of Delivery (defined herein)**

**PAYMENT TERMS.** . . Interest on the \$25,915,000\* Town of Horizon City, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2023 (the "Certificates") will accrue from the Date of Delivery, and will be payable February 15 and August 15 of each year, commencing February 15, 2024, until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. **No physical delivery of the Certificates will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar (identified below) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "THE CERTIFICATES - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is Zions Bancorporation, National Association, Amegy Bank Division, Houston, Texas (see "THE CERTIFICATES - Paying Agent/Registrar").

**AUTHORITY FOR ISSUANCE.** . . The Certificates are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and Chapter 1502, Texas Government Code, as amended, the Home Rule Charter of the Town of Horizon City, Texas (the "City"), and an ordinance (the "Ordinance") to be adopted by the City Council of the City on the date of sale of the Certificates. The Certificates constitute direct obligations of the City, payable from a combination of (i) the levy and collection of a direct and continuing ad valorem tax, levied within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge (not to exceed \$1,000) of the Net Revenues of the System, as provided in the Ordinance (see "THE CERTIFICATES - Authority for Issuance" and "THE CERTIFICATES - Security and Source of Payment").

**PURPOSE.** . . Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations to be incurred for (i) designing, constructing, resurfacing, enlarging, equipping, and improving various streets, roads, bridges, overpasses, thoroughfares, sidewalks, pathways and related municipal facilities within the City, including lane markings, street drainage, water and sewer infrastructure, Americans with Disabilities Act (ADA) accessibility, traffic signals, signal system synchronization, loop detectors, lighting, signage, streetscaping, and landscaping related thereto, (ii) designing, constructing, improving and equipping a new municipal facility for the City's police department, public works department, municipal court and city council chambers, (iii) designing, constructing, and equipping a municipal transit plaza, including parking facilities and pedestrian amenities, (iv) designing, constructing, and equipping new park facilities, including athletic fields and an indoor athletic facility, (v) renovating, improving and equipping existing City buildings and facilities with ADA modifications, and (vi) professional services rendered in relation to such projects and the financing thereof.

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**CUSIP PREFIX: 44042X**  
**MATURITY SCHEDULE & 9 DIGIT CUSIP**  
**See Schedule on page 2**

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**MUNICIPAL BOND INSURANCE.** . . The City has made an application for qualification for the issuance of a municipal bond insurance policy in conjunction with the issuance of the Certificates. If a commitment for an insurance policy is obtained and the initial purchaser of the Certificates (the "Initial Purchaser") determines to purchase a policy in connection with its bid, the costs thereof will be the responsibility of the Initial Purchaser (see "BOND INSURANCE" and "BOND INSURANCE RISK FACTORS" herein).

**LEGALITY.** . . The Certificates are offered for delivery when, as and if issued and received by the Initial Purchaser and subject to the approving opinion of the Attorney General of Texas and the opinion of Norton Rose Fulbright US LLP, Bond Counsel, Dallas, Texas, (see Appendix C, "Form of Bond Counsel's Opinion"). Winstead PC, San Antonio, Texas will act as disclosure counsel to the City.

**DELIVERY.** . . It is expected that the Certificates will be available for delivery through the services of DTC on August 30, 2023 ("Date of Delivery").

**BIDS DUE TUESDAY, AUGUST 8, 2023 AT 10:00 AM, MOUNTAIN TIME**

\* Preliminary, subject to change.

## MATURITY SCHEDULE\*

Principal Amount	Maturity (August 15)	Interest Rate	Initial Yield	CUSIP Suffix <sup>(1)</sup>	Principal Amount	Maturity (August 15)	Interest Rate	Initial Yield	CUSIP Suffix <sup>(1)</sup>
\$ 635,000	2027				\$1,145,000	2038			
670,000	2028				1,205,000	2039			
705,000	2029				1,270,000	2040			
745,000	2030				1,340,000	2041			
785,000	2031				1,415,000	2042			
830,000	2032				1,495,000	2043			
875,000	2033				1,575,000	2044			
925,000	2034				1,660,000	2045			
975,000	2035				1,755,000	2046			
1,025,000	2036				1,850,000	2047			
1,085,000	2037				1,950,000	2048			

**(Interest to accrue from the Date of Delivery)**

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the City nor the Financial Advisor shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

**OPTIONAL REDEMPTION.** . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after August 15, 2033, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2032, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE CERTIFICATES - Optional Redemption”).

**MANDATORY SINKING FUND REDEMPTION . . .** In the event any of the Certificates are structured as “term” Certificates (“Term Certificates”), such term Certificates will be subject to mandatory sinking fund redemption in accordance with the applicable provisions of the Ordinance, which provisions will be included in the final Official Statement. (See “THE CERTIFICATES - Mandatory Sinking Fund Redemption.”)

\* Preliminary, subject to change.

For purpose of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, this document, as the same may be supplemented or corrected from time to time, may be treated as an "official statement" with respect to the Certificates described herein deemed "final" by the City as of the date hereof (or of any supplement or correction) except for the omission of no more than the information provided by Subsection (b)(1) of Rule 15c2-12.

This Official Statement, which includes the cover page and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.

No dealer, broker, salesman or other person has been authorized by the City to give any information, or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. Certain information set forth herein has been obtained from the City and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Financial Advisor or the Initial Purchaser. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described herein since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

The prices and other terms respecting the offering and sale of the Certificates may be changed from time to time by the Initial Purchaser after the Certificates are released for sale, and the Certificates may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Certificates into investment accounts.

The Initial Purchaser has provided the following sentence for inclusion in this Official Statement. The Initial Purchaser has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Initial Purchaser does not guarantee the accuracy or completeness of such information.

THE CERTIFICATES ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE CERTIFICATES IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTION IN WHICH THE CERTIFICATES HAVE BEEN REGISTERED, QUALIFIED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

NEITHER THE CITY, THE INITIAL PURCHASER NOR THE FINANCIAL ADVISOR MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM, AS SUCH INFORMATION HAS BEEN FURNISHED BY THE DEPOSITORY TRUST COMPANY OR ANY BOND INSURER OR ITS MUNICIPAL INSURANCE POLICY DESCRIBED HEREIN UNDER THE HEADINGS "BOND INSURANCE" AND "BOND INSURANCE RISK FACTORS".

IN CONNECTION WITH THE OFFERING OF THE CERTIFICATES, THE INITIAL PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED MAY BE DISCONTINUED AT ANY TIME.

THIS PRELIMINARY OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE, AND ACHIEVEMENTS TO BE DIFFERENT FROM FUTURE RESULTS, PERFORMANCE, AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS. SEE "OTHER INFORMATION - FORWARD-LOOKING STATEMENTS DISCLAIMER."

Neither this Official Statement nor any other statement made in connection with the offer of sale of the Certificates is to be construed as constituting an agreement with the purchasers of the Certificates. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

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The cover page hereof, this page and appendices included herein and any addenda, supplement or amendment hereto, are part of the Official Statement.

## OFFICIAL STATEMENT SUMMARY

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Certificates (defined herein) to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

- THE CITY**..... The Town of Horizon City, Texas (the “City”) is a political subdivision of the State of Texas (the “State”) located in El Paso County. The City was incorporated in 1988. The City operates under a Mayor-Council form of government where the Mayor and seven Council Members are elected for four-year terms. The City covers approximately 8.726 square miles.
- THE CERTIFICATES** ..... The \$25,915,000\* Town of Horizon City, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2023 (the “Certificates”) are issued as serial certificates maturing August 15 in each of the years 2027 through 2048, unless the initial purchaser of the Certificates (the “Initial Purchaser”) designates two or more consecutive maturities as “Term Certificates” (see “THE CERTIFICATES - Description of the Certificates”).
- PAYMENT OF INTEREST** ..... Interest on the Certificates accrues from the Date of Delivery (as defined on the cover page hereof) and is payable February 15, 2024, and each August 15 and February 15 thereafter until maturity or prior redemption (see “THE CERTIFICATES - Description of the Certificates” and “THE CERTIFICATES - Optional Redemption”).
- AUTHORITY FOR ISSUANCE** ..... The Certificates are authorized and issued pursuant to the Constitution and the general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and Chapter 1502 Texas Government Code, as amended, and the ordinance to be adopted by the City Council of the City on the date of sale of the Certificates (the “Ordinance”) (see “THE CERTIFICATES - Authority for Issuance”).
- SECURITY FOR THE CERTIFICATES**..... The Certificates are direct obligations of the City payable from the levy and collection of a direct and continuing annual ad valorem tax, levied within the limits prescribed by law, on all taxable property located within the City, as provided in the Ordinance. Additionally, the Certificates are payable from a limited pledge (not to exceed \$1,000) of the Net Revenues of the System (as defined in the Ordinance) (see “THE CERTIFICATES - Security and Source of Payment”).
- NON-QUALIFIED TAX-EXEMPT OBLIGATIONS** ..... The City **will not** designate the Certificates as “Qualified Tax-Exempt Obligations” for financial institutions.
- REDEMPTION** ..... The City reserves the right, at its option, to redeem Certificates having stated maturities on and after August 15, 2033, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2032, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE CERTIFICATES - Optional Redemption”). In the event any of the Certificates are structured as “Term Certificates,” such Term Certificates will be subject to mandatory sinking fund redemption in accordance with the applicable provisions of the Ordinance, which provisions will be included in the final Official Statement. (See “THE CERTIFICATES – Mandatory Sinking Fund Redemption.”)
- TAX EXEMPTION**..... In the opinion of Bond Counsel, the interest on the Certificates will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under the caption “TAX MATTERS” herein.
- USE OF PROCEEDS** ..... Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations to be incurred for (i) designing, constructing, resurfacing, enlarging, equipping, and improving various streets, roads, bridges, overpasses, thoroughfares, sidewalks, pathways and related municipal facilities within the City, including lane markings, street drainage, water and sewer infrastructure, Americans with Disabilities Act (ADA) accessibility, traffic signals, signal system synchronization, loop detectors, lighting, signage, streetscaping, and landscaping related thereto, (ii) designing, constructing, improving and equipping a new municipal facility for the City’s police department, public works department, municipal court and city council chambers, (iii) designing, constructing, and equipping a municipal transit plaza, including parking facilities and pedestrian amenities, (iv) designing, constructing, and equipping new park facilities, including athletic fields and an indoor athletic facility, (v) renovating, improving and equipping existing City buildings and facilities with ADA modifications, and (vi) professional services rendered in relation to such projects and the financing thereof.

\* Preliminary, subject to change.

**RATINGS** ..... The Certificates and certain of the presently outstanding tax supported debt of the City are rated “A+” by S&P Global Ratings, a division of S&P Global Inc. (“S&P”), without regard to credit enhancement (see “OTHER INFORMATION – Ratings,” “BOND INSURANCE” and “BOND INSURANCE RISK FACTORS”).

**BOOK-ENTRY-ONLY SYSTEM** .....

The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. No physical delivery of the Certificates will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see “THE CERTIFICATES - Book-Entry-Only System”).

**PAYMENT RECORD** ..... The City has never defaulted in payment of its bonded indebtedness.

**SELECTED FINANCIAL INFORMATION**

Fiscal Year Ended 9-30	Estimated City Population <sup>(1)</sup>	Net Taxable Assessed Valuation <sup>(2)</sup>	Per Capita Taxable Assessed Valuation	Funded Tax Debt	Per Capita Funded Tax Debt	Ratio	% of Total Tax Collections
						Tax Debt to Taxable Assessed Valuation	
2019	20,000	\$ 856,349,392	\$ 42,817	\$ 25,595,000	\$ 1,280	2.99%	99.10%
2020	20,000	920,719,939	46,036	24,920,000	1,246	2.71%	99.39%
2021	20,000	959,406,493	47,970	24,080,000	1,204	2.51%	99.58%
2022	20,000	1,112,168,778	55,608	23,195,000	1,160	2.09%	99.64%
2023	24,214	1,274,216,389	52,623	48,195,000 <sup>(3)</sup>	1,990 <sup>(3)</sup>	3.78% <sup>(3)</sup>	98.50% <sup>(4)</sup>

(1) Source: City officials.

(2) As reported by the El Paso Appraisal District on the City's annual State Property Tax Board Report and is subject to changes during ensuing year.

(3) Includes the Certificates. Preliminary, subject to change.

(4) Collections as of 06/30/2023.

For additional information regarding the City, please contact:

Lily Gaytan  
 Finance Director  
 Town of Horizon City  
 14999 Darrington Road  
 Horizon City, Texas 79928-7442  
 (915) 852-1046

or Maria Fernanda Urbina  
 Hilltop Securities, Inc.  
 221 N. Kansas  
 Suite 600  
 El Paso, Texas 79901  
 (915) 351-7228

**CITY OFFICIALS, STAFF AND CONSULTANTS**

**ELECTED OFFICIALS**

<u>City Council</u>	<u>Length of Service</u>	<u>Term Expires</u>	<u>Occupation</u>
Andres Renteria Mayor	May, 2023	May, 2027	Self-employed
Walter Miller Councilmember, Place 1	8 Years	May, 2025	Client Development Manager
Scott Quiroz Councilmember, Place 2	2 Years	May, 2025	Self-employed
Rocio Ortega Councilmember, Place 3	May, 2023	May, 2027	Housewife
Pat Randleel Councilmember, Place 4	May, 2023	May, 2025	Retired
Laura Urrutia Councilmember, Place 5	May, 2023	May, 2027	Home Health Representative
Rafael (Ralph) Padilla Jr. Councilmember, Place 6	6 Years	May, 2025	School Coordinator
Ruben Mendoza Councilmember, Place 7	May, 2023	May, 2027	Transportation Specialist

**SELECTED ADMINISTRATIVE STAFF**

<u>Name</u>	<u>Position</u>	<u>Length of Service</u>	<u>Total Length of Governmental Service</u>
Lily Gaytan	Finance Director	1 Year	25 Years
Elvia Schuller	City Clerk	10 Years	14 Years

**CONSULTANTS AND ADVISORS**

Certified Public Accountants.....	SBNG, P.C. El Paso, Texas
Bond Counsel.....	Norton Rose Fulbright US, LLP Dallas, Texas
Disclosure Counsel.....	Winstead PC San Antonio, Texas
Financial Advisor.....	Hilltop Securities Inc. El Paso, Texas

## PRELIMINARY OFFICIAL STATEMENT

### RELATING TO

**\$25,915,000\***  
**TOWN OF HORIZON CITY, TEXAS**  
**(El Paso, County)**  
**COMBINATION TAX AND**  
**REVENUE CERTIFICATES OF OBLIGATION, SERIES 2023**

### INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of the \$25,915,000\* Town of Horizon City, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2023 (the "Certificates"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinance to be adopted on the date of sale of the Certificates which will authorize the issuance of the Certificates (the "Ordinance"), except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Certificates and certain information regarding the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Financial Advisor, Hilltop Securities Inc., El Paso, Texas.

**DESCRIPTION OF THE CITY . . .** The City is a political subdivision located in El Paso County operating as a home-rule city under the laws of the State of Texas (the "State") and a charter approved by the voters in 1997. The City operates under a Mayor-Council form of government where the Mayor and Council Members are elected to staggered four-year terms. The Council formulates the operating policy for the City while the Mayor is the chief administrative officer. The 2010 Census population for the City was 16,735. The 2020 Census population is 22,489 - an increase of 34.4% over the 2010 number. The estimated 2023 population is 24,214. The City covers approximately 8.7 square miles.

### INFECTIOUS DISEASE OUTBREAK – COVID-19

In March 2020, the World Health Organization and the President of the United States separately declared the outbreak of a respiratory disease caused by a novel coronavirus ("COVID-19") to be a public health emergency. On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in the State because of the effects of COVID-19. Subsequently, in response to a rise in COVID-19 infections in the State and pursuant to the Chapter 418 of the Texas Government Code, the Governor issued a number of executive orders intended to help limit the spread of COVID-19 and mitigate injury and the loss of life, including limitations imposed on business operations, social gatherings and other activities.

Over the ensuing year, COVID-19 negatively affected commerce, travel and businesses locally and globally, and negatively affected economic growth worldwide and within the U.S., the State and the City. Following the widespread release and distribution of various COVID-19 vaccines beginning in December 2020 and a decrease in active COVID-19 cases generally in the United States, state governments (including Texas) began lifting business and social limitations associated with COVID-19. Under executive orders in effect as of the date of this Official Statement, there are no State-imposed COVID-19 related operating limits for any business or other establishment and no State-imposed requirement to wear a face covering. The Governor retains the right to impose future restrictions on activities if needed in order to mitigate the effects of COVID-19. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement. With the easing or removal of associated governmental restrictions, economic activity has increased. However, there are no assurances that economic activity will continue or increase at the same rate, especially if there are future outbreaks of COVID-19. The COVID-19 pandemic may result in lasting changes in some businesses and social practices, which could affect business activity and City revenues and expenses, including revenue from and expenses of the System (defined herein). The City cannot predict the long-term economic effect of COVID-19 or the effect of any future outbreak of COVID-19 or a similar virus on the City's operations or financial condition.

### THE CERTIFICATES

**DESCRIPTION OF THE CERTIFICATES. . .** The Certificates are dated August 15, 2023. The Certificates mature on August 15 in each of the years and in the amounts shown on page 2 hereof. Interest on the Certificates will accrue from the Date of Delivery (as defined on the cover page hereof), will be computed on the basis of a 360-day year of twelve 30-day months and will be payable on February 15 and August 15 of each year, commencing February 15, 2024, until maturity or prior redemption. The definitive Certificates will be issued only in fully-registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Certificates will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar (defined herein) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see "THE CERTIFICATES - Book-Entry-Only System" herein).

\* Preliminary, subject to change.

**AUTHORITY FOR ISSUANCE . . .** The Certificates are being authorized and issued pursuant to the City's Home Rule Charter, the Constitution and general laws of the State, including particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and Chapter 1502, Texas Government Code, as amended, and the Ordinance.

**SECURITY AND SOURCE OF PAYMENT. . .** All taxable property within the City is subject to a continuing direct annual ad valorem tax levied by the City, within the limits prescribed by law, sufficient to provide for the payment of principal of and interest on the Certificates. Additionally, the Certificates are payable from and secured by a limited pledge of the Net Revenues (not to exceed \$1,000) of the City's neighborhood, community, and regional parks located within the City which are maintained and owned by the City (the "System"), as provided in the Ordinance.

**TAX RATE LIMITATION . . .** All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax-supported debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$2.50 per \$100 taxable assessed valuation for all City purposes. The Home Rule Charter of the City adopts the constitutionally authorized maximum tax rate of \$2.50 per \$100 taxable assessed valuation. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.50 of the \$2.50 maximum tax rate for all debt service on ad valorem tax-supported debt, as calculated at the time of issuance.

**OPTIONAL REDEMPTION . . .** The City reserves the right, at its option, to redeem Certificates having stated maturities on and after August 15, 2033, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2032, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

If less than all Outstanding Certificates are called for redemption the City may chose the maturities to be redeemed. If less than all the Certificates of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) shall determine by lot the Certificates, or portions thereof, within such maturity to be redeemed. If a Certificate (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Certificate (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

**MANDATORY SINKING FUND REDEMPTION . . .** In the event any of the Certificates are structured as "term" Certificates, such term Certificates will be subject to mandatory sinking fund redemption in accordance with the applicable provisions of the Ordinance, which provisions will be included in the final Official Statement.

**NOTICE OF REDEMPTION. . .** Not less than 30 days prior to a redemption date for the Certificates, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Certificates to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE CERTIFICATES CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY CERTIFICATE OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH CERTIFICATE OR PORTION THEREOF SHALL CEASE TO ACCRUE, PROVIDED THAT MONIES FOR THE PAYMENT OF THE REDEMPTION PRICE AND THE INTEREST ACCRUED ON THE PRINCIPAL AMOUNT TO BE REDEEMED TO THE DATE OF REDEMPTION ARE HELD FOR THE PURPOSE OF SUCH PAYMENT BY THE PAYING AGENT/REGISTRAR.

With respect to any optional redemption of the Certificates, unless moneys sufficient to pay the principal of and premium, if any, and interest on the Certificates to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption may, at the option of the City, be conditional upon the receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon the satisfaction of any prerequisites set forth in such notice of redemption; and, if sufficient moneys are not received or such prerequisites are not satisfied, such notice shall be of no force and effect, the City shall not redeem such Certificates and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Certificates have not been redeemed.

**NOTICE OF REDEMPTION THROUGH THE DEPOSITORY TRUST COMPANY...** The Paying Agent/Registrar and the City, so long as a book-entry-only system is used for the Certificates, will send any notice of redemption relating to the Certificates only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the Beneficial Owner, will not affect the validity of the redemption of the Certificates called for redemption or any other action premised on any such notice. Redemptions of portions of the Certificates by the City will reduce the outstanding principal amount of such Certificates held by DTC. In such event, DTC may implement, through its book-entry-only system, a redemption of such Certificates held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Certificates from the Beneficial Owners. Any such selection of Certificates within a maturity to be redeemed will not be governed by the Ordinance and will not be conducted by the City or the Paying Agent/Registrar. Neither the City nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Certificates or the providing of notice to DTC participants, indirect participants, or Beneficial Owners of the selection of portions of the Certificates for redemption (see "THE CERTIFICATES - Book-Entry Only System" herein).



**DEFEASANCE . . .** The Ordinance provides for the defeasance of Certificates when the payment of the principal of and premium, if any, on such Certificates, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with the Paying Agent/Registrar or an authorized escrow agent, in trust (1) money sufficient to make such payment or (2) Government Securities, which shall mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Certificates. In the event of a defeasance of the Certificates, the City shall deliver a certificate from its financial advisor, the Paying Agent/Registrar, an independent certified public accountant, or another qualified third party concerning the sufficiency of the deposit of cash and/or Government Securities to pay, when due, the principal of, redemption premium (if any), and interest due on any defeased Certificates. The Ordinance provides that "Government Securities" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent and (d) any other then authorized securities or obligations that may be used to defease obligations such as the Certificates under the then applicable laws of the State of Texas. The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities for the Government Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance.

Upon such deposit as described above, such Certificates shall no longer be regarded to be outstanding or unpaid and will cease to be outstanding obligations secured by the Ordinance or treated as debt of the City for purposes of taxation or applying any limitation on the City's ability to issue debt or for any other purpose. There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Certificates. Because the Ordinance does not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the rating for U.S. Treasury securities used as Government Securities or that any other Government Security will be maintained at any particular rating category. After firm banking and financial arrangements for the discharge and final payment or redemption of the Certificates have been made as described above, all right of the City to initiate proceedings to call the Certificates that have been defeased to maturity for redemption or take any other action amending the terms of such Certificates are extinguished; provided, however, that the right to call the Certificates that have been defeased to maturity for redemption is not extinguished if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Certificates for redemption; (ii) gives notice of the reservation of that right to the owners of the Certificates immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

**AMENDMENTS. . .** The City may amend the Ordinance without the consent of or notice to any registered owners of the Certificates in any manner not detrimental to the interests of such registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the City may, with the written consent of the holders of a majority in aggregate principal amount of the Certificates then outstanding, amend, add to, or rescind any of the provisions of the Ordinance; except that, without the consent of the registered owners of all of the Certificates then outstanding, no such amendment, addition, or rescission may (1) extend the time or times of payment of the principal of, premium, if any, and interest on the Certificates, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, premium, if any, or interest on Certificates, (2) give any preference to any Certificate over any other Certificate, or (3) reduce the aggregate principal amount of Certificates required to be held by the holders of such Certificates for consent to any such amendment, addition, or rescission as provided in the Ordinance.

**BOOK-ENTRY-ONLY SYSTEM. . .** *This section describes how ownership of the Certificates is to be transferred and how the principal of and interest on the Certificates are to be paid to and accredited by DTC while the Certificates are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.*

*The City cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Certificates, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Certificates), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.*

DTC will act as securities depository for the Certificates. The Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered Certificate will be issued for each maturity of the Certificates in the aggregate principal amount of each such maturity and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities Certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a "AA+" from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owners entered into the transaction. Transfers of ownership interest in the Certificates are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Certificates representing their ownership interests in the Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participant to whose account such Certificates are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as defaults and proposed amendments to the Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent/Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Certificates within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the Certificates unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Certificates will be made to DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar on payable dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as in the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest to DTC is the responsibility of the City, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Certificates at any time by giving reasonable notice to the City and the Paying Agent/Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository) with respect to the Certificates. In that event, Certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

***Use of Certain Terms in Other Sections of this Official Statement*** . . . In reading this Official Statement it should be understood that while the Certificates are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Certificates, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinance will be given only to DTC.

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the City, the Financial Advisor or the Initial Purchaser.

***Effect of Termination of Book-Entry-Only System*** . . . In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the City with respect to the Certificates, printed Certificates will be issued to the holders and the Certificates will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "The Certificates – Transfer, Exchange and Registration" below.

**PAYING AGENT/REGISTRAR.** . . The initial Paying Agent/Registrar for the Certificates is Zions Bancorporation, National Association, Amegy Bank Division, Houston, Texas (the "Paying Agent/Registrar"). In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Certificates are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Certificates. Upon any change in the Paying Agent/Registrar for the Certificates, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Certificates affected by the changes by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

**TRANSFER, EXCHANGE AND REGISTRATION.** . . In the event the Book-Entry-Only System should be discontinued with respect to the Certificates, printed Certificates will be issued to the registered owners of the Certificates and thereafter such printed Certificates may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Certificates may be assigned by the execution of an assignment form on the Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Certificates will be delivered by the Paying Agent/Registrar, in lieu of the Certificates being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Certificates issued in an exchange or transfer of Certificates will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Certificates to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Certificates surrendered for exchange or transfer. See "Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Certificates. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Certificate or any portion thereof of a Certificate called for redemption prior to maturity, within 45 days prior to its redemption date; provided, however, such limitation on transfer or exchange shall not be applicable to a transfer or exchange by the registered owner of the uncalled balance of a Certificate called for redemption in part.

**PAYMENT PROVISIONS.** . . Interest on the Certificates shall be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined), and such interest shall be paid (i) by check sent by United States mail, first class, postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal of the Certificates will be paid to the registered owner at the stated maturity or earlier redemption of a Certificate upon presentation to the designated payment/transfer office of the Paying Agent/Registrar; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Certificates, all payments will be made as described under "THE CERTIFICATES - Book-Entry-Only System" herein. If the date for the payment of the principal of or interest on the Certificates shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

**RECORD DATE FOR INTEREST PAYMENT.** . . The record date ("Record Date") for the interest payable on the Certificates on any interest payment date means the close of business on the last business day of the month next preceding each interest payment date.

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date," which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each Holder of a Certificate appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

**REPLACEMENT CERTIFICATES . . .** If any Certificate is mutilated, destroyed, stolen or lost, a new Certificate in the same principal amount as the Certificate so mutilated, destroyed, stolen or lost will be issued. In the case of a mutilated Certificate, such new Certificate will be delivered only upon surrender and cancellation of such mutilated Certificate. In the case of any Certificate issued in lieu of and substitution for a Certificate which has been destroyed, stolen or lost, such new Certificate will be delivered only (a) upon filing with the Paying Agent/Registrar evidence satisfactory to the Paying Agent/Registrar to the effect that such Certificate has been destroyed, stolen or lost and proof of ownership thereof, and (b) upon furnishing the Paying Agent/Registrar with indemnity satisfactory to hold the City and the Paying Agent/Registrar harmless. The person requesting the authentication and delivery of a new Certificate must pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

**CERTIFICATEHOLDERS' REMEDIES. . .** The Ordinance does not specify events of default with respect to the Certificates. If the City defaults in the payment of principal of or interest on the Certificates or the redemption price of a Certificate when due, or if it fails to make payments into any fund or funds created in the Ordinance, or defaults in the observation or performance of any other covenants, conditions or obligations set forth in the Ordinance, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Certificates if there is no other available remedy at law to compel payment of the Certificates or performance of the obligations under the Ordinance and the City's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Certificates in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the holders of the Certificates upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and, accordingly, all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W. 3d 427 (Tex. 2016) ("Wasson") that the sovereign immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. The Texas Supreme Court reviewed *Wasson* again in June 2018 and clarified that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of the alleged breach. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. If sovereign immunity is determined by a court to exist, then the Texas Supreme Court has ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, holders of the Certificates may not be able to bring such a suit against the City for non-payment of the Certificates or breach of the covenants in the Ordinance. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or holders of the Certificates of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce creditors' rights would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Certificates are qualified with respect to the customary rights of debtors relative to their creditors.

## **BOND INSURANCE**

The City has applied for municipal bond insurance on the Certificates. The City shall notify the Initial Purchaser upon obtaining a commitment from a municipal bond insurance company (the "Insurer") concerning the Certificates. The premium for a municipal bond insurance policy (the "Policy") shall be paid by the Initial Purchaser. The final Official Statement shall disclose, to the extent necessary, any relevant information relating to the Insurer and the Policy.

## BOND INSURANCE RISK FACTORS

In the event of default of the payment of principal or interest with respect to the Certificates when all or some becomes due, any owner of the Certificates shall have a claim under the Policy for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy may insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Certificates by the City which is recovered by the City from the Certificate owner as a voidable preference under applicable bankruptcy law may be covered by the Policy, however, such payments will be made by the Insurer at such time and in such amounts as would have been due absence such prepayment by the City unless the Insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Insurer without appropriate consent. The Insurer may direct and must consent to any remedies that the Paying Agent/Registrar exercises and the Insurer's consent may be required in connection with amendments to any applicable Certificate documents.

In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Certificates are payable solely from the moneys received by the Paying Agent/Registrar pursuant to the applicable Certificate documents. In the event the Insurer becomes obligated to make payments with respect to the Certificates, no assurance is given that such event will not adversely affect the market price of the Certificates or the marketability (liquidity) for the Certificates.

If a Policy is acquired, the long-term ratings on the Certificates are dependent in part on the financial strength of the Insurer and its claim paying ability. The Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Insurer and of the ratings on the Certificates insured by the Insurer will not be subject to downgrade and such event could adversely affect the market price of the Certificates or the marketability (liquidity) for the Certificates. See "OTHER INFORMATION – Ratings" herein.

The obligations of the Insurer are contractual obligations of the Insurer and in an event of default by the Insurer, the remedies available to the Paying Agent/Registrar may be limited by applicable bankruptcy law or other similar laws related to insolvency of insurance companies.

**CLAIMS-PAYING ABILITY AND FINANCIAL STRENGTH OF MUNICIPAL BOND INSURERS...** Moody's Investors Services, Inc., S&P Global Ratings, and Fitch Ratings, Inc. (collectively, the "Rating Agencies") have, in recent years, downgraded and/or placed on negative watch the claims-paying and financial strength of most providers of municipal bond insurance. Additional downgrades or negative changes in the rating outlook for all bond insurers are possible. In addition, recent events in the credit markets have had substantial negative effects on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims-paying ability of such bond insurers, including any bond insurer of the Certificates. Thus, when making an investment decision, potential investors should carefully consider the ability of the City to pay principal and interest on the Certificates and the claims-paying ability of any such bond insurer, particularly over the life of the Certificates.

Neither the City nor the Initial Purchaser have made independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given.

**SOURCES AND USES OF CERTIFICATE PROCEEDS.** . . Proceeds from the sale of the Certificates are expected to be expended as follows:

Sources of Funds:	
Par Amount	\$ -
Net Premium Bid	-
Total Sources of Funds	\$ -
Uses of Funds:	
Deposit to Construction Fund	\$ -
Costs of Issuance/Rounding	-
Total Uses of Funds	\$ -

## AD VALOREM PROPERTY TAXATION

*The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. Prospective investors are encouraged to review Title I of the Texas Tax Code, as amended (the "Property Tax Code"), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.*

**VALUATION OF TAXABLE PROPERTY . . .** The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the City is the responsibility of the El Paso Central Appraisal District (the "Appraisal District"). Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three (3) years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property.

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified as both agricultural and open-space land.

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the City, in establishing their tax rolls and tax rates (see "AD VALOREM PROPERTY TAXATION – City and Taxpayer Remedies").

**STATE MANDATED HOMESTEAD EXEMPTIONS . . .** State law grants, with respect to each taxing unit in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty.

**LOCAL OPTION HOMESTEAD EXEMPTIONS . . .** The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than \$5,000) and (2) an additional exemption of at least \$3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The exemption described in (2), above, may also be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit.

**LOCAL OPTION FREEZE FOR THE ELDERLY AND DISABLED . . .** The governing body of a county, municipality or junior college district may, at its option, provide for a freeze on the total amount of ad valorem taxes levied on the homesteads of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon voter initiative, an election may be held to determine by majority vote whether to establish such a freeze on ad valorem taxes. Once the freeze is established, the total amount of taxes imposed on such homesteads cannot be increased except for certain improvements, and such freeze cannot be repealed or rescinded.

**PERSONAL PROPERTY . . .** Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property.

**FREEPORT AND GOODS-IN-TRANSIT EXEMPTIONS . . .** Certain goods that are acquired in or imported into the State to be forwarded outside the State, and are detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication ("Freeport Property") are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue taxing Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal.

Certain goods, that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without the State within 175 days (“Goods-in-Transit”), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action, after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer’s motor vehicle, boat, or heavy equipment inventory.

A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

**OTHER EXEMPT PROPERTY . . .** Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property.

**TEMPORARY EXEMPTION FOR QUALIFIED PROPERTY DAMAGED BY A DISASTER . . .** The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the Governor of Texas (the "Governor") to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. The governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the Governor declares the area to be a disaster area. For more information on the exemption, reference is made to Section 11.35 of the Tax Code. Section 11.35 of the Tax Code was enacted during the 2019 legislative session, and there is no judicial precedent for how the statute will be applied. Texas Attorney General Opinion KP-0299, issued on April 13, 2020, concluded a court would likely find the Texas Legislature intended to limit the temporary tax exemption to apply to property physically harmed as a result of a declared disaster.

**TAX INCREMENT REINVESTMENT ZONES . . .** A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment reinvestment zones (“TIRZ”) within its boundaries. At the time of the creation of the TIRZ, a “base value” for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the “tax increment.” During the existence of the TIRZ, all or a portion of the taxes levied against the tax increment by a city or county, and all other overlapping taxing units that elected to participate, are restricted to paying only planned project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units.

**TAX ABATEMENT AGREEMENTS . . .** Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years.

For a discussion of how the various exemptions described above are applied by the City, see “AD VALOREM PROPERTY TAXATION – City Application of Property Tax Code” herein.

**CITY AND TAXPAYER REMEDIES . . .** Under certain circumstances, taxpayers and taxing units, including the City, may appeal the determinations of the Appraisal District by timely initiating a protest with the Appraisal Review Board. Additionally, taxing units such as the City may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

Owners of certain property with a taxable value in excess of the current year “minimum eligibility amount,” as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at \$57,216,456 for the 2023 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda that could result in the repeal of certain tax increases (see “AD VALOREM PROPERTY TAXATION – Public Hearing and Maintenance and Operations Tax Rate Limitations”). The Property Tax Code also establishes a procedure for providing notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

**LEVY AND COLLECTION OF TAXES . . .** The City is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax

remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the City. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the City may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances.

**CITY'S RIGHTS IN THE EVENT OF TAX DELINQUENCIES . . .** Taxes levied by the City are a personal obligation of the owner of the property. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the City, having power to tax the property. The City's tax lien is on a parity with tax liens of such other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the City is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the City may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property.

Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, adverse market conditions, taxpayer redemption rights, or bankruptcy proceedings which restrain the collection of a taxpayer's debt.

Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

**PUBLIC HEARING AND MAINTENANCE AND OPERATIONS TAX RATE LIMITATIONS. . .** The following terms as used in this section have the meanings provided below:

“adjusted” means lost values are not included in the calculation of the prior year's taxes and new values are not included in the current year's taxable values.

“de minimis rate” means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted), plus the rate that produces an additional \$500,000 in tax revenue when applied to the current year's taxable value, plus the debt service tax rate.

“no-new-revenue tax rate” means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year's total tax levy (adjusted) from the current year's total taxable values (adjusted).

“special taxing unit” means a city for which the maintenance and operations tax rate proposed for the current tax year is 2.5 cents or less per \$100 of taxable value.

“unused increment rate” means the cumulative difference between a city's voter-approval tax rate and its actual tax rate for each of the tax years 2020 through 2022, which may be applied to a city's tax rate in tax years 2021 through 2023 without impacting the voter-approval tax rate.

“voter-approval tax rate” means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted) multiplied by 1.035, plus the debt service tax rate, plus the “unused increment rate.”

The City's tax rate consists of two components: (1) a rate for funding of maintenance and operations expenditures in the current year (the “maintenance and operations tax rate”), and (2) a rate for funding debt service in the current year (the “debt service tax rate”). Under State law, the assessor for the City must submit an appraisal roll showing the total appraised, assessed, and taxable values of all property in the City to the City Council by August 1 or as soon as practicable thereafter.

A city must annually calculate its voter-approval tax rate and no-new-revenue tax rate in accordance with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the city and the county tax assessor-collector for each county in which all or part of the city is located. A city must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If a city fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the city for the preceding tax year.



As described below, the Property Tax Code provides that if a city adopts a tax rate that exceeds its voter-approval tax rate or, in certain cases, its de minimis rate, an election must be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

A city may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until each appraisal district in which such city participates has delivered notice to each taxpayer of the estimated total amount of property taxes owed and the city has held a public hearing on the proposed tax increase.

For cities with a population of 30,000 or more as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the voter-approval tax rate, that city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

For cities with a population less than 30,000 as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the greater of (i) the voter-approval tax rate or (ii) the de minimis rate, the city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate. However, for any tax year during which a city has a population of less than 30,000 as of the most recent federal decennial census and does not qualify as a special taxing unit, if a city's adopted tax rate is equal to or less than the de minimis rate but greater than both (a) the no-new-revenue tax rate, multiplied by 1.08, plus the debt service tax rate or (b) the city's voter-approval tax rate, then a valid petition signed by at least three percent of the registered voters in the city would require that an election be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

Any city located at least partly within an area declared a disaster area by the Governor of the State or the President of the United States during the current year may calculate its voter-approval tax rate using a 1.08 multiplier, instead of 1.035, until the earlier of (i) the second tax year in which such city's total taxable appraised value exceeds the taxable appraised value on January 1 of the year the disaster occurred, or (ii) the third tax year after the tax year in which the disaster occurred.

State law provides cities and counties in the State the option of assessing a maximum one-half percent (1/2%) sales and use tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional sales and use tax for ad valorem tax reduction is approved and levied, the no-new-revenue tax rate and voter-approval tax rate must be reduced by the amount of the estimated sales tax revenues to be generated in the current tax year.

**The calculations of the no-new-revenue tax rate and voter-approval tax rate do not limit or impact the City's ability to set a debt service tax rate in each year sufficient to pay debt service on all of the City's tax-supported debt obligations, including the Certificates.**

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

**2023 LEGISLATIVE SESSION – FUTURE LEGISLATION . . .** The 88th Texas Legislature convened in regular session on January 10, 2023 and concluded on May 29, 2023 ("88th Regular Session"). During the 88th Regular Session, the Texas Legislature adopted a general appropriations act, approved numerous bills, new laws, and changes to various State statutes. The City is in the process of analyzing such new laws and changes.

When the regular Legislature is not in session, the Governor may call one or more special sessions, at the Governor's direction, each lasting no more than thirty days, and for which the Governor sets the agenda. The Governor called the first special session which began on May 29, 2023 and concluded on June 27, 2023. The Governor also called a second special session which convened on June 27, 2023 and concluded on July 13, 2023. The Governor's agenda for the second special session included "legislation to cut property-tax rates solely by reducing the school district maximum compressed tax rate in order to provide lasting property-tax relief for Texas taxpayers" and "legislation to put Texas on a pathway to eliminating school district maintenance and operations property taxes." During the second special session, the Legislature passed Senate Bill 2 ("SB 2") which includes provisions that, among other things, increase the school district mandatory homestead exemption from \$40,000 to \$100,000 (subject to voter approval), prohibit cities, school districts and counties that adopted a local option homestead exemption for the 2022 tax year from reducing the amount of or repealing such exemption through December 31, 2027, and place further limitations on increases in appraised values on certain classes of properties. See "City Application of Property Tax Code" below. Certain provisions of SB 2, including those increasing the residential homestead exemption to \$100,000, prohibiting the reduction or repeal of the local option homestead exemption, and placing limitations on increasing the appraised values on certain classes of properties, will be submitted to voters of the State on November 7, 2023. If the amendments are not approved by the voters, those and certain other provisions of SB 2 have no effect. The City can make no representations or predictions concerning the substance or the effect of any legislation passed in a prior session or that may be considered in a future session of the Legislature.

**CITY APPLICATION OF PROPERTY TAX CODE . . .** The City does not grant an exemption to the market value of the residence homestead of persons 65 years of age or older and the disabled.

The City has not granted any additional exemptions on the market value of residence homesteads.

The City has not adopted the tax freeze for citizens who are disabled or are 65 years of age or older, which became a local option and subject to local referendum on January 1, 2004.

The City does not levy ad valorem taxes against the exempt value of residence homesteads for the payment of debt.

The City does not tax nonbusiness personal property, and the City of El Paso’s Tax Office collects taxes for the City.

The City does permit split payments and discounts are not allowed.

The City does not tax freeport property.

The City does not tax goods-in-transit.

The City does not collect the additional one-half cent sales tax for reduction of ad valorem taxes.

**TAX ABATEMENT POLICY. . .** The City has established a tax abatement program to encourage economic development. In order to be considered for tax abatement, a project must meet several criteria pertaining to job creation and property value enhancement. Generally, projects are eligible for a tax abatement of up to 100% for a period of up to 10 years. As of the date of this Official Statement, the City has not entered into any tax abatement agreements.

**TAX INCREMENT REINVESTMENT ZONE. . .** The City approved an ordinance to create a tax increment reinvestment zone known as “Tax Increment Reinvestment Zone No. 1” (“Zone 1”) to promote development and community revitalization and infrastructure improvements in a 150 acre area. The ordinance also established that the termination of Zone 1 was to occur on December 31, 2050, unless terminated earlier as a result of payment in full of all project costs, and the interest accrued on those costs, or as authorized or permitted by law.

**Table 1 - Valuation, Exemptions and General Obligation Debt**

2022/23 Market Valuation Established by El Paso Central Appraisal District (Excludes Fully Exempt Property)		\$ 1,465,286,735
Less Exemptions:		
Disabled and Deceased Veterans Survivors	\$ 34,222,190	
Freeport Exemption	3,038,401	
Solar	7,453	
Value Lost Cap on Residential Homesteads	<u>153,802,302</u>	
Total Exemptions		<u>\$ 191,070,346</u>
2022/2023 Net Taxable Assessed Valuation		<u>\$ 1,274,216,389</u>
 Tax Supported Debt :		
General Obligation Debt as of 6-15-2023		\$ 23,195,000
The Certificates <sup>(1)</sup>		<u>25,915,000</u>
Funded Debt Payable From Ad Valorem Taxes		<u>\$ 49,110,000</u>
 Amounts Available in Debt Service Funds (as of 6-30-2023)		\$ 1,395,082
 Ratio Funded Debt to Net Taxable Assessed Valuation		3.85%

2023 Estimated Population - 24,214  
Per Capita Taxable Assessed Valuation - \$52,623  
Per Capita General Obligation Debt Payable from Ad Valorem Taxes - \$2,028

(1) Preliminary, subject to change.

**TABLE 2- TAXABLE ASSESSED VALUATIONS BY CATEGORY**

Category	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2023		2022		2021	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 1,225,821,551	83.66%	\$ 1,010,064,396	82.36%	\$ 771,406,675	78.30%
Real, Residential, Multi-Family	8,665,594	0.59%	7,434,510	0.61%	6,515,047	0.66%
Real, Vacant Lots/Tracts	15,176,102	1.04%	13,056,838	1.06%	12,177,636	1.24%
Real, Farm and Ranch Improvements	6,856,895	0.47%	8,315,197	0.68%	8,413,129	0.85%
Real, Commercial	110,949,603	7.57%	107,142,160	8.74%	107,853,308	10.95%
Real, Industrial	7,622,937	0.52%	6,893,039	0.56%	6,893,039	0.70%
Tangible, Non-business Vehicles	3,532,511	0.24%	2,820,603	0.23%	1,574,000	0.16%
Real and Tangible Personal, Utilities	6,946,137	0.47%	6,506,457	0.53%	5,509,299	0.56%
Tangible Personal, Commercial	52,568,435	3.59%	41,645,231	3.40%	41,167,195	4.18%
Tangible Personal, Industrial	9,254,574	0.63%	6,756,286	0.55%	6,769,921	0.69%
Tangible Personal, Other	298,884	0.02%	309,606	0.03%	236,709	0.02%
Special Inventory	-	0.00%	-	0.00%	-	0.00%
Real Property, Inventory	17,593,512	1.20%	15,528,688	1.27%	16,657,887	1.69%
Total Appraised Value Before Exemptions	\$ 1,465,286,735	100.00%	\$ 1,226,473,011	100.00%	\$ 985,173,845	100.00%
Less: Total Exemptions/Reductions	191,070,346		114,304,233		25,767,353	
Taxable Assessed Value	<u>\$ 1,274,216,389</u>		<u>\$ 1,112,168,778</u>		<u>\$ 959,406,493</u>	

Category	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2020		2019	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 736,069,701	77.74%	\$ 688,069,848	77.71%
Real, Residential, Multi-Family	6,809,020	0.72%	7,556,577	0.85%
Real, Vacant Lots/Tracts	12,851,205	1.36%	15,156,075	1.71%
Real, Farm and Ranch Improvements	8,880,842	0.94%	6,084,188	0.69%
Real, Commercial	97,082,052	10.25%	92,325,672	10.43%
Real, Industrial	6,893,039	0.73%	6,509,179	0.74%
Tangible, Non-business Vehicles	2,210,217	0.23%	2,978,468	0.34%
Real and Tangible Personal, Utilities	5,042,636	0.53%	4,010,879	0.45%
Tangible Personal, Commercial	41,454,602	4.38%	39,433,775	4.45%
Tangible Personal, Industrial	9,080,451	0.96%	12,271,585	1.39%
Tangible Personal, Other	236,709	0.03%	235,736	0.03%
Special Inventory	-	0.00%	4,836	0.00%
Real Property, Inventory	20,175,409	2.13%	10,834,609	1.22%
Total Appraised Value Before Exemptions	\$ 946,785,883	100.00%	\$ 885,471,427	100.00%
Less: Total Exemptions/Reductions	26,065,944		29,122,035	
Taxable Assessed Value	<u>\$ 920,719,939</u>		<u>\$ 856,349,392</u>	

NOTE: Valuations shown are certified taxable assessed values reported by the Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

**TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY**

Fiscal Year Ended 9-30	Estimated City Population <sup>(1)</sup>	Net Taxable Assessed Valuation <sup>(2)</sup>	Per Capita Taxable Assessed Valuation	Funded Tax Debt	Per Capita Funded Tax Debt	Ratio Tax Debt to Taxable Assessed Valuation
2019	20,000	\$ 856,349,392	\$ 42,817	\$ 25,595,000	\$ 1,280	2.99%
2020	20,000	920,719,939	46,036	24,920,000	1,246	2.71%
2021	20,000	959,406,493	47,970	24,080,000	1,204	2.51%
2022	20,000	1,112,168,778	55,608	23,195,000	1,160	2.09%
2023	24,214	1,274,216,389	52,623	48,195,000 <sup>(3)</sup>	1,990 <sup>(3)</sup>	3.78% <sup>(3)</sup>

(1) Source: City Staff.

(2) As reported by the Appraisal District on the City’s annual State Property Tax Reports and excludes total exemptions and reductions; subject to change during the ensuing year.

(3) Includes the Certificates. Preliminary, subject to change.

**TABLE 4- TAX RATE, LEVY AND COLLECTION HISTORY**

Fiscal Year Ended 9-30	Tax Rates	General Fund	Interest and Sinking Fund	Tax Levy	% of Current Collections	% of Total Collections
2019	\$ 0.491756	\$ 0.366035	\$ 0.125721	\$ 4,191,468	98.90%	99.10%
2020	0.595340	0.390814	0.204526	5,460,549	98.88%	99.39%
2021	0.602607	0.403519	0.199088	5,818,546	99.31%	99.58%
2022	0.565503	0.389950	0.175553	6,249,606	99.36%	99.64%
2023	0.524390	0.371331	0.153059	6,659,147	98.50% <sup>(1)</sup>	98.50% <sup>(1)</sup>

(1) Collections as of 6/30/2023.

**TABLE 5 - TEN LARGEST TAXPAYERS**

Name of Taxpayer	Nature of Property	2022/2023 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Wal-Mart Stores Inc.	Retail Store	\$ 23,764,983	1.87%
SCF RC Funding IV LLC	Medical Clinic	14,443,449	1.13%
JAF-Paso Partners LP	Retail Store	8,809,000	0.69%
Bain Enterprises Ltd.	Equipment	7,407,997	0.58%
Munoz Trucking Inc.	Shipping/Freight	4,815,910	0.38%
JJA Munoz Dist Inc.	Shipping/Freight	4,600,031	0.36%
AMO Enterprises Inc.	Grocery Store	4,280,000	0.34%
El Paso Electric Co.	Electric Utility	3,646,940	0.29%
HA El Paso Holdings LLC	Commercial Building	3,511,100	0.28%
Air Systems Components	Equipment	3,266,071	0.26%
		<u>\$ 78,545,481</u>	<u>6.16%</u>

**GENERAL OBLIGATION DEBT LIMITATION.** . . No general obligation debt limitation is imposed on the City under current State law; however, see "THE CERTIFICATES -- Tax Rate Limitation."

**TABLE 6 - ESTIMATED OVERLAPPING DEBT**

Expenditures of the various taxing entities within the territory of the City are paid out of ad valorem taxes levied by such entities on properties within the City. Such entities are independent of the City and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax obligations (“Tax Debt”) was developed from information contained in “Texas Municipal Reports” published by the Municipal Advisory Council of Texas. Except for the amounts relating to the City, the City has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional Tax Debt since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional Tax Debt, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the City.

Taxing Jurisdiction	2022/2023 Taxable Assessed Valuation	2022/2023 Tax Rate	Total Tax Debt	Estimated % Applicable	Direct and Overlapping Tax Debt As of 5-31-23	Authorized But Unissued Debt As Of As of 5-31-23
Town of Horizon City	\$ 1,274,216,389	\$ 0.524390	\$ 49,110,000 <sup>(1)</sup>	100.00%	\$ 49,110,000 <sup>(1)</sup>	\$ -
El Paso County	56,036,752,465	0.426000	247,590,199	2.16%	5,347,948	-
El Paso County Hospital Dist.	57,989,141,420	0.135000	309,920,000	2.16%	6,694,272	-
Clint ISD	57,989,141,420	1.323000	144,995,635	39.05%	56,620,795	-
Horizon Regional MUD	2,042,206,102	0.468700	97,614,985	66.43%	64,845,635	227,735,000
Socorro ISD	14,871,068,475	1.274800	769,086,593	2.35%	18,073,535	-
Total Direct and Overlapping Tax Debt					<u>\$ 200,692,185</u>	
Ratio of Direct and Overlapping Tax Debt to Taxable Assessed Valuation . . . . .					15.75%	
Per Capita Overlapping Tax Debt . . . . .					\$ 10,692.75	

(1) Includes the Certificates. Preliminary, subject to change.

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## DEBT INFORMATION

**TABLE 7 - PRO-FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS**

Fiscal Year Ending 9-30	Outstanding General Obligation Debt Service			The Certificates <sup>(1)</sup>			Grand Total Requirements	% of Principal Retired
	Principal	Interest	Total	Principal	Interest	Total		
2023	\$ 915,000	\$ 947,400	\$ 1,862,400	\$ -	\$ -	\$ -	\$ 1,862,400	
2024	950,000	910,820	1,860,820	-	1,365,936	1,365,936	3,226,756	
2025	990,000	872,840	1,862,840	-	1,425,325	1,425,325	3,288,165	
2026	1,030,000	833,263	1,863,263	-	1,425,325	1,425,325	3,288,588	
2027	1,080,000	788,385	1,868,385	635,000	1,425,325	2,060,325	3,928,710	11.40%
2028	1,120,000	741,310	1,861,310	670,000	1,390,400	2,060,400	3,921,710	
2029	1,170,000	697,473	1,867,473	705,000	1,353,550	2,058,550	3,926,023	
2030	1,160,000	649,825	1,809,825	745,000	1,314,775	2,059,775	3,869,600	
2031	1,210,000	598,925	1,808,925	785,000	1,273,800	2,058,800	3,867,725	
2032	1,265,000	545,825	1,810,825	830,000	1,230,625	2,060,625	3,871,450	31.07%
2033	1,315,000	492,200	1,807,200	875,000	1,184,975	2,059,975	3,867,175	
2034	1,370,000	439,600	1,809,600	925,000	1,136,850	2,061,850	3,871,450	
2035	1,425,000	384,800	1,809,800.00	975,000	1,085,975	2,060,975	3,870,775	
2036	1,480,000	327,800	1,807,800.00	1,025,000	1,032,350	2,057,350	3,865,150	
2037	1,545,000	268,600	1,813,600.00	1,085,000	975,975	2,060,975	3,874,575	55.55%
2038	1,605,000	206,800	1,811,800.00	1,145,000	916,300	2,061,300	3,873,100	
2039	660,000	142,600	802,600.00	1,205,000	853,325	2,058,325	2,860,925	
2040	685,000	116,200	801,200.00	1,270,000	787,050	2,057,050	2,858,250	
2041	710,000	88,800	798,800.00	1,340,000	717,200	2,057,200	2,856,000	
2042	740,000	60,400	800,400.00	1,415,000	643,500	2,058,500	2,858,900	77.49%
2043	770,000	30,800	800,800.00	1,495,000	565,675	2,060,675	2,861,475	
2044	-	-	-	1,575,000	483,450	2,058,450	2,058,450	
2045	-	-	-	1,660,000	396,825	2,056,825	2,056,825	
2046	-	-	-	1,755,000	305,525	2,060,525	2,060,525	
2047	-	-	-	1,850,000	209,000	2,059,000	2,059,000	96.03%
2048	-	-	-	1,950,000	107,250	2,057,250	2,057,250	100.00%
	<u>\$ 23,195,000</u>	<u>\$ 10,144,665</u>	<u>\$ 33,339,665</u>	<u>\$ 25,915,000</u>	<u>\$ 23,606,286</u>	<u>\$ 49,521,286</u>	<u>\$ 82,860,951</u>	

(1) Preliminary, subject to change.

**TABLE 8 - INTEREST AND SINKING FUND BUDGET PROJECTION**

Tax Supported Debt Service Requirements, Fiscal Year Ending 9-30-2023 . . . . .		\$ 1,862,400
Interest and Sinking Fund Balance, 9-30-2022 . . . . .	\$ 194,900	
Budgeted Interest and Sinking Fund Tax Levy . . . . .	<u>1,865,294</u>	<u>\$ 2,060,194</u>
Estimated Balance, 9-30-2023 . . . . .		<u><u>\$ 197,794</u></u>

**TABLE 9 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS**

The City has no authorized but unissued general obligation bonds. However, the City may incur non-voter approved debts payable from or secured by its collection of taxes and other sources of revenue, including certificates of obligation, tax notes, public property finance contractual obligations, and leases for various purposes.

**TABLE 10 - OTHER OBLIGATIONS**

The City entered into a master lease agreement with Enterprise Fleet Management Trust for the use of vehicles needed for the public safety and code enforcement departments. The City also entered into a lease agreement for the use of headquarters space for the Town of Horizon City Type 4B Economic Development Corporation.

Annual debt service for the lease obligations is as follows:

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

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

**ANTICIPATED ISSUANCE OF ADDITIONAL DEBT . . .** After the issuance of the Certificates, the City does not anticipate the issuance of additional debt payable from ad valorem taxes in the next 12 months.

**PENSION FUND . . .** The City participates as one of 901 plans in the defined cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities.

For the Fiscal Year ending September 30, 2022, the City reported that its net pension liability related to TMRS was \$1,396,712. The City’s net pension liability was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. For more information about the City’s net pension liability (including the method and assumptions used to determine such liability), please see “APPENDIX B – Excerpts from the City’s Annual Financial Report for the Year Ended September 30, 2022” in the Notes to Financial Statements at “EMPLOYEE PENSION PLAN”.

**OTHER POST-EMPLOYMENT BENEFITS . . .** The City offers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF), which is administered by the Texas Municipal Retirement System (TMRS). The SDBF is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The SDBF covers both active and retiree benefits with no segregation of assets, and therefore, doesn’t meet the definition of a trust under GASB Statement 75 and as such the SDBF is considered to be an unfunded OPEB plan. The retiree portion of the SDBF is considered a single employer, defined benefit OPEB plan.

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

For the Fiscal Year ending September 30, 2022, the City reported that its total OPEB liability was \$88,744. The City’s total OPEB liability was measured as of December 31, 2021, and the total OPEB liability was determined by an actuarial valuation as of that date. For more information about the City’s OPEB liability (including the method and assumptions used to determine such liability), please see “APPENDIX B – Excerpts from the City’s Annual Financial Report for the Year Ended September 30, 2022” in the Notes to Financial Statements at “POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)”.

**FINANCIAL INFORMATION**

**TABLE 11 - CHANGES IN NET ASSETS – GOVERNMENTAL ACTIVITIES**

	Fiscal Year Ended September 30,				
	2022	2021	2020	2019	2018
<b>Revenues:</b>					
<u>Program Revenues</u>					
Charges for Services	\$ 1,476,756	\$ 1,174,620	\$ 1,418,551	\$ 1,514,826	\$ 1,444,416
Operating Grants and Contributions	350,428	774,055	308,892	110,670	200,522
Capital Grants and Contributions	-	-	5,981	374,343	16,801,161
<u>General Revenues</u>					
Ad Valorem Tax	6,275,736	5,445,896	5,798,183	4,244,293	3,841,313
Sales Tax	3,764,911	3,413,723	2,839,601	2,336,819	2,183,949
Franchise Tax	600,601	510,877	477,785	408,427	404,497
Mixed Drink Tax					
Investment Earnings	86,859	48,069	292,193	296,248	97,937
Unrealized Gain (Loss) on Investment	(87,893)	-	-	-	-
Grants & Contributions (Unrestricted)					
Miscellaneous	51,919	41,948	31,623	83,796	54,709
<b>Total Revenues</b>	<u>\$ 12,519,317</u>	<u>\$ 11,409,188</u>	<u>\$ 11,172,809</u>	<u>\$ 9,369,422</u>	<u>\$ 25,028,504</u>
<b>Expenses:</b>					
General government	\$ 1,335,316	\$ 1,326,482	\$ 1,105,951	\$ 1,115,226	\$ 883,670
Public services	494,671	624,085	338,511	325,102	263,499
Public works	412,716	342,664	325,369	404,928	269,164
Community development	2,223,799	2,374,273	2,138,083	1,682,980	652,492
Public safety	3,653,211	3,184,447	3,102,284	3,830,138	2,708,450
Municipal court	250,749	240,712	272,650	328,482	235,626
Parks and recreation	856,547	425,848	438,174	363,857	359,524
Planning	227,748	537,074	294,592	329,267	215,556
Code enforcement	220,065	218,278	194,784	247,065	173,921
Storm water	245,348	226,180	76,261	62,187	30,315
Executive	36,559	41,770	39,107	41,326	37,709
Finance	550,551	437,846	411,409	393,741	292,860
Information Technology	360,096	332,962	282,962	116,439	6,322
Bond issuance costs	-	-	-	208,056	-
Interest on long-term debt	1,073,166	1,096,750	1,204,297	715,189	554,587
<b>Total Expenses</b>	<u>\$ 11,940,542</u>	<u>\$ 11,409,371</u>	<u>\$ 10,224,434</u>	<u>\$ 10,163,983</u>	<u>\$ 6,683,695</u>
Excess (Deficiency) Before Transfers	\$ 578,775	\$ (183)	\$ 948,375	\$ (794,561)	\$ 18,344,809
Special Item: Loss on Disposal of Assets	\$ -	\$ -	\$ (25,034)	\$ 1,755	\$ -
Change in Net Position	<u>\$ 578,775</u>	<u>\$ (183)</u>	<u>\$ 923,341</u>	<u>\$ (792,806)</u>	<u>\$ 18,344,809</u>
Net Position - Beginning Balance	35,053,900	35,054,083	34,130,742	34,923,548	16,578,739
Net Position - Ending Balance	<u>\$ 35,632,675</u>	<u>\$ 35,053,900</u>	<u>\$ 35,054,083</u>	<u>\$ 34,130,742</u>	<u>\$ 34,923,548</u>



**TABLE 11A - GENERAL FUND REVENUES AND EXPENDITURE HISTORY**

Revenues	Fiscal Year Ended September 30,				
	2022	2021	2020	2019	2018
Property Taxes	\$ 4,089,473	\$ 3,551,606	\$ 3,737,739	\$ 3,114,495	\$ 2,782,409
Sales Taxes	2,526,011	2,288,601	1,902,051	1,567,813	1,464,645
Franchise Taxes	600,601	510,877	477,785	408,427	404,497
Fines and Warrants	223,303	207,250	188,447	241,326	287,697
License and Permits	755,145	499,138	779,444	819,077	718,527
Charges for Services	498,308	468,232	450,660	454,423	438,192
Interest Income	27,053	22,246	76,433	94,404	43,373
Unrealized gain (loss) on investments	(83,125)	-	-	-	-
Contributions	-	-	5	200	2,400
Other Income	22,837	38,267	57,189	75,717	54,709
Total Revenues	<u>\$ 8,659,606</u>	<u>\$ 7,586,217</u>	<u>\$ 7,669,753</u>	<u>\$ 6,775,882</u>	<u>\$ 6,196,449</u>
<u>Expenditures</u>					
General Government	\$ 628,065	\$ 645,546	\$ 555,329	\$ 665,105	\$ 633,968
Public Services	432,339	379,800	326,009	316,746	255,902
Public Works	401,424	317,566	302,939	287,160	272,131
Community Development	487,333	436,057	431,850	381,423	276,699
Public Safety	3,228,455	2,776,366	2,735,313	2,558,157	2,502,038
Municipal Court	246,280	227,697	254,535	240,972	242,058
Parks and Recreation	572,594	323,573	396,428	326,335	327,811
Planning	201,048	389,592	262,642	253,651	220,704
Code Enforcement	208,122	197,669	179,814	176,082	171,515
Storm water	99,028	79,860	43,586	40,261	8,389
Information Technologies	349,592	311,224	275,732	86,795	6,322
Finance	532,472	427,566	403,695	329,832	295,287
Executive	36,559	41,770	39,107	41,326	37,709
Debt service	240,281	167,729	149,732	100,488	-
Capital outlay	445,127	186,046	501,355	907,208	161,054
Total Expenditures	<u>\$ 8,108,719</u>	<u>\$ 6,908,061</u>	<u>\$ 6,858,066</u>	<u>\$ 6,711,541</u>	<u>\$ 5,411,587</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 550,887</u>	<u>\$ 678,156</u>	<u>\$ 811,687</u>	<u>\$ 64,341</u>	<u>\$ 784,862</u>
<u>Other Financing Sources (Uses):</u>					
Interfund Transfers	\$ (325,500)	\$ -	\$ (125,277)	\$ (407,274)	\$ (429,498)
Insurance Proceeds					
Capital Lease Proceeds	166,614	13,147	188,134	521,055	-
Excess (Deficiency) of Revenues and Other Financing Sources	<u>\$ 392,001</u>	<u>\$ 691,303</u>	<u>\$ 874,544</u>	<u>\$ 178,122</u>	<u>\$ 355,364</u>
Beginning Fund Balance	\$ 4,906,200	\$ 4,214,897	\$ 3,340,353	\$ 3,162,231	\$ 2,806,867
Prior Year Adjustments	\$ -	\$ -	\$ -	\$ -	\$ -
Ending Fund Balance	<u><u>\$ 5,298,201</u></u>	<u><u>\$ 4,906,200</u></u>	<u><u>\$ 4,214,897</u></u>	<u><u>\$ 3,340,353</u></u>	<u><u>\$ 3,162,231</u></u>

**TABLE 12 - MUNICIPAL SALES TAX HISTORY**

The City imposes and levies a 1% Local Sales and Use Tax within the City pursuant to the Municipal Sales and Use Tax Act, Chapter 321, Texas Tax Code; the proceeds are credited to the General Fund and are not pledged to the payment of the Certificates. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly. Revenues from this source, for the years shown, has been:

Fiscal Year Ended 9-30	Total Collected	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita
2019	\$ 2,336,819	55.75%	\$ 0.2729	\$ 116.84
2020	2,839,601	52.00%	0.3084	141.98
2021	3,413,723	58.67%	0.3558	170.69
2022	3,764,911	60.24%	0.3385	188.25
2023	2,876,383 <sup>(1)</sup>	43.19%	0.2257	118.79

Source: Town of Horizon City Official  
(1) As of 6/30/2023

**FINANCIAL POLICIES . . .** See Appendix B – Excerpts from the City’s Annual Financial Report for the year ended September 30, 2022, Notes to Financial Statements.

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

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

Measurement Focus, Basis of Accounting and Basis of Presentation . . . The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, generally including the reclassification or elimination of internal activity (between or within funds). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Property taxes are recognized as revenues in the year for which they are levied.

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

Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. Exceptions to this general rule include principal and interest on all general long-term debt, which is recognized when due.

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

**INVESTMENTS**

The City invests its investable funds in investments authorized by Texas law in accordance with investment policies approved by the City Council. Both State law and the City’s investment policies are subject to change.

**LEGAL INVESTMENTS . . .** Under State law and subject to certain limitations, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations issued and secured by a federal agency or instrumentality of the United

States; (4) other obligations unconditionally guaranteed or insured by the State of Texas or the United States or their respective agencies and instrumentalities; (5) “A” or better rated obligations of states, agencies, counties, cities, and other political subdivisions of any state; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) federally insured interest-bearing bank deposits, brokered pools of such deposits, and collateralized certificates of deposit and share certificates; (8) fully collateralized U.S. government securities repurchase agreements; (9) one-year or shorter securities lending agreements secured by obligations described in clauses (1) through (7) above or (11) through (14) below or an irrevocable letter of credit issued by an “A” or better rated state or national bank; (10) 270-day or shorter bankers’ acceptances, if the short-term obligations of the accepting bank or its holding company are rated at least “A-1” or “P-1”; (11) commercial paper rated at least “A-1” or “P-1”; (12) SEC-registered no-load money market mutual funds that are subject to SEC Rule 2a-7; (13) SEC-registered no-load mutual funds that have an average weighted maturity of less than two years; (14) “AAA” or “AAAam”-rated investment pools that invest solely in investments described above; and (15) in the case of bond proceeds, guaranteed investment contracts that are secured by obligations described in clauses (1) through (7) above and, except for debt service funds and reserves, have a term of 5 years or less.

The City may not, however, invest in (1) interest only obligations, or non-interest bearing principal obligations, stripped from mortgage-backed securities; (2) collateralized mortgage obligations that have a remaining term that exceeds 10 years; and (3) collateralized mortgage obligations that bear interest at an index rate that adjusts opposite to the changes in a market index. In addition, the City may not invest more than 15 percent of its monthly average fund balance (excluding bond proceeds and debt service funds and reserves) in mutual funds described in clause (13) above or make an investment in any mutual fund that exceeds 10% of the fund’s total assets.

Except as stated above or inconsistent with its investment policy, the City may invest in obligations of any duration without regard to their credit rating, if any. If an obligation ceases to qualify as an eligible investment after it has been purchased, the City is not required to liquidate the investment unless it no longer carries a required rating, in which case the City is required to take prudent measures to liquidate the investment that are consistent with its investment policy.

**INVESTMENT POLICIES . . .** Under State law, the City is required to adopt and annually review written investment policies and must invest its funds in accordance with its policies. The policies must identify eligible investments and address investment diversification, yield, maturity, and the quality and capability of investment management. For investments whose eligibility is rating dependent, the policies must adopt procedures to monitor ratings and liquidate investments if and when required. The policies must require that all investment transactions settle on a delivery versus payment basis. The City must adopt a written investment strategy for each fund group to achieve investment objectives in the following order of priority: (1) suitability, (2) preservation and safety of principal, (3) liquidity, (4) marketability, (5) diversification, and (6) yield.

State law requires the City’s investments be made “with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived.” The City is required to perform an annual audit of the management controls on investments and compliance with its investment policies and provide regular training for its investment officers.

**TABLE 13 - CURRENT INVESTMENTS**

As of June 30, 2023, the City’s investable funds were invested in the following categories:

Security Type	Market Value	Book Value	% of Total
Certificates of Deposit	\$ 2,570,514.00	\$ 2,570,514.00	100.0%
Total	<u>\$ 2,570,514.00</u>	<u>\$ 2,570,514.00</u>	<u>100.0%</u>

All investments will mature within 24 months, and the market value of the investments is approximately 100.00% of its purchase price.

## TAX MATTERS

**TAX EXEMPTION.** . . The delivery of the Certificates is subject to the opinion of Norton Rose Fulbright US LLP, Bond Counsel, to the effect that interest on the Certificates for federal income tax purposes (1) will be excludable from gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of such opinion (the "Code"), pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals. The form of Bond Counsel's opinion is reproduced in Appendix C. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change.

In rendering the foregoing opinion, Bond Counsel will rely upon representations and certifications of the City made in a certificate dated the date of delivery of the Certificates pertaining to the use, expenditure, and investment of the proceeds of the Certificates and will assume continuing compliance by the City with the provisions of the Ordinance subsequent to the issuance of the Certificates. The Ordinance contains covenants by the City with respect to, among other matters, the use of the proceeds of the Certificates and the facilities financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Certificates are to be invested, the periodic calculation and payment to the United States Treasury of "arbitrage" profits from the investment of proceeds and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Certificates to be includable in the gross income of the owners thereof from the date of the issuance of the Certificates.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the City described above. No ruling has been sought from the Internal Revenue Service (the "IRS") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on tax-exempt obligations. If an audit of the Certificates is commenced, under current procedures the IRS is likely to treat the City as the "taxpayer," and the owners of the Certificates would have no right to participate in the audit process.

In responding to or defending an audit of the tax-exempt status of the interest on the Certificates, the City may have different or conflicting interests from the owners of the Certificates. Public awareness of any future audit of the Certificates could adversely affect the value and liquidity of the Certificates during the pendency of the audit, regardless of its ultimate outcome.

Except as described above, Bond Counsel expresses no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Certificates. Prospective purchasers of the Certificates should be aware that the ownership of tax-exempt obligations such as the Certificates may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, corporations subject to the alternative minimum tax on adjusted financial statement income, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust ("FASIT"), and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

For taxable years beginning after 2022, the Code imposes a minimum tax of 15 percent of the adjusted financial statement income of certain large corporations, generally consisting of corporations (other than S corporations, regulated investment companies and real estate investment trusts) with more than \$1 billion in average annual adjusted financial statement income, determined over a three-year period. For this purpose, adjusted financial statement income generally consists of the net income or loss of the taxpayer set forth on the taxpayer's applicable financial statement for the taxable year, subject to various adjustments, but is not reduced for interest earned on tax-exempt obligations, such as the Certificates. Prospective purchasers that could be subject to this minimum tax should consult with their own tax advisors regarding the potential impact of owning the Certificates.

Existing law may change to reduce or eliminate the benefit to bondholders of the exclusion of interest on the Certificates from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Certificates. Prospective purchasers of the Certificates should consult with their own tax advisors with respect to any proposed or future changes in tax law.

**TAX ACCOUNTING TREATMENT OF DISCOUNT AND PREMIUM ON CERTAIN CERTIFICATES . . .** The initial public offering price of certain Certificates (the "Discount Certificates") may be less than the amount payable on such Certificates at maturity. An amount equal to the difference between the initial public offering price of a Discount Certificate (assuming that a substantial amount of the Discount Certificates of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Certificate. A portion of such original issue discount allocable to the holding period of such Discount Certificate by the initial purchaser will, upon the disposition of such Discount Certificate (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Certificates described above under "Tax Exemption." Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Certificate, taking into account the semiannual compounding of accrued interest, at the

yield to maturity on such Discount Certificate and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during the tax year.

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, corporations subject to the alternative minimum tax on adjusted financial statement income, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Certificate by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Certificate in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Certificate was held) is includable in gross income.

Owners of Discount Certificates should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Certificates for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Certificates. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Certificates may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The purchase price of certain Certificates (the "Premium Certificates") paid by an owner may be greater than the amount payable on such Certificates at maturity. An amount equal to the excess of a purchaser's tax basis in a Premium Certificate over the amount payable at maturity constitutes premium to such purchaser. The basis for federal income tax purposes of a Premium Certificate in the hands of such purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Certificate. The amount of premium that is amortizable each year by a purchaser is determined by using such purchaser's yield to maturity (or, in some cases with respect to a callable Certificate, the yield based on a call date that results in the lowest yield on the Certificate).

Purchasers of the Premium Certificates should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Certificates for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Certificates.

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## CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Certificates. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB").

**ANNUAL REPORTS . . .** The City will provide certain updated financial information and operating data to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under Tables numbered 1 through 5 and 7 through 13 and in Appendix B. The City will update and provide the information in Tables 1 through 5 and 7 through 13 within six months after the end of each fiscal year ending in and after 2023. The City will additionally provide audited financial statements when and if available, and in any event, within 12 months after the end of each fiscal year ending in or after 2023. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the City will file unaudited financial statements within such 12 month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available. Financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation. The City may provide updated information in full text or may incorporate by reference documents available on EMMA or filed with the U.S. Securities and Exchange Commission (the "SEC"). While the City will not be obligated to provide financial statements until twelve months after fiscal year end, it intends to attempt to do so within six months after year end.

The City's current fiscal year end is September 30. Accordingly, the City must provide the information under Tables numbered 1 through 5 and 7 through 13 by March 31 in each year and the audited financial statements (or unaudited financial statements if audited financial statements are not available) by September 30 of each year. If the City changes its fiscal year, it will notify the MSRB of the change.

**NOTICE OF CERTAIN EVENTS . . .** The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Certificates, to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates; (7) modifications to rights of holders of the Certificates, if material; (8) Certificate calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the City (as defined by the Rule, which includes certain debt, debt-like, and debt-related obligations), if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such financial obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such financial obligation of the City, any of which reflect financial difficulties. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under "Annual Reports."

For these purposes, any event described in (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City. Additionally, the City intends the words used in events (15) and (16) of the preceding paragraphs and the definition of "financial obligation" in these events to have the same meanings as when they are used in the Rule, as evidenced by SEC Release No. 34-83885, dated August 20, 2018.

**AVAILABILITY OF INFORMATION . . .** The City has agreed to provide the foregoing information only as described above. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at [www.emma.msrb.org](http://www.emma.msrb.org).

**LIMITATIONS AND AMENDMENTS . . .** The City has agreed to update information and to provide notices of certain events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Certificates at any future date. The City disclaims any contractual or tort liability for

damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Certificates may seek a writ of mandamus to compel the City to comply with its agreement.

The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Certificates in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the respective outstanding Certificates consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized Bond Counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Certificates. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent a purchaser from lawfully purchasing or selling Certificates in the primary offering of the Certificates. If the City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

**COMPLIANCE WITH PRIOR UNDERTAKINGS.** . . . During the past five years, the City has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

## **OTHER INFORMATION**

### **RATINGS**

The Certificates and certain of the presently outstanding tax supported debt of the City are rated "A+" by S&P Global Ratings, a division of S&P Global, Inc. ("S&P"), without regard to credit enhancement. An explanation of the significance of the rating may be obtained from the company furnishing the rating. The rating reflects only the view of such organization and the City makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that they will not be revised downward or withdrawn entirely by the rating company, if in the judgment of the company, circumstances so warrant. Any such downward revision or withdrawal of such rating, may have an adverse effect on the market price of the Certificates.

### **LITIGATION**

It is the opinion of the City Attorney and City Staff that there is no pending litigation against the City that would have a material adverse financial impact upon the City or its operations.

### **REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE**

The sale of the Certificates has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Certificates have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Certificates been qualified under the securities acts of any jurisdiction. The City assumes no responsibility for qualification of the Certificates under the securities laws of any jurisdiction in which the Certificates may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Certificates shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

### **LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS**

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Certificates are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Certificates by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Certificates be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency. See "Other Information - Ratings" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Certificates are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

No representation is made that the Certificates will be acceptable to public entities to secure their deposits or acceptable to such institutions for investment purposes. The City has made no investigation of other laws, rules, regulations or investment criteria which might apply to any such persons or entities or which might otherwise limit the suitability of the Certificates for any of the foregoing purposes or limit the authority of such persons or entities to purchase or invest in the Certificates for such purposes.

#### **LEGAL MATTERS**

The City will furnish to the Initial Purchaser a complete transcript of proceedings had incident to the authorization and issuance of the Certificates including the unqualified approving legal opinion of the Attorney General of Texas approving the Initial Certificate and to the effect that the Certificates are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Certificates will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein. The customary closing papers, including a certificate of the City as described under "OTHER INFORMATION - Certification of the Official Statement" will also be furnished to the Initial Purchaser. Though it represents the Financial Advisor and investment banking firms such as the Initial Purchaser from time to time in matters unrelated to the issuance of the Certificates, Bond Counsel has been engaged by and only represents the City in connection with the issuance of the Certificates. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Notice of Sale and Bidding Instructions, the Official Bid Form and the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Certificates in the Official Statement to verify that such description conforms to the provisions of the Ordinance. The form of Bond Counsel's opinion is attached hereto as Appendix C. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Certificates are contingent on the sale and delivery of the Certificates. The legal opinion will accompany the Certificates deposited with DTC or will be printed on the Certificates in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon by Winstead PC, San Antonio, Texas, as disclosure counsel. Though they represent the Financial Advisor and certain underwriters from time to time in matters unrelated to the issuance of the Certificates, disclosure counsel has been engaged by and only represents the City.

The various legal opinions to be delivered concurrently with the delivery of the Certificates express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

#### **FINANCIAL ADVISOR**

Hilltop Securities Inc. is employed as Financial Advisor to the City in connection with the issuance of the Certificates. The Financial Advisor's fee for services rendered with respect to the sale of the Certificates is contingent upon the issuance and delivery of the Certificates. Hilltop Securities Inc. will not submit a bid for the Certificates, either independently or as a member of a syndicate organized to submit a bid for the Certificates. Hilltop Securities Inc., in its capacity as Financial Advisor, has relied on the opinion of Bond Counsel and has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Certificates, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor to the City has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the City and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

#### **INITIAL PURCHASER OF THE CERTIFICATES**

After requesting competitive bids for the Certificates, the City accepted the bid of \_\_\_\_\_ (the "Initial Purchaser") to purchase the Certificates at the interest rates shown on page 2 of this Official Statement at a price of \$ \_\_\_\_\_. The Initial Purchaser can give no assurance that any trading market will be developed for the Certificates after their sale by the City to the Initial Purchaser. The initial yields shown on page 2 of this Official Statement will be established by and are the sole responsibility of the Initial Purchaser and may subsequently be changed at the sole discretion of the Initial Purchaser. The City has no control over the determination of the initial yields and has no control over the prices at which the Certificates are sold in the secondary market.

**CERTIFICATION OF THE OFFICIAL STATEMENT . . .** At the time of payment for and delivery of the Certificates, the City will furnish the Initial Purchaser a certificate, executed by an authorized representative of the City, acting in such person's representative capacity, to the effect that to the best of such person's knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in the Official Statement, and any addenda, supplement or amendment thereto, on the date of the Official Statement, on the date of sale of the Certificates and the acceptance of the best bid therefor, and on the date of the



delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, the Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the City, and their activities contained in the Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the City since the date of the last audited financial statements of the City.

**FORWARD-LOOKING STATEMENTS DISCLAIMER**

The statements contained in this Official Statement, and in any other information provided by the City, that are not purely historical, are forward-looking statements, including statements regarding the City's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements. The City's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

**MISCELLANEOUS**

The financial data and other information contained herein have been obtained from the City's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete understatement of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

The Ordinance will approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and will authorize its further use in the reoffering of the Certificates by the Initial Purchaser

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Mayor  
Town of Horizon City, Texas

ATTEST:

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City Clerk  
Town of Horizon City, Texas

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**APPENDIX A**

GENERAL INFORMATION REGARDING THE CITY

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## THE CITY

**LOCATION AND HISTORY . . .** The Town of Horizon City (the “City”) is located in far West Texas in El Paso County, Texas 17 miles east of the City of El Paso, close to the international boundary between the United States and the Republic of Mexico, and is the lowest altitude, all-weather pass through the Rocky Mountains. It is approximately equidistant from the Cities of Houston, Texas, Denver, Colorado, and Los Angeles, California.

**PARKS. . .** The City has three parks it maintains for public use. Horizon Mesa Park, located off Desert Mist Drive in the northeast portion of the City, includes playground equipment, green area and walking path. Desmond Corcoran Park, located off Rodman Street and Veny Webb Street in the central portion of the City, includes a lighted baseball diamond, soccer field, basketball court, playground equipment and covered picnic area. Golden Eagle Park, located off Golden Eagle Drive, next to Frank Macias Elementary School is located in the southeastern portion of the City, includes a walking path, green area and playground equipment.

**UTILITIES . . .** The City does not manage or provide Utilities services to its residents. Water, sewer and trash service is provided by Horizon Regional Municipal Utility District, electric service is provided by El Paso Electric Company, and gas service is provided by Texas Gas Service.

**EDUCATION . . .** The City is served by the Clint Independent School District and the Socorro Independent School District. Schools in the City include:

- Horizon High School (9<sup>th</sup> to 12<sup>th</sup>)
- Horizon Middle School (6<sup>th</sup> to 8<sup>th</sup>)
- Ricardo Estrada Junior High School (6<sup>th</sup> to 8<sup>th</sup>)
- Carroll T. Welch Intermediate School (Pre- K to 5<sup>th</sup>)
- Desert Hills Elementary School (Pre-K to 5<sup>th</sup>)
- Frank Macias Elementary School (Pre-K to 5<sup>th</sup>)
- Region 19 Head Start
- Eastlake High School (9<sup>th</sup> to 12<sup>th</sup>)
- Col. John O. Ensor Middle School (6<sup>th</sup> to 8<sup>th</sup>)
- Horizon Heights Elementary School (Pre-K to 5<sup>th</sup>)
- Dr. Sue Shook Elementary School (Pre-K to 5<sup>th</sup>)

Many excellent junior colleges, colleges and universities are located within the area. Among these are: El Paso Community College (City of El Paso, Texas); University of Texas at El Paso (City of El Paso, Texas); New Mexico State University (Las Cruces, New Mexico); Sul Ross State College (Alpine, Texas); Western New Mexico University (Silver City, New Mexico); New Mexico School of Mines (Socorro, New Mexico); Eastern New Mexico University (Portales, New Mexico); and New Mexico Military Institute (Roswell, New Mexico).

The University of Texas at El Paso (the “University”) was established in 1914, and attracts thousands of visitors to seminars, conferences, convocations, sport contests and other events. The University offers degrees in nine schools: Engineering, Business Administration, Science, Education, Health Sciences, Liberal Arts, Nursing, Pharmacy School and Graduate. At the University, 23,880 students were enrolled in the school for the Fall 2022 semester including in undergraduate and graduate programs with both full-time and part-time attending status.

The Texas Tech University Health Sciences Center (the “Health Sciences Center”) is an educational multi-campus institution created under Chapter 110 of the Texas Education Code and is governed by the Texas Tech University Board of Regents. The Health Sciences Center's administrative center is located in Lubbock, Texas. Currently, the Health Sciences Center located in the City of El Paso includes the Paul L. Foster School of Medicine at El Paso, the Gayle Greve Hunt School of Nursing, and the Graduate School of Biomedical Sciences. In addition, approval was given to open the Woody L. Hunt School of Dental Medicine in 2021.

El Paso County Community College, which offers a range of studies for both daytime and evening classes, had a Fall 2021 enrollment of 25,483.

**AGRICULTURE . . .** Agriculture is an important activity in El Paso County, with crop production in the lowlands and livestock in upland areas. Major farm products include beef and dairy cattle, cotton, alfalfa, grain, pecans, onions, forage and peppers. As reported in the Texas Almanac, the average annual income from El Paso County farm products sold is about \$45.5 million.

EMPLOYMENT STATISTICS <sup>(1)</sup>

Civilian Labor Force	El Paso County				
	Average Annual				June
	2019	2020	2021	2022	2023
Total Employment	348,712	335,061	341,151	350,323	358,831
Total Unemployment	13,870	29,318	22,692	14,535	16,890
Percentage Unemployed	3.8%	8.3%	6.2%	4.0%	4.5%

(1) Source: Texas Workforce Commission, Labor Market Information Department.

**APPENDIX B**

EXCERPTS FROM THE  
TOWN OF HORIZON CITY, TEXAS  
ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2022

The information contained in this Appendix consists of excerpts from the Town of Horizon City, Texas Annual Financial Report for the Year Ended September 30, 2022, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

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## **INDEPENDENT AUDITORS' REPORT**

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

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Town of Horizon City, Texas (“the Town”) as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise Town of Horizon City, Texas’ basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Town of Horizon City, Texas, as of September 30, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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

#### ***Responsibilities of Management for the Financial Statements***

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

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

(Continued)

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

**Report on the Audit of the Financial Statements (Continued)**

***Auditors' Responsibilities for the Audit of the Financial Statements***

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

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

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

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

(Continued)

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

**Report on the Audit of the Financial Statements (Continued)**

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension related information and other post-employment benefit related information on Pages 1 through 15 and 73 through 86 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Horizon City, Texas' basic financial statements. The combining aggregate non-major fund financial statements on Pages 87 and 88 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining aggregate non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining aggregate non-major fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

(Continued)

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

***Other Reporting Required by Governmental Auditing Standards***

In accordance with *Governmental Auditing Standards*, we have also issued our report dated April 25, 2023, on our consideration of the Town of Horizon City, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Horizon City, Texas's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Horizon City, Texas's internal control over financial reporting and compliance.

SBNG, PC

El Paso, Texas  
April 25, 2023

**TOWN OF HORIZON CITY, TEXAS**

**STATEMENT OF NET POSITION**

**Year Ended September 30, 2022**

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

(Continued)

**TOWN OF HORIZON CITY, TEXAS**

**STATEMENT OF NET POSITION  
(CONTINUED)**

**Year Ended September 30, 2022**

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

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

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

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

**TOWN OF HORIZON CITY, TEXAS**

**STATEMENT OF ACTIVITIES**

**Year Ended September 30, 2022**

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

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

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

September 30, 2022

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

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



**TOWN OF HORIZON CITY, TEXAS**

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

**Year Ended September 30, 2022**

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

Amounts reported in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds:

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

Pension related deferred inflows and outflows are not due and payable in the current period, and are not available to pay current period expenditures, therefore, are not reported in the governmental funds:

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

Certain property tax revenues will be collected after year-end but are not available soon enough to pay for the current period expenditures and, therefore, are deferred on the modified accrual basis in governmental funds:

Deferred property taxes	122,697
-------------------------	---------

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

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

Some liabilities applicable to the Town's governmental activity are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position:

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

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

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

TOWN OF HORIZON CITY, TEXAS

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

Year Ended September 30, 2022

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

(Continued)

TOWN OF HORIZON CITY, TEXAS

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

Year Ended September 30, 2022

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

(Continued)

**TOWN OF HORIZON CITY, TEXAS**

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

Year Ended September 30, 2022

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

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

**TOWN OF HORIZON CITY, TEXAS**

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

**Year Ended September 30, 2022**

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

Amounts reported in the statement of activities are different because:

Governmental funds report capital outlays as expenditures;  
however, in the government-wide statements, the cost of those  
assets are depreciated over their estimated useful lives:

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

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

Change in deferred property taxes	3,267
-----------------------------------	-------

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

Leases	(166,614)
--------	-----------

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

1,181,363

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

238,909

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

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

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

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

## TOWN OF HORIZON CITY, TEXAS

### NOTES TO FINANCIAL STATEMENTS

#### **ORGANIZATION AND OPERATIONS**

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

The accounting and reporting framework and the more significant accounting principles and practices of the Town of Horizon City, Texas are discussed in subsequent sections of the notes to the financial statements. The remainder of the notes to the financial statements are organized to provide explanations including required disclosures of the Town’s financial activities for the fiscal year ended September 30, 2022.

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

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

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

(Continued)

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Blended Component Units –**

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

*Tax Increment Reinvestment Zone #1 (“TIRZ”)* – Established in 2020 and receives 100% of the Town’s portion of the tax increment and a percentage of the tax increment that each taxing unit elects to dedicate to TIRZ, which is then used to foster new development in the Town. TIRZ is reported as a blended component unit because the majority of the governing body consists of members from the Town’s Council. TIRZ’s activities are reporting in the Town’s governmental activities as a special revenue fund. The Corporation’s fiscal year ends on September 30.

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

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

(Continued)

**TOWN OF HORIZON CITY, TEXAS**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Measurement Focus, Basis of Accounting, and Financial Statement Presentation – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, generally including the reclassification or elimination of internal activity (between or within funds). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Property tax revenues are recognized in the year for which they are levied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt, which is recognized when due.

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

In addition to assets and liabilities, the government fund balance sheet and the government-wide statement of net position may report separate sections of deferred outflows of resources and deferred inflows of resources. Accounting policies regarding deferred outflows and inflows of resources are explained on Page 36.

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

(Continued)



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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fund Accounting (Continued) –

The Town reports the following major governmental funds:

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

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

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

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

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

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

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

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

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

(Continued)

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fund Accounting (Continued) –

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

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

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

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

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

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

(Continued)

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

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

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

(Continued)

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Property Tax Calendar – The Town is responsible for the assessment, collection, and apportionment of property taxes. The Council levies property taxes on October 1. The certified tax roll from El Paso Central Appraisal District reflected an adjusted taxable value of \$1,104,122,001 for the year ended September 30, 2022. Taxes are due upon receipt of the tax bill and are delinquent if not paid by January 31 of the year following in which levied. On January 1 of each year, a tax lien attaches to property to secure the payment of tax revenues, penalties and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable in the current period. The Town’s 2021-2022 tax rate was \$.565503, per \$100 of assessed valuation. The Town incurred expenditures of \$77,920 for the services provided by El Paso Central Appraisal District for the year ended September 30, 2022.

Grants and Contracts Receivable – Grants and contracts receivable are stated at net realizable value. In determining whether to record an allowance for doubtful accounts, management makes a judgmental determination based on an evaluation of the facts and circumstances related to each account. On September 30, 2022, management determined all outstanding grants and contracts receivable to be fully collectable. Accordingly, no grants and contracts receivable allowance has been established.

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

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

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

Buildings and improvements	40
Right-to-use buildings	40
Machinery and equipment	7
Right-to-use vehicles	7
Office furniture and equipment	5-7
Infrastructure	25

(Continued)

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

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

Deferred Outflows of Resources and Deferred Inflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period which will not be recognized as an outflow of resources until that time. Deferred inflows of resources represent an acquisition of net position that applies to a future period which will not be recognized as an inflow of resources until that time. For the year ended September 30, 2022, the Town recognized deferred outflows of resources and deferred inflows of resources on its government-wide financial statements that were related to pension and other post-employment benefit plans. The fund basis financial statements include deferred inflows of resources related to unavailable property tax revenues.

(Continued)

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Nonspendable fund balance – amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained. On September 30, 2022, nonspendable fund balance consisted of prepaid expenses in the amount of \$63,366.

Restricted fund balance – amounts that can be spent only for specific purposes because of constraints imposed by external providers (such as grantors). Restricted fund balance in the amount of \$504,384 at September 30, 2022 represents amounts mandated by the State of Texas, the detail of which can be found on Page 64.

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

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

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

Net Position – Net position is displayed in three components:

- 1) Invested in capital assets, net of related debt – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of borrowings that are attributable to the acquisition, construction, or improvement of those assets.

(Continued)

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Net Position (Continued) –

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

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

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

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

Allowance for Doubtful Accounts – Accounts receivable are stated net of an allowance for doubtful accounts. Management periodically evaluates the collectability of its accounts receivable. The allowance for doubtful accounts amounted to \$769 at September 30, 2022.

(Continued)

**TOWN OF HORIZON CITY, TEXAS**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**ACCOUNTING CHANGES**

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

**DEPOSITS AND INVESTMENTS**

***Cash and Cash Equivalents***

At September 30, 2022, the reported amount of the Town’s deposits was \$19,395,830 and the bank balance was \$19,392,922. These deposits are held in deposit accounts, money market funds, and intergovernmental investment pools. Cash held in the Capital Improvement Fund in the amount of \$9,788,935 has been committed through Town Ordinance to be used in infrastructure projects. Cash held in the Economic Development Fund in the amount of \$1,103,850 has been committed through Town Council Ordinance to be used in economic development projects. Cash held in the General Fund totaling \$591,264 has been committed as a stabilization amount through charter requirements. There are other balances other than cash that have been committed through Council Ordinances.

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

Category 1 consists of “active” funds – those funds required to be kept in “cash” or “near cash” status for immediate use by the Town. Such funds must be maintained as cash, withdrawable on demand, including negotiable order of withdrawal (NOW) accounts. At September 30, 2022, all deposits held by the Town were classified as Category 1.

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

(Continued)



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

**DEPOSITS AND INVESTMENTS (Continued)**

***Cash and Cash Equivalents (Continued)***

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

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

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

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

*Custodial Credit Risk* - Bank deposits were insured by the FDIC up to \$250,000. Money market funds are insured by the SPIC up to \$500,000. The Town has an investment policy which requires collateralization for bank deposits, certificates of deposits, and repurchase agreements. Management evaluates the exposure to credit risk for deposits exceeding the amount insured by the FDIC and SIPC by comparing the amounts of cash on-hand to collateral funds. On September 30, 2022, pledged collateral funds securing the Town’s deposits had a fair market value of \$6,131,796, which exceeded the combined bank balance for WestStar Bank of \$5,535,365.

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

(Continued)

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

**DEPOSITS AND INVESTMENTS (Continued)**

***Cash and Cash Equivalents (Continued)***

*Intergovernmental Investment Pools* - LOGIC is a local government investment pool organized and existing as a business trust under the laws of the State of Texas with all participant funds and all investment assets held and managed in trust by a Board of Trustees for the benefit of the participants. The units in LOGIC have not been registered under the Securities Act of 1933, as amended, or any state securities law. Its general investment objective is safety of principal, liquidity in accordance with the operating requirements of the participants, and a competitive rate of return. The portfolio seeks to maintain a net asset value of \$1.00 per unit and is designed to be used for investment of funds which may be needed at any time. LOGIC's Board of Trustees has determined, in good faith, that it is in the best interests of the portfolio and the unitholders to maintain a stable net asset value of \$1.00 per unit, by virtue of utilization of the amortized cost method which generally approximates the market value of the assets and has been deemed to be a proxy for fair value. The portfolio will continue to use this method only so long as the Board believes that it fairly reflects the market-based net asset value per unit. Units of LOGIC are currently rated "AAAm" by Standard & Poor's. Further information is available at the LOGIC website [www.logic.org](http://www.logic.org). The Town held \$5,278,976 in LOGIC at September 30, 2022. The Town's investment policy does not require deposits in intergovernmental investment pools to be collateralized.

***Investments***

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

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

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

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

(Continued)

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

**DEPOSITS AND INVESTMENTS (Continued)**

*Investments (Continued)*

Investments consist of the following at September 30, 2022:

	<u>Category</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
General Fund	A	\$3,234,185	\$3,234,185
Federal Grants Fund	A	524,056	524,056
Street Maintenance Fund	A	211,946	211,946
Debt Service Fund	A	73,027	73,027
Economic Development Fund	A	844,827	844,827
Aggregate Non-Major Funds	A	<u>61,224</u>	<u>61,224</u>
Total		<u>\$4,949,265</u>	<u>\$4,949,265</u>

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

*Concentration of Credit Risk* - The Town shall not invest more than 50% of its total deposits and investments with a single issuer, except for intergovernmental investment pools. At September 30, 2022, the Town had the following investments in single issuers representing more than five percent of the total investments on-hand (excluding intergovernmental investment pools):

Issuer A	\$ 249,335
Issuer B	248,373
Issuer C	248,045
Issuer D	250,494
Issuer E	403,911
Issuer F	248,125
Issuer G	272,900
Issuer H	407,628
Issuer I	254,620
Issuer J	287,706
Issuer K	283,465
Issuer L	<u>516,305</u>
Total	<u>\$3,670,907</u>

(Continued)

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

**PROPERTY TAX AND OTHER RECEIVABLES**

Property tax and other receivables consist of the following at September 30, 2022:

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

**GRANTS RECEIVABLE**

Grants receivable arise from amounts due to the Town from granting agencies for allowable expenditures not reimbursed at year-end. Grants receivable consisted of the following at September 30, 2022:

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

**INTERFUND RECEIVABLES AND PAYABLES**

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

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

(Continued)

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

**INTERFUND RECEIVABLES AND PAYABLES (Continued)**

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

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

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

**CAPITAL ASSETS**

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

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

(Continued)

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

**CAPITAL ASSETS (Continued)**

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

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

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

(Continued)

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

**DEFERRED REVENUE**

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

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

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

**LONG-TERM DEBT**

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

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

(Continued)

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

**LONG-TERM DEBT (Continued)**

***Compensated absences***

The Town’s leave policy allows employees to accumulate paid time off up to 80 hours per year with a maximum accumulation of 800 hours. Upon termination, any accumulated paid time off will be paid to the employee. As of September 30, 2022, employees had approximately 13,279 hours of accumulated paid-time-off.

Total accrued compensated absences \$343,246

***Intergovernmental payable - CRRMA construction liability (Direct Borrowings)***

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

\$3,576,744

(Continued)



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

**LONG-TERM DEBT (Continued)**

***Intergovernmental payable - CRRMA construction liability (Direct Borrowings) (Continued)***

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

<b><u>Year Ending</u></b> <b><u>September 30,</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total Debt</u></b> <b><u>Service</u></b>
2023	\$	\$ 128,440	\$ 128,440
2024		168,241	168,241
2025		212,359	212,359
2026	136,352	124,416	260,768
2027	193,184	117,470	310,654
2028-2032	1,765,358	417,610	2,182,968
2033-2036	<u>1,481,850</u>	<u>47,182</u>	<u>1,529,032</u>
Totals	<u>\$3,576,744</u>	<u>\$1,215,718</u>	<u>\$4,792,462</u>

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

The Town issued \$750,000 of Public Improvement Revenue Bonds, Series 2005 to finance the cost of rehabilitation and improvements to infrastructure. Interest only payments are due at an interest rate of 3.95% from date of issuance through February 23, 2007. Varying principal and interest payments are due semi-annually beginning August 15, 2007 through August 2029. \$ 325,000

The Town issued \$14,675,000 of Combination Tax and Revenue Bonds, Series 2014 to finance the cost of rehabilitation and improvements to infrastructure. Interest only payments are due at 4% of face value from the date of issuance through February 2017. Interest rate varies from 3.25% to 4.0% over the term of the bonds. Varying principal and interest payments are due semi-annually beginning August 15, 2017 through August, 2038. The original bond issue included a \$532,500 offering premium to be amortized over the life of the bond. The effective yield rate is approximately 3.65%. 11,815,000

(Continued)

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

**LONG-TERM DEBT (Continued)**

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

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

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

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

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2023	\$ 915,000	\$ 947,401	\$ 1,862,401
2024	950,000	910,820	1,860,820
2025	990,000	872,831	1,862,831
2026	1,030,000	833,262	1,863,262
2027	1,080,000	788,384	1,868,384
2028-2032	5,925,000	3,233,364	9,158,364
2033-2037	7,135,000	1,913,000	9,048,000
2038-2042	4,400,000	614,800	5,014,800
2043	<u>770,000</u>	<u>30,800</u>	<u>800,800</u>
Totals	<u>\$23,195,000</u>	<u>\$10,144,662</u>	<u>\$33,339,662</u>

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

(Continued)

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

**LONG-TERM DEBT (Continued)**

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

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

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

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

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

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

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

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

(Continued)

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

**LONG-TERM DEBT (Continued)**

*Leases*

The Town entered into a master lease agreement with Enterprise Fleet Management Trust for the use of vehicles needed for the public safety and code enforcement departments. Management estimates that up to 33 vehicles will be leased over a period of five years. During the year ended September 30, 2019, the Town had entered into 16 lease contracts with similar terms and conditions. The original leased principal for these 16 agreements is \$521,055. At September 30, 2020, the Town had entered into 6 additional lease contracts. The original leased principal for the additional 6 agreements is \$188,134. At September 2021, the Town terminated one of the prior leases and entered into one lease that replaced the old agreement. The original leased principal for the new lease is \$35,565. During the year ended September 30, 2022, the Town entered into 5 additional lease agreements. The original leased principal for the 5 agreements is \$166,614. The agreements have varying monthly payments, which range from \$299 to \$842, and include implicit interest rates varying from 6.40% to 14.94% per annum. The lease agreements' maturity dates vary from September 2023 to August 2027 and are secured by vehicles.

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

The Town entered into a lease agreement for the use of headquarters space for the Town of Horizon City Type 4B Economic Development Corporation. The lease agreement has a term of twenty-five months and may be renewed for an additional twenty-five month period. The agreement was extended two additional years beginning April 2021 at a rate of \$3,000 per month. The Town also extended its lease agreement for the court and police department building through June 30, 2023, at a rate of \$5,000 per month through June 30, 2022, and increases to \$5,500 per month through June 30, 2023. The implicit interest rates for these leases are 0.18% and 0.23%, respectively.

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

(Continued)

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

**LONG-TERM DEBT (Continued)**

*Leases (Continued)*

Annual debt service for the lease obligations is as follows:

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

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

**EMPLOYEE PENSION PLAN**

Plan Description – The Town participates as one of 901 plans in the defined cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Comprehensive Annual Financial Report (Annual Report) that can be obtained at [tmrs.com](http://tmrs.com).

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

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

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

(Continued)

**TOWN OF HORIZON CITY, TEXAS**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**EMPLOYEE PENSION PLAN (Continued)**

**Benefits (Continued)** – The Town’s city-financed monetary credits are composed of prior service credits and current service credits. Prior service credit, granted by each city joining TMRS, is a monetary credit equal to the accumulated value of the percentage of prior service credit, current service credit and updated service credit adopted times an employee’s deposits that would have been made, based on the average salary prior to participation, for the number of months the employee has been employed, accruing 3% annual interest, and including the matching ratio adopted by the city. On August 2021, the Town elected to offer restricted prior service credit.

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

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

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

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

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

***Employees Covered by Benefit Terms***

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

(Continued)

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

**EMPLOYEE PENSION PLAN (Continued)**

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

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

- Employees of the Town were required to contribute 5% of their annual gross earnings during the fiscal year 2022. The contribution rates for the Town were 5.75% and 5.72% in calendar years 2021 and 2022, respectively, for both the defined cash-balance pension plan and the Supplemental Death Benefits Fund. The Town’s contributions to TMRS were \$237,022 during the year ended September 30, 2022. Contributions to the supplemental benefit funds are only recognized when benefits are paid. There were no payments made from the supplemental benefits fund during the year ended September 30, 2022.

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

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

Net Pension Liability – The "Net Pension Liability" ("NPL") is the difference between the "Total Pension Liability" ("TPL") and the Plan's Fiduciary Net Position" ("FNP") at the December 31, 2021 valuation and measurement date. The TPL is the present value of pension benefits that are allocated to current members due to past service by entry age normal actuarial cost method. The TPL includes benefits related to projected salary and service. The FNP is determined on the same basis used by the pension plans.

(Continued)

**TOWN OF HORIZON CITY, TEXAS**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**EMPLOYEE PENSION PLAN (Continued)**

Net Pension Liability (Continued) – The Total Pension Liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

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

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

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

(Continued)



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

**EMPLOYEE PENSION PLAN (Continued)**

Net Pension Liability (Continued) – The long-term expected rate of return on pension plan investments was determined by weighting the expected return for each major asset class by the respective target asset allocation percentage. The target allocation and best estimates of real rates of return for each major asset class in plan year 2021 are summarized in the following table:

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

Significant assumptions and units used to measure net pension liability are summarized in the following table:

<b><u>Net Pension Liability/ (Asset)</u></b>	<b><u>December 31, 2021</u></b>
Total pension liability	\$3,018,566
Fiduciary net position	<u>1,621,854</u>
Net pension liability/(asset)	<u>\$1,396,712</u>
Fiduciary net position as a percentage of total pension liability	53.73%
Pensionable covered payroll	\$3,669,425
Net pension liability as a percentage of covered payroll	38.06%
Discount rate	6.75%
Long-term expected rate of return, net of investment expense	6.75%
Municipal bond rate (1)	1.84%

(Continued)

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

**EMPLOYEE PENSION PLAN (Continued)**

Net Pension Liability (Continued) –

- (1) The rate is based on the Fidelity Index’s “20-Year Municipal GO AA Index” daily rate closest to but not later than December 31, 2021.

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

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

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

A schedule of Changes in Net Pension Liability and Related Ratios, in addition to the information above, includes multi-year trend information and is presented in the Required Supplementary Information section and can be found on page 81 of this report.

(Continued)

**TOWN OF HORIZON CITY, TEXAS**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**EMPLOYEE PENSION PLAN (Continued)**

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

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

***Pension Plan Fiduciary Net Position***

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

Net Pension Expense – Pension expense for the year ended September 30, 2022, is recognized by the Town as follows:

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

(Continued)

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

**EMPLOYEE PENSION PLAN (Continued)**

***Pension Plan Fiduciary Net Position (Continued)***

Net Pension Expense (Continued) – As of September 30, 2022, the deferred outflows and inflows of resources related to the pension are as follows:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Contributions made subsequent to measurement date	\$173,660	\$
Changes in pension assumptions		1,037
Difference between actual and expected pension experience	7,477	60,218
Difference between expected and actual investment earnings	<u>          </u>	<u>72,626</u>
Total	<b><u>\$181,137</u></b>	<b><u>\$133,881</u></b>

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

**Year Ending December 31,**

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

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

(Continued)

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

**POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS**

Plan Description – The Town offers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF), which is administered by the Texas Municipal Retirement System (TMRS). The SDBF is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The SDBF covers both active and retiree benefits with no segregation of assets, and therefore, doesn’t meet the definition of a trust under GASB Statement 75 and as such the SDBF is considered to be an unfunded OPEB plan. The retiree portion of the SDBF is considered a single employer, defined benefit OPEB plan.

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

At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

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

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

Total OPEB Liability – The total OPEB liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Methods and Assumptions

Inflation	2.50%
Salary increases	3.50% to 11.50%, including inflation
Discount rate (1)	1.84%

(Continued)

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

**POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)**

Total OPEB Liability (Continued) –

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

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

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

(Continued)

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

**POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)**

Schedule of Changes in Total OPEB Liability – The change in the reported OPEB liability for the measurement period ended December 31, 2021 is as follows:

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

Sensitivity Analysis – The following presents the Total OPEB liability of the Town, calculated using the discount rate of 1.84%, as well as what the Town’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (0.84%) or one percentage point higher (2.84%) than the current rate as of December 31, 2021:

	<b>1% Decrease in Discount Rate <u>(0.84%)</u></b>	<b>Current Discount Rate <u>(1.84%)</u></b>	<b>1% Increase in Discount Rate <u>(2.84%)</u></b>
Total OPEB liability	<u>\$114,011</u>	<u>\$88,744</u>	<u>\$70,113</u>

(Continued)

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

**POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)**

OPEB Expense – OPEB expense for the year ended September 30, 2022, is recognized by the Town as follows:

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

As of September 30, 2022, the deferred outflows and inflows of resources related to OPEB are as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in pension assumptions	\$17,625	\$(1,044)
Difference between actual and expected pension experience	<u>778</u>	<u>3,575</u>
Total	<u>\$18,403</u>	<u>\$2,531</u>

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

**Year Ending December 31,**

2022	\$ 1,643
2023	1,643
2024	1,643
2025	1,643
2026	1,643
Thereafter	<u>7,657</u>
	<u>\$15,872</u>

(Continued)



**TOWN OF HORIZON CITY, TEXAS**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES**

The Town recognizes certain deferred outflows of resources and deferred inflows of resources that are related to its participation in employee pension plans. At September 30, 2022, deferred outflows of resources with a balance of \$199,540 represented contributions to the employee benefit plan that were made subsequent to the latest Plan measurement date and differences between actual and expected pension experience to the Town's pension plan and other post-employment benefit plan. Deferred inflows of resources with a balance of \$136,412 represent changes in assumptions, differences between actual and expected pension experience, and differences between expected, and actual earnings to the Town's pension plan and other post-employment benefit plan.

Unavailable revenues in the amount of \$122,697 at September 30, 2022, represent property tax revenue received more than 60 days following year-end (unavailable to pay liabilities of the current period). Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Unavailable revenue received after 60 days is fully recognized as revenue on the government-wide statements. Unavailable revenue at the government-wide level arises only when the Town receives resources before it has a legal claim to them.

**RESTRICTED NET POSITION AND RESTRICTED FUND BALANCE**

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

PEG Capital Fund	\$144,900
Technology Fund	132,488
Security Fund	130,420
Children's Fund	71,199
Truancy	12,782
Time Payments	9,751
State and Local Grants	1,701
STDS	714
Jury Fund	254
Federal Grants	<u>175</u>
Total	<u>\$504,384</u>

(Continued)

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

**COMMITTED FUND BALANCE**

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

Capital Improvements Plan Fund	\$ 9,759,850
Economic Development	1,930,924
Street Construction and Maintenance	1,797,105
Stabilization by City Charter	591,264
Other Capital Improvements	394,175
Transportation Reinvestment Zone #2	<u>61,561</u>
Total	<u>\$14,534,879</u>

**DEFICIT FUND BALANCE**

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

(Continued)

**TOWN OF HORIZON CITY, TEXAS**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**RISK POOL**

The Town is exposed to various risks of loss related to torts; damage to, and theft or destruction of assets; errors and omissions; and natural disaster. Claims expenditures and liabilities are reported when it is probable that a loss has occurred, and the amounts of loss can be reasonably estimated. The Town is a participant in an intergovernmental risk pool for its workers' compensation, liability, and property insurance. Participants in this pool are required to pay "premiums" on the insurance selected. Should a loss occur, the Town is liable only for the deductible. The risk pool purchases reinsurance to cover future losses. At September 30, 2022, no claims were dismissed with Texas Municipal League – Intergovernmental Risk Pool.

Coverages provided are as follows:

Errors and omissions liability (per occurrence)	\$1,000,000
Law enforcement liability (per occurrence)	\$1,000,000
Automobile liability (each accident)	\$1,000,000
General liability (per occurrence)	\$1,000,000
Real and personal property liability	\$8,786,089
Information security and privacy liability	\$2,000,000
Flood and earthquake liability	\$1,500,000
Boiler and machinery liability	\$100,000
Mobile equipment liability	\$81,255
Public employee dishonesty liability	\$100,000
Forgery or alteration	\$100,000

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

**COMMITMENTS AND CONTINGENCIES**

**City of El Paso**

The Town entered into an interlocal agreement with the City of El Paso in which the Town will receive animal shelter service from the City. The period of the contract began on September 1, 2021 for a year and the contract automatically renews every year. The Town incurred costs of \$28,782 in animal shelter services provided by the City in 2022.

The Town entered into an interlocal agreement with the City of El Paso in which the Town will receive public health and environmental services from the City, including but not limited to providing food handling permits, disease control, immunization services, vector control, and air control. The period of the contract began on September 1, 2021 and ended on August 31, 2022. Total compensation for the public health and environmental services provided by the City was \$174,542 for the year ended September 30, 2022.

(Continued)

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

**COMMITMENTS AND CONTINGENCIES (Continued)**

**County of El Paso**

The Town entered into an interlocal agreement with the County of El Paso in which the Town received animal control services by and through the El Paso County Sheriff's Office. The period of the contract began on October 1, 2018 and ended on September 30, 2021. The agreement was renewed on October 1, 2021 and the Town incurred costs of \$49,392 under this contract for the year ended September 30, 2022. The new agreement ends on September 30, 2024.

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

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

**Town of Clint**

The Town entered into an interlocal agreement with the Town of Clint in which the Town will provide mosquito control services to the Town of Clint. The period of the contract began May 1, 2022 and ended on October 31, 2022 and is in the amount of \$23,393.

**Texas Department of Transportation**

On October 2021, the Town entered into two Local Transportation Project Advance Funding Agreements with TxDOT to provide access to federal funds for the construction of two Highway Safety Improvement Program Off-System infrastructure projects on North Kenazo and Darrington Road. The Town's responsibilities for these projects include utilities and right-of-way acquisition. Once the construction phase begins, TxDOT will pay for construction on behalf of Horizon. The Town's matching contributions for these projects are \$47,485 and \$86,704, respectively.

In December 2021, the Town entered into an Advance Funding Agreement with TxDOT to provide access to federal funds for the reconstruction of North Darrington Road. The Town's responsibility for this project is a local match, which has been estimated to be \$758,354.

(Continued)

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

**COMMITMENTS AND CONTINGENCIES (Continued)**

**Other Commitments**

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

The Town entered into an interlocal agreement with the El Paso Emergency Services District #1 ("ESD#1") in which the Town's public safety department will provide dispatching services to ESD#1, including but not limited to providing staff 24 hours a day, 7 days a week, to answer emergency services and dispatch responses for ESD#1 personnel. The original period of the contract began October 1, 2014 and ended September 30, 2015. The contract will be renewed every year unless both parties agree to terminate the agreement. Total compensation for the services provided by the Town during the year ended September 30, 2022 was \$116,892. The agreement requires the annual contract amount be revisited every year and approved by both parties.

The Town entered into an interlocal agreement with the El Paso Emergency Services District #2 ("ESD#2") in which the Town's public safety department will provide dispatching services to ESD#2, including but not limited to providing staff 24 hours a day, 7 days a week, to answer emergency services and dispatch responses for ESD#2 personnel. The original period of the contract began on March 1, 2015 and ended on September 30, 2015. The contract will be renewed every year unless both parties agree to terminate the agreement. Total compensation for the services provided by the Town during the year ended September 30, 2022 was \$361,304. The agreement requires the annual contract amount be revisited every year and approved by both parties.

The Town entered into an agreement with Elite Medical Transport in which the Town received emergency ambulance services. The period of the contract began on March 1, 2021 and expired on February 28, 2022. Contract was renewed on March 8, 2022 for a three year term, with two options to extend for an additional year. The renewed agreement establishes quarterly payments are to be made in the amount of \$41,175. The Town incurred costs of \$164,883 under this contract for the year ended September 30, 2022.

The Town entered into an agreement with Abescape Landscaping, LLC in which the Town received parks and grounds maintenance services. The period of the contract began on July 1, 2021 and expires on December 31, 2023. The total contract cost for the period of service is \$872,371. The Town incurred costs of \$332,846 under this contract for the year ended September 30, 2022.

(Continued)

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

**COMMITMENTS AND CONTINGENCIES (Continued)**

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

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

**Litigation**

The Town is party to various legal proceedings, which normally occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the Town and, therefore, no liability has been accrued at September 30, 2022.

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

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

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

In December 2020, the Town entered an agreement with El Paso County Emergency Services District #1 to assist the subcontractor with necessary expenditures incurred to provide emergency fire response due to the COVID-19 pandemic and any other necessary expenditures incurred due to the pandemic. The total amount of the agreement amounted to \$134,654 and the total amount was expended during the year ended September 30, 2021. Subsequently, the Town amended the agreement to provide additional funding in the amount of \$109,795.

(Continued)

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

**COMMITMENTS AND CONTINGENCIES (Continued)**

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

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

In March 2021, the Town entered an agreement with Elite Medical Transport of Texas, LLC for additional equipment to assist the subcontractor in response to the COVID-19 pandemic and any other necessary expenditures incurred to provide emergency ambulance response and related medical services due to the public health emergency with respect to the COVID-19 pandemic. The total amount of the agreement amounted to \$17,828.

The terms of the subcontractor agreements with original termination dates of December 2020 have been extended to December 2021 to reflect the amended term of the subrecipient grant agreement with the County of El Paso. The Town completed its expenditures of CARES Act funds on December 27, 2021.

**RELATED PARTY**

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

Reinvestment Zone Number One Town of Horizon City (“Zone”), Texas was established in 2020 and receives 100% of the Town’s portion of the tax increment and a percentage of the tax increment that each taxing unit elects to dedicate to the Zone. The Zone is reported as a blended component unit because the majority of the governing body consists of members from the Town’s Council. The Zone’s activities are reported in the Town’s governmental activities as a special revenue fund.

**FEDERAL AND STATE GRANTS**

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

(Continued)

## TOWN OF HORIZON CITY, TEXAS

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

#### NEW ACCOUNTING PRONOUNCEMENTS

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

In June 2018, GASB Statement No. 89, “*Accounting for Interest Cost Incurred before the End of a Construction Period,*” was issued. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. These changes were incorporated in the Town’s 2022 financial statements, but did not have an effect on the beginning net position.

In August 2018, GASB Statement No. 90, “*Majority Equity Interest – An Amendment of GASB No. 14 and No. 61,*” was issued. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government’s holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. These changes were incorporated in the Town’s 2022 financial statements, but did not have an effect on the beginning net position.

(Continued)



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

**NEW ACCOUNTING PRONOUNCEMENTS (Continued)**

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

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

**SUBSEQUENT EVENTS**

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

Subsequent events were evaluated through April 25, 2023, which is the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF HORIZON CITY, TEXAS**

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

**Year Ended September 30, 2022**

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

(Continued)

**TOWN OF HORIZON CITY, TEXAS**

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

**Year Ended September 30, 2022**

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

See notes to required supplementary information.

**TOWN OF HORIZON CITY, TEXAS**

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

**Year Ended September 30, 2022**

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

See notes to required supplementary information.

**TOWN OF HORIZON CITY, TEXAS**

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

**Year Ended September 30, 2022**

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

See notes to required supplementary information.

**TOWN OF HORIZON CITY, TEXAS**

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

**Year Ended September 30, 2022**

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

See notes to required supplementary information.

## TOWN OF HORIZON CITY, TEXAS

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

#### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

(Continued)



**TOWN OF HORIZON CITY, TEXAS**

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Estimated Resources – As part of the Town’s budgetary process, the Council approves the official estimated resources. The official estimated resources states the projected revenue of each fund. Prior to September 30, the Town must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the official estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about October 1, the estimated resources are amended to include any unencumbered balances from the preceding year. The estimated resources may be further amended during the year if Council determines that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statements reflect the amounts in the final amended official certificate of estimated resources issued during fiscal year ended September 30, 2022.

**BUDGET OVER-EXPENDITURES**

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

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

(Continued)

**TOWN OF HORIZON CITY, TEXAS**

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

**BUDGET OVER-EXPENDITURES (Continued)**

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

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

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

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

**TOWN OF HORIZON CITY, TEXAS**

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

**Years Ended December 31, 2012 through 2021**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>Years 2012 - 2017</u>
<b>Total Pension Liability</b>					
Service cost	\$ 283,280	\$ 267,525	\$ 246,651	\$ 227,568	\$N/A
Interest on total pension liability	184,748	156,655	134,423	111,226	N/A
Change in benefit terms				1,534,956	N/A
Difference between expected and actual experience	(24,523)	9,221	(52,221)		N/A
Change in assumptions			(1,415)		N/A
Benefit payments/refund of contributions	<u>(40,609)</u>	<u>(9,554)</u>	<u>(7,486)</u>	<u>(1,879)</u>	<u>N/A</u>
Net change in total pension liability	402,896	423,847	319,952	1,871,871	N/A
Total pension liability, beginning	<u>2,615,670</u>	<u>2,191,823</u>	<u>1,871,871</u>		<u>N/A</u>
Total pension liability, ending	<u>3,018,566</u>	<u>2,615,670</u>	<u>2,191,823</u>	<u>1,871,871</u>	<u>N/A</u>
<b>Fiduciary Net Position</b>					
Employer contributions	210,992	204,640	185,067	170,748	N/A
Employee contributions	183,471	173,718	157,907	145,689	N/A
Net investment income	147,641	53,618	49,203		N/A
Benefit payments/refund of contributions	(40,609)	(9,554)	(7,486)	(1,879)	N/A
Administrative expenses	(676)	(343)	(275)		N/A
Other	<u>5</u>	<u>(14)</u>	<u>(9)</u>		<u>N/A</u>
Net change in fiduciary net position	500,824	422,065	384,407	314,558	N/A
Fiduciary net position, beginning	<u>1,121,030</u>	<u>698,965</u>	<u>314,558</u>		<u>N/A</u>
Fiduciary net position, ending	<u>1,621,854</u>	<u>1,121,030</u>	<u>698,965</u>	<u>314,558</u>	<u>N/A</u>
 Net pension liability	 <u>\$ 1,396,712</u>	 <u>\$ 1,494,640</u>	 <u>\$ 1,492,858</u>	 <u>\$ 1,557,313</u>	 <u>\$N/A</u>
 Fiduciary net position as a percentage of total pension liability	 53.73%	 42.86%	 31.89%	 16.80%	 N/A
 Pensionable covered payroll	 \$ 3,669,425	 \$ 3,474,351	 \$ 3,158,143	 \$ 2,913,801	 \$N/A
 Net pension liability as a percentage of covered payroll	 38.06%	 43.02%	 47.27%	 53.45%	 N/A

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

See independent auditors' report.

**TOWN OF HORIZON CITY, TEXAS**  
**SCHEDULE OF PENSION CONTRIBUTIONS**  
**Years Ended September 30, 2013 through 2022**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>Years 2013 - 2017</u>
Actuarially determined contribution	\$ 233,010	\$ 205,449	\$ 199,168	\$ 181,876	\$ 122,493	\$N/A
Contributions in relation to the actuarially determined contribution	<u>237,022</u>	<u>208,933</u>	<u>202,931</u>	<u>184,048</u>	<u>123,956</u>	<u>N/A</u>
Contribution excess	<u>\$ (4,012)</u>	<u>\$ (3,484)</u>	<u>\$ (3,763)</u>	<u>\$ (2,172)</u>	<u>\$ (1,463)</u>	<u>\$N/A</u>
Covered payroll	\$ 4,120,982	\$ 3,549,524	\$ 3,385,938	\$ 3,103,685	\$ 2,090,333	\$N/A
Contributions as a percentage of covered payroll	5.75%	5.89%	5.99%	5.93%	5.93%	N/A

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

See notes to schedule of pension contributions.

**TOWN OF HORIZON CITY, TEXAS**

**NOTES TO SCHEDULE OF PENSION CONTRIBUTIONS**

**Year Ended December 31, 2021**

**VALUATION DATE**

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

Actuarial cost method	Entry age normal.
Amortization method	Level percentage of payroll, closed.
Remaining amortization period	22 years (longest amortization ladder)
Asset valuation method	10-year smoothed market; 12% soft corridor.
Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation.
Investment rate of return	6.75%
Retirement age	Experience-based table of rates specific to the Town's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 – 2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

**OTHER INFORMATION**

Notes	Adopted restricted prior service credit.
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**TOWN OF HORIZON CITY, TEXAS**

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

**Year Ended December 31, 2021**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>Years 2012 - 2017</u>
<b>Total Other Post-Employment Benefit ("OPEB") Liability</b>					
Service cost	\$ 13,210	\$ 10,423	\$ 6,632	\$ 6,993	\$N/A
Interest on total OPEB liability	1,564	1,420	1,316	1,016	N/A
Change in benefit terms				27,207	N/A
Difference between expected and actual experience	(975)	2,013	(4,826)		N/A
Change in assumptions	3,353	11,298	11,173		N/A
Benefit payments (1) (2)				(3,073)	N/A
Net change in total OPEB liability	17,152	25,154	14,295	32,143	N/A
Total OPEB liability, beginning	<u>71,592</u>	<u>46,438</u>	<u>32,143</u>		N/A
Total OPEB liability, ending	<u>\$ 88,744</u>	<u>\$ 71,592</u>	<u>\$ 46,438</u>	<u>\$ 32,143</u>	<u>\$N/A</u>
 Pensionable covered payroll	 \$3,669,425	 \$ 3,474,351	 \$ 3,158,143	 \$2,913,801	 \$N/A
Net pension liability as a percentage of covered payroll	2.42%	2.06%	1.47%	1.10%	N/A

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

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

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

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

**TOWN OF HORIZON CITY, TEXAS**

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

**Year Ended December 31, 2021**

**VALUATION DATE**

Notes December 31, 2021

**METHODS AND ASSUMPTIONS**

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

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

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

**TOWN OF HORIZON CITY, TEXAS**

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

**Year Ended September 30, 2022**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>Years 2013 - 2017</u>
Actuarially determined contribution	\$	\$	\$	\$	\$	\$N/A
Contributions in relation to the actuarially determined contribution	_____	_____	_____	_____	_____	N/A
Contribution deficiency (excess)	<u>\$</u> _____	<u>\$</u> _____	<u>\$</u> _____	<u>\$</u> _____	<u>\$</u> _____	<u>\$N/A</u>
Covered payroll	\$ 4,120,982	\$ 3,549,524	\$ 3,385,938	\$ 3,103,685	\$ 2,090,333	\$N/A
Contributions as a percentage of covered payroll	0%	0%	0%	0%	0%	N/A

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

See independent auditors' report.



**SUPPLEMENTARY INFORMATION**

TOWN OF HORIZON CITY, TEXAS

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

September 30, 2022

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

See independent auditors' report.

TOWN OF HORIZON CITY, TEXAS

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

Year Ended September 30, 2022

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

See independent auditors' report.

**AUDITORS' SECTION**

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Town of Horizon City, Texas as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise Town of Horizon City, Texas' basic financial statements and have issued our report thereon dated April 25, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Town of Horizon City, Texas' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Horizon City, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Horizon City, Texas' internal control.

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

(Continued)

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

**Report on Internal Control over Financial Reporting (Continued)**

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

**Report on Compliance and Other Matters**

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

**Purpose of this Report**

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

SBNG, PC

El Paso, Texas  
April 25, 2023

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

**I. SUMMARY OF AUDITORS' RESULTS**

1. The auditors' report expresses an unmodified opinion on the financial statements of Town of Horizon City, Texas.
2. No significant deficiencies or material weaknesses were reported in the audit of the financial statements of Town of Horizon City, Texas as reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of non-compliance material to the financial statements of Town of Horizon City, Texas, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

(Continued)

**TOWN OF HORIZON CITY, TEXAS**

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

**Year Ended September 30, 2022**

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

**Current Year Findings:** None.

**Prior Year Findings:** None.

See independent auditors' report.



**APPENDIX C**

FORM OF BOND COUNSEL'S OPINION

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[CLOSING DATE]

Norton Rose Fulbright US LLP  
2200 Ross Avenue, Suite 3600  
Dallas, Texas 75201-7932  
United States

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IN REGARD to the authorization and issuance of the “Town of Horizon City, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2023,” dated August 15, 2023, in the principal amount of \$[ ] (the “Certificates”), we have examined into their issuance by the Town of Horizon City, Texas (the “Town”), solely to express legal opinions as to the validity of the Certificates and the exclusion of the interest on the Certificates from gross income for federal income tax purposes, and for no other purpose. We have not been requested to investigate or verify, and we neither expressly nor by implication render herein any opinion concerning, the financial condition or capabilities of the Town, the disclosure of any financial or statistical information or data pertaining to the Town and used in the sale of the Certificates, or the sufficiency of the security for or the value or marketability of the Certificates.

THE CERTIFICATES are issued in fully registered form only and in denominations of \$5,000 or any integral multiple thereof (within a maturity). The Certificates mature on August 15 in each of the years specified in the ordinance adopted by the City Council of the Town authorizing the issuance of the Certificates (the “Ordinance”), unless redeemed prior to maturity in accordance with the terms stated on the Certificates. The Certificates accrue interest from the date, at the rates, and in the manner and interest is payable on the dates, all as provided in the Ordinance.

IN RENDERING THE OPINIONS herein we have examined and rely upon (i) original or certified copies of the proceedings relating to the issuance of the Certificates, including the Ordinance and an examination of the initial Certificate executed and delivered by the Town (which we found to be in due form and properly executed); (ii) certifications of officers of the Town relating to the expected use and investment of proceeds of the sale of the Certificates and certain other funds of the Town and (iii) other documentation and such matters of law as we deem relevant. In the examination of the proceedings relating to the issuance of the Certificates, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements contained in such documents and certifications.

BASED ON OUR EXAMINATIONS, IT IS OUR OPINION that, under the applicable laws of the United States of America and the State of Texas in force and effect on the date hereof:

1. The Certificates have been duly authorized by the Town and, when issued in compliance with the provisions of the Ordinance, are valid, legally binding and enforceable obligations of the Town, payable from an ad valorem tax levied, within the limits prescribed by law, upon all taxable property in the Town, and are additionally payable from and secured by a limited pledge of the Net Revenues (as defined in the Ordinance) of the System (as defined in the Ordinance) in the manner and to the extent provided in the Ordinance, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors’ rights or the exercise of judicial discretion in accordance with the general principles of equity.

Page 2 of Legal Opinion of Norton Rose Fulbright US LLP

Re: "Town of Horizon City, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2023"

2. Pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), and existing regulations, published rulings, and court decisions thereunder, and assuming continuing compliance after the date hereof by the Town with the provisions of the Ordinance relating to sections 141 through 150 of the Code, interest on the Certificates for federal income tax purposes (a) will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof, and (b) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals.

WE EXPRESS NO OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Certificates. Ownership of tax-exempt obligations such as the Certificates may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, corporations subject to the alternative minimum tax on adjusted financial statement income, owners of an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

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