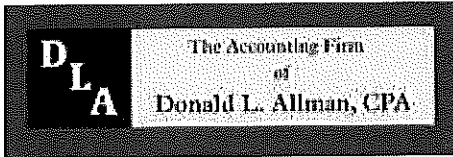


CITY OF HUBBARD, TEXAS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

CITY OF HUBBARD, TEXAS
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CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Hubbard, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hubbard, Texas, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Hubbard, Texas's 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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hubbard, Texas, as of September 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Hubbard, 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 City of Hubbard, Texas's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment 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 City of Hubbard, Texas's 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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Hubbard, Texas's 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-9 and 37-38 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2023, on our consideration of the City of Hubbard, 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 City of Hubbard, 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 the City of Hubbard, Texas internal control over financial reporting and compliance.

Donald L. Allman, CPA, P.C.



Georgetown, TX
April 4, 2023

MEMBER TEXAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS & AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
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Management's Discussion and Analysis City of Hubbard, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Hubbard's financial performance provides an overview and analysis of the City's financial activities for the fiscal year ended September 30, 2022. Please read it in conjunction with the independent Auditors' Report on page 1, and the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- The City's government-wide net position increased by \$237,629 as a result of the year's operations.
- The City's business-type activities net position increased by \$225,079 as a result of this year's operations, before transfers. The City's general fund activities net position increased by \$12,550 as a result of this year's operations, before transfers.
- Total revenues from all sources were \$2,369,077, a decrease of \$(281,930) from the prior year. This was primarily due to decreases in grant income.
- During the year, the City's cost of all programs was \$2,131,448, which represents an increase of \$244,608 from the prior year.
- At September 30, 2022, the City's governmental funds reported an ending balance of \$309,998, which represents a decrease of \$(31,522) from the prior year.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position (on page 9). These provide information about the activities of the City as a whole and present a longer-term view of the City's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 12) report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. For governmental activities, these statements tell how services were financed in short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and appropriations budget. Proprietary statements provide the same type of information as the government-wide financial statements, only in more detail.

The notes to the financial statements (starting of page 19) provide narrative explanations or additional data needed for full disclosure in the government-wide statements and the fund financial statements.

Management's Discussion and Analysis City of Hubbard, Texas

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the City's overall financial condition and operations begins on page 9, Its primary purpose is to show whether the City is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the City's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the City's operations during the year. These statements are presented using the accrual basis of accounting, which means that all of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the City's net position and changes in them. The City's net position (the difference between assets and liabilities) provide one measure of the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the City, however, you should consider non financial factors as well, such as changes in property tax base and condition of the City's facilities.

In the Statement of Net Position and the Statement of Activities, the City is divided into two kinds of activities.

Governmental activities – Most of the City's basic services are reported here, including police, and general government. Property taxes, sales taxes, and franchise fees finance most of these activities.

Business-type activities – The City charges a fee to customers to help cover all of most of the cost of certain services it provides. The City's water and sewer system activity are reported here.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by state law and by bond covenants. The City's two kinds of funds – governmental and proprietary – utilize different accounting approaches.

Management's Discussion and Analysis City of Hubbard, Texas

Governmental funds – The majority of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic service it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the city's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government's near-term financing decisions.

Proprietary funds – The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in Statement of Net Position and the Statement of Activities. In fact, The City's enterprise funds are identical to the business-type activities that are reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's combined net position was \$4,910,110 of September 30, 2022. When analyzing the net position and net expenses of governmental and business-type activities separately, the business type activities net position is \$3,688,554. The analysis focuses on net position (Table I) and general revenues and significant expenses of the City's governmental and business-type activities (Table II).

**Management's Discussion and Analysis
City of Hubbard, Texas**

Table I

NET POSITION

	Governmental Activities		Business-type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
	Current and other assets	\$ 390,587	\$ 476,053	\$ 392,562	\$ 757,129	\$ 783,149
Capital assets, net	894,559	964,125	5,852,006	5,832,796	6,746,565	6,796,921
Restricted assets	<u>70,998</u>	<u>-</u>	<u>371,777</u>	<u>-</u>	<u>442,775</u>	<u>-</u>
Total assets	<u>1,356,144</u>	<u>1,440,178</u>	<u>6,616,345</u>	<u>6,589,925</u>	<u>7,972,489</u>	<u>8,030,103</u>
Deferred Outflows of Resources	36,165	28,064	17,278	13,234	53,443	41,298
Current liabilities	59,368	59,997	457,263	170,012	516,631	230,009
Long-term liabilities	<u>51,358</u>	<u>90,835</u>	<u>2,458,624</u>	<u>3,036,279</u>	<u>2,509,982</u>	<u>3,127,114</u>
Total liabilities	<u>110,726</u>	<u>150,832</u>	<u>2,915,887</u>	<u>3,206,291</u>	<u>3,026,613</u>	<u>3,357,123</u>
Deferred Inflows of Resources	60,027	28,404	29,182	13,393	89,209	41,797
Net Position:						
Net Investment in Capital Assets	822,173	899,241	3,135,043	2,796,517	3,957,216	3,695,758
Restricted for:						
Debt service	22,826	334,223	348,443	60,477	371,269	394,700
Unrestricted	<u>376,557</u>	<u>55,542</u>	<u>205,068</u>	<u>526,481</u>	<u>581,625</u>	<u>582,023</u>
Total net position	<u><u>1,221,556</u></u>	<u><u>1,289,006</u></u>	<u><u>3,688,554</u></u>	<u><u>3,383,475</u></u>	<u><u>4,910,110</u></u>	<u><u>4,672,481</u></u>

**Management's Discussion and Analysis
City of Hubbard, Texas**

**Table II
CHANGE IN NET POSITION**

	Governmental		Business-type		Total	
	Activities		Activities		Primary	
	2022	2021	2022	2021	2022	2021
Revenues						
Program Revenues:						
Charges for services	\$ 112,928	\$ 203,328	\$ 967,064	\$ 981,736	\$ 1,079,992	\$ 1,185,064
General Revenues:						
Property tax	450,796	637,369	60,159	67,122	510,955	704,491
Sales tax	178,667	-	-	-	178,667	-
Franchise Tax	68,559	-	-	-	68,559	-
Hotel Tax & Alcohol	2,840	-	-	-	2,840	-
Court fines & fees	102,229	-	-	-	102,229	-
Grant income	17,500	18,407	380,514	668,880	398,014	687,287
Other income	6,732	10,679	18,723	63,486	25,455	74,165
Investment earnings	1,070	-	1,296	-	2,366	-
Total revenues	<u>941,321</u>	<u>869,783</u>	<u>1,427,756</u>	<u>1,781,224</u>	<u>2,369,077</u>	<u>2,651,007</u>
Expenses:						
General government	262,997	208,892	-	-	262,997	208,892
Public safety	416,482	345,501	-	-	416,482	345,501
Public works	114,514	126,588	-	-	114,514	126,588
Court expenses	88,096	112,574	-	-	88,096	112,574
Parks and recreation	43,993	83,525	-	-	43,993	83,525
Grant expenses	-	-	147,596	-	147,596	-
Interest expense	2,689	3,518	100,483	92,416	103,172	95,934
Water and sewer	-	-	954,598	913,826	954,598	913,826
Total expenses	<u>928,771</u>	<u>880,598</u>	<u>1,202,677</u>	<u>1,006,242</u>	<u>2,131,448</u>	<u>1,886,840</u>
Increase in net position						
Before transfer	12,550	(10,815)	225,079	774,982	237,629	764,167
Transfers	(80,000)	-	80,000	-	-	-
Increase in net position	<u>(67,450)</u>	<u>(10,815)</u>	<u>305,079</u>	<u>774,982</u>	<u>237,629</u>	<u>764,167</u>
Net position - beginning	1,289,006	1,299,821	3,383,475	2,608,493	4,672,481	3,908,314
Prior Period Adjustment	-	-	-	-	-	-
Net position - ending	<u>1,221,556</u>	<u>1,289,006</u>	<u>3,688,554</u>	<u>3,383,475</u>	<u>4,910,110</u>	<u>4,672,481</u>

Management's Discussion and Analysis City of Hubbard, Texas

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

A large portion of the City's net position (80%) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (7.5%) represents resources that are subject to external restrictions on how they may be used. The balance of *unrestricted net position*, \$581,625 or 12%, may be used to meet the government's ongoing obligations to citizens and suppliers.

For the fiscal year 2022, revenues from governmental activities totaled \$941,321. Property taxes and sales taxes are the largest components of revenue 69%.

For fiscal year 2022, expenses for governmental activities totaled \$928,771. The City's two largest funded programs are public safety and general government.

Revenues of the city's business-type activities were \$1,427,756 for the fiscal year ending September 30, 2022. Expenses for the City's business-type activities were \$1,202,677. The City's largest expenses are personnel services and repairs and maintenance.

THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on page 12) reported a combined fund balance of \$309,998 which is less than last year's total of \$341,520.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2022, the city has invested \$12,006,821 in capital assets, including water& wastewater system, buildings& improvements, vehicles, equipment and land. This amount represents a net increase of \$19,210 due to current year additions and depreciation. This year's major additions included:

Water System and Sewer System Improvements \$263,753. Equipment additions \$6,093 in general fund and 3,495 in proprietary fund.

More detailed information about the City's capital assets is presented in the Notes to the Financial Statements starting on page 26.

Debt

At year-end, the City had \$2,789,349 in long-term debt outstanding, versus \$3,127,205 last year. This decrease is due to principal payments made in fiscal year 2022.

More detailed information about the City's long-term liabilities is presented in the Notes to the Financial Statements starting on page 27.

Management's Discussion and Analysis City of Hubbard, Texas

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's elected and appointed officials considered population growth and available resources from state revenues and tax revenues when setting the fiscal year budget and tax rate.

For the 2022 fiscal year, the City adopted a \$954,408 budget for the General Fund and a \$1,472,016 budget for the Enterprise Fund. It will be funded through property taxes via a \$0.6988 property tax rate and water and sewer revenue.

If the City does not incur any unforeseen expenditures or reductions in revenue, it should accomplish the task of providing services in the City within its available resources and not further reduce the current fund balance.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional information, contact the City's business office, at City of Hubbard, 118 North Magnolia Avenue, Hubbard, TX 76648.

BASIC FINANCIAL STATEMENTS

CITY OF HUBBARD, TEXAS
STATEMENT OF NET POSITION
September 30, 2022

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Unit
<u>Assets</u>				
Cash and cash equivalents	\$ 279,724	\$ 182,121	\$ 461,845	\$ 149,096
Accounts receivable, net of allowance for doubtful accounts	110,863	210,441	321,304	-
Capital assets, net	894,559	5,852,006	6,746,565	302,833
Prepaid expenses	-	-	-	
Net Pension Asset	48,172	23,334	71,506	
Restricted assets:				
Cash and investments	22,826	348,443	371,269	-
Total assets	1,356,144	6,616,345	7,972,489	451,929
Deferred Outflows of Resources	36,165	17,278	53,443	
<u>Liabilities</u>				
Accounts payable	26,517	55,226	81,743	5,924
Accrued expenses	11,823	44,306	56,129	4,674
Customer deposits	-	99,392	99,392	-
Noncurrent liabilities				
Due within one year	21,028	258,339	279,367	16,106
Due in more than one year	51,358	2,458,624	2,509,982	166,414
Net Pension Liability	-	-	-	
Total liabilities	110,726	2,915,887	3,026,613	193,118
Deferred Inflows of Resources	60,027	29,182	89,209	
<u>Net Position</u>				
Net Investment in Capital Assets	822,173	3,135,043	3,957,216	-
Restricted for:				
Debt service	22,826	348,443	371,269	-
Economic development	-	-	-	258,811
Unrestricted net position	376,557	205,068	581,625	-
Total Net Position	\$ 1,221,556	\$ 3,688,554	\$ 4,910,110	\$ 258,811

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

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CITY OF HUBBARD, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2022

Functions/Programs	Net (Expense) Revenue and Changes in Net Position						Component Unit
	Program Revenues			Primary Government			
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary Government:							
Governmental activities:							
General government	\$ 262,997	\$ 112,928	\$ -	\$ (150,069)	\$ -	\$ (150,069)	\$ -
Public safety	416,482	-	17,500	(398,982)	-	(398,982)	-
Municipal Court	88,096	102,229	-	14,133	-	14,133	-
Public works	114,514	-	-	(114,514)	-	(114,514)	-
Interest expense	103,172	-	-	(2,689)	(100,483)	(103,172)	-
Parks and recreation	43,993	-	-	(43,993)	-	(43,993)	-
Total governmental activities	1,029,254	215,157	17,500	(696,114)	(100,483)	(796,597)	-
Business-type activities							
Water and Sewer	1,102,194	967,064	380,514	-	245,384	245,384	-
Total business-type activities	1,102,194	967,064	380,514	(696,114)	144,901	(551,213)	-
Total primary government	2,131,448	1,182,221	398,014	-	-	-	-
Component unit:	87,932	-	-	-	-	-	(87,932)
Economic development							
General revenues:							
Property taxes				450,796	60,159	510,955	
Sales taxes				178,667	-	178,667	75,413
Franchise taxes				68,559	-	68,559	-
Hotel & alcoholic beverage tax				2,840	-	2,840	-
Other income				6,732	18,723	25,455	41,380
Investment & other earnings				1,070	1,296	2,366	208
Total general revenues				708,664	80,178	788,842	117,001
Changes in net position				12,550	225,079	237,629	29,069
Transfers				(80,000)	80,000	-	-
Net position - beginning of year				1,289,006	3,383,475	4,672,481	229,742
Net position - end of year				\$ 1,221,556	\$ 3,688,554	\$ 4,910,110	\$ 258,811

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

**CITY OF HUBBARD, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2022**

	General	Total Governmental Funds
<u>ASSETS</u>		
Cash and investments	\$ 279,724	\$ 279,724
Accounts receivable (net)	110,863	110,863
Restricted cash	22,826	22,826
Total Assets	\$ 413,413	\$ 413,413
<u>LIABILITIES AND FUND BALANCES</u>		
Liabilities:		
Accounts payable	\$ 26,517	\$ 26,517
Accrued liabilities	11,823	11,823
Unearned revenue	65,075	65,075
Total Liabilities	103,415	103,415
Fund Balances:		
Nonspendable	-	-
Restricted	22,826	22,826
Committed	-	-
Assigned	-	-
Unassigned	287,172	287,172
Total Fund Balances	309,998	309,998
Total Liabilities and Fund Balances	\$ 413,413	\$ 413,413

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

CITY OF HUBBARD, TEXAS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
September 30, 2022

Total fund balance (deficit) - governmental funds	\$ 309,998
Net Pension Asset is not included in governmental funds	48,172
Amounts reported for governmental activities in the statement of net assets are different because:	
Deferred Outflows of Resources are not included in Govt. Funds	36,165

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	\$ 8,817
Buildings & Improvements	1,589,068
Machinery & Equipment	603,444

Accumulated Depreciation	<u>(1,306,770)</u>
--------------------------	--------------------

Total Capital Assets	894,559
----------------------	---------

Various accounting differences between govt. wide and gov. funds	-
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Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the fund cash reserved	65,075
--	--------

Deferred Inflows of Resources are not included in Governmental funds	(60,027)
--	----------

Some long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Long-term debt	<u>(72,386)</u>
----------------	-----------------

Total Long-Term Liabilities	<u>(72,386)</u>
-----------------------------	-----------------

Net Position of governmental activities	<u>\$ 1,221,556</u>
---	---------------------

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

CITY OF HUBBARD, TEXAS
STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN GOVERNMENTAL FUNDS
For the Year Ended September 30, 2022

	General
REVENUE	
General property taxes	\$ 444,841
Sales taxes	178,667
Franchise and other taxes	71,399
Fines	102,229
Fees and permits	112,928
Other charges and service income	-
Interest	1,070
Other income	6,732
Grant Income	17,500
Total Revenue	\$ 935,366
 EXPENDITURES	
General government	\$ 248,982
Public safety	370,131
Public works	109,433
Parks and recreation	43,993
Court expenses	88,096
Pension expense	-
Debt service:	
Principal	20,160
Capital outlay	6,093
Total Expenditures	\$ 886,888
 EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	
	\$ 48,478
 OTHER FINANCING SOURCES (USES)	
Transfers in	(80,000)
Transfers from Restricted Assets	-
Total Other Financing Sources (Uses)	\$ (80,000)
 EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	
	\$ (31,522)
 FUND BALANCE, BEGINNING OF YEAR	
	341,520
 FUND BALANCE, END OF YEAR	
	309,998

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

**CITY OF HUBBARD, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2022**

Change in net position of governmental funds	\$	(31,522)
Amounts reported for governmental activities in the statement of activities (page 14) are different because:		
Net change in pension asset, opeb liability, deferred outflows and deferred inflows		16,517
Difference in property tax revenues for govt. funds		(5,955)
Total Pension Expense not included in Govt. Funds		2,917
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (75,660) was more than capital outlays (6,093) in the current		(69,567)
Governmental funds report debt proceeds as current financial resources. In contrast, the statement of activities treats the incurrence of debt as a liability. Governmental funds report repayment of debt as an expenditure. In contrast, the statement of activities treats such repayments as a reduction in long-term liabilities. This is the amount of debt payments.		20,160
Increase in accrued absences		-
 Change in net position of governmental activities (page 11)	 \$	 <u>(67,450)</u>

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

**CITY OF HUBBARD, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
September 30, 2022**

	<u>Business-type Activities</u> <u>Enterprise Fund</u>
<u>Assets</u>	
Current assets:	
Cash and cash equivalents	\$ 182,121
Prepaid expenses	-
Accounts receivable, net	210,441
Total current assets	392,562
Noncurrent assets:	
Net Pension Asset	23,334
Restricted cash and investments	348,443
Capital assets, net	5,852,006
Total noncurrent assets	6,223,783
Total assets	\$ 6,616,345
Deferred Outflows of Resources	17,278
<u>Liabilities</u>	
Current liabilities:	
Accounts payable	\$ 55,226
Accrued expenses	44,306
Customer deposits	99,392
Current portion of long-term debt	258,339
Total current liabilities	457,263
Noncurrent liabilities	
Net Pension Liability	-
Revenue Bonds	2,458,624
Notes Payable	-
Total liabilities	\$ 2,915,887
Deferred Inflows of Resources	29,182
<u>Net Position</u>	
Net Investment in Capital Assets	3,135,043
Restricted for debt service	348,443
Unrestricted	205,068
Total net position	\$ 3,688,554
Total liabilities and net position	\$ 6,604,441

The accompanying notes are an integral part of the financial statements

CITY OF HUBBARD, TEXAS
STATEMENT OF REVENUE, EXPENSES,
AND CHANGES IN NET POSITION – PROPRIETARY FUND
Year Ended September 30, 2022

	Business-Type Activities
	Enterprise Fund
OPERATING REVENUE	
Interest & sinking fund property tax	60,159
Charges for services	\$ 967,064
Total Operating Revenue	1,027,223
OPERATING EXPENSES	
Cost of water	95,966
Cost of sanitation	199,846
Cost of sewer	27,160
Personnel services	189,408
Maintenance and repairs	128,939
Administration	63,784
Depreciation	248,038
Total Operating Expenses	953,141
OPERATING GAIN (LOSS)	74,082
NON-OPERATING REVENUE (EXPENSES)	
Grant income	380,514
Interest income	1,296
Interest expense	(100,483)
Grant expense	(147,596)
Total Pension Expense	(1,457)
Other income	18,723
Total Non-operating Revenue (Expenses)	150,997
Interfund transfers:	
Transfers (out)	\$ 80,000
Total interfund transfers	
NET GAIN (LOSS)	305,079
Net Position - beginning of year	3,383,475
Net Position - end of year	3,688,554

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

CITY OF HUBBARD, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
September 30, 2022

	<u>Business-type Activities</u> <u>Enterprise Fund</u>
<u>Cash Flows from Operating Activities</u>	
Cash received from customers	\$ 983,749
Cash payments to suppliers	(480,881)
Cash payments to employees	(189,408)
Net Cash Provided by Operating Activities	<u>313,460</u>
<u>Cash Flows from Non-Capital Financing Activities</u>	
Transfers from (to) other funds	80,000
other income	18,723
Grant income	380,514
Net cash (used) in non-capital financing activities	<u>479,237</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Acquisition of capital assets	(267,248)
Payments on long-term bonds	(145,296)
Interest paid	(100,483)
Grant expense	(147,596)
Net Cash Provided by Capital and Related Financing Activities	<u>(660,623)</u>
<u>Cash Flows from Investing Activities</u>	
Interest received	1,296
(Increase) decrease in restricted cash	(185,064)
Net Cash Provided by Investing Activities	<u>(183,768)</u>
Net Increase in Cash and Cash Equivalents	(51,694)
Cash and cash equivalents - beginning of year	<u>233,815</u>
Cash and cash equivalents - end of year	<u>\$ 182,121</u>
<u>Reconciliation of operating loss to net cash provided by operating activities:</u>	
Operating income (loss)	\$ 74,082
Adjustments to reconcile operating loss to net cash provided by Operating Activities:	
Depreciation expense	248,038
(Increase) decrease in accounts receivable	(43,474)
(Increase) decrease in prepaid expenses	-
Increase (decrease) in accounts payable	6,239
Increase (decrease) in accrued expenses	22,928
Increase (decrease) in customer deposits	5,647
Total adjustments	<u>239,378</u>
Net Cash Provided by Operating Activities	<u>\$ 313,460</u>

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

CITY OF HUBBARD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. REPORTING ENTITY

The City of Hubbard, Texas (the City), is a general law city in Hill County, Texas which operates under a Council form of government and provides such services as public safety (police and EMS), highways and streets, water and sanitation, public improvements, planning and zoning, judicial, general administrative and other services as are authorized by its code of ordinances and its citizens.

The City Council consists of a Mayor and five council members, constituting an ongoing entity and is the level of government which has governing responsibilities over all activities related to the City. The City is not included in any other government reporting entity. The Mayor and Council members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

In evaluating the City's financial reporting entity, management has considered all potential component units. The decision to include a potential component unit was made set forth in GASB Statement No. 14. The component units discussed below have been included based on this criteria.

Hubbard Economic Development Corporation is included as a component unit because of its operational and financial relationship with the City. The Corporation receives its funding from a one-half percent sales tax assessed by the City, and the City appoints the members of the governing board. The Corporation was created by the City to enhance the economic development of the Hubbard community. The Hubbard Economic Development Corporation is presented as a discretely presented component unit.

B. FINANCIAL REPORTING MODEL

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This statement known as the "Reporting Model" statement, affects the way the City prepares and presents financial information. State and local governments traditionally have used a financial reporting model substantially different from the one used to prepare private-sector financial reports.

GASB Statement No. 34 established new requirements and a new reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports more useful to the people who use governmental financial information to make decisions.

CITY OF HUBBARD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. FINANCIAL REPORTING MODEL (Continued)

Management's Discussion and Analysis – GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities (MD&A). This analysis is similar to the analysis the private sector provides in the annual reports.

Government-wide Financial Statements – The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and general obligation debt). Accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter.

Statement of Net Position – The Statement of Net Position is designed to display the financial position of the primary government (government and business-type activities) and its discretely presented component units. Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Position and report depreciation expense- the cost of "using up" capital assets – in the Statement of Activities. The net position of the government will be broken down in three categories – 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

Statement of Activities – The government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

C. MEASUREMENT OF 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, as are the proprietary fund financial statements. 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.

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 generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Fines and miscellaneous revenues are considered to be measurable and available only when cash is received by the City.

CITY OF HUBBARD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. FUND ACCOUNTING

The City reports the following major governmental fund:

General Fund – The general fund is the City’s primary operating fund. It is used to account for all financial resources of the general government except those required to be accounted for in another fund.

The City reports the following major proprietary fund:

Water and Sewer Fund – The water and sewer fund accounts for the activities of the water distribution system, the sewage treatment plant, sewage pumping stations and collections systems.

Additionally, the government reports the following fund type:

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are following in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of 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, 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, all general revenues include all taxes.

Proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the water and sewer enterprise funds are charges to customers for sales and services. The water and sewer funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use it is the City’s policy to use restricted resources first, then unrestricted resources as they are needed.

Pensions:

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City’s Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this

CITY OF HUBBARD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

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 are reported at fair value. Information regarding the City's Total Pension Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions.

Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category.

- Deferred charges on refunding – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Pension contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five year period.
- Difference in expected and actual pension experience – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statements element, deferred inflows or resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, this item is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and municipal court fines. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

CITY OF HUBBARD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. ASSETS, LIABILITIES, AND NET POSITION

a. Deposits and Investments

The City's cash and cash equivalents for purposes of reporting cash flows of the proprietary fund consist of cash on hand and demand deposits.

State statutes authorize the City to invest in obligations of the United States or its agencies and instrumentalities and state or local governments, fully insured certificates of deposit, commercial paper, guaranteed investment contracts, repurchase agreement, and certain governmental investment pools. The City's local investment policy limits the City to invest in obligations of the United States or its agencies and instrumentalities, fully insured certificates of deposit, fully collateralized repurchase agreements by obligations of the United States or its agencies and instrumentalities, money market mutual funds, and local government investment pools.

b. Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" or "advances to/from other funds." All other outstanding balances between funds are reported as "due to/from other funds."

All accounts receivables are shown net of an allowance for uncollectibles.

c. Restricted Assets

Certain resources of the City's enterprise fund are set aside for the repayment of its revenue bonds and are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

d. Capital Assets

Capital assets, which include land, buildings and improvement, machinery and equipment, infrastructure, and water and sewer facilities are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City has elected not to report major general infrastructure assets retroactively as permitted by GASB Statement No. 34 for smaller governments. The City will report newly acquired or constructed general infrastructure assets subsequent to October 1, 2003 in the statement of net assets in the period they acquire or construct those assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

CITY OF HUBBARD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. ASSETS, LIABILITIES, AND NET POSITION (Continued)

d. Capital Assets (Continued)

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

Assets	Years
Buildings and improvements	20-40
Pool and park improvements	10-15
Machinery and equipment	5-10
Water system	10-40
Sewer system	15-40
Software	3-5

e. General Obligation Enterprise Bonds

The Enterprise Fund provides the annual debt service requirements on certain obligations enterprise bonds (not secured by system revenues) issued to finance system improvements. Accordingly, these obligations have been recorded on the balance sheet of the Enterprise Fund.

f. Compensated Absences

The City accrues a liability for compensated absences which meet the following criteria:

- (a) The City's obligation relating to employees' rights to receive compensation for future absences is attributable to the employees' services already rendered.
- (b) The obligation relates to rights that vest or accumulate.
- (c) Payment of the compensation is probable.
- (d) The amount can be reasonably estimated.

In accordance with the above criteria, the City has accrued a liability for vacation pay which has been earned but not taken by employees. As of the balance sheet date, the City expected that all of the liability for accrued vacation would be liquidated with expendable resources. Therefore, the liability for accrued vacation and sick leave is reflected as a current liability in the financial statements for the year ended September 30, 2022.

g. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

h. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the

CITY OF HUBBARD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. ASSETS, LIABILITIES, AND NET POSITION (Continued)

h. Estimates (continued)

date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

The City Council follows these procedures in establishing the budgetary data reflected in the financial statements.

Prior to August 1 of each fiscal year, the Mayor submits to the City Council a proposed budget for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data from the preceding year.

Public hearings are conducted to obtain taxpayer comments. Prior to September 30, the budget is legally enacted through passage by majority vote of the City Council. The Council may authorize supplemental appropriations during the year.

The final amended budget is used in the report. Unused appropriations lapse at the end of the year unless carried forward to the next year by Council action. No encumbrances are recognized or recorded. The operating budget includes proposed expenditures for the General Fund. The City adopted the current year budget on a line item basis.

CITY OF HUBBARD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

3. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS

As of September 30, 2022, cash deposits were with a depository bank in interest bearing accounts. The carrying amounts of the City's General Funds and Utility Funds deposits and the bank accounts of the Economic Development Corporation deposits were \$982,210 and the bank balances were \$982,210 of which \$0 is not insured by the Federal Deposit Insurance Corporation. These assets are valued at cost which approximates market value. Restricted cash is for debt service and is \$371,269. \$833,114 is cash for the City of Hubbard and \$149,096 is cash for the EDC.

As of September 30, 2022, the City's depository bank for these funds had pledged securities sufficient to cover the amount above FDIC limits.

3. DETAILED NOTES ON ALL FUNDS (Continued)

B. RESTRICTED TEMPORARY INVESTMENTS

Governmental Activities Assets Restricted

Temporary investments consist of cash and other highly liquid investments that are dedicated to the following:

Debt Service	<u>\$ 22,826</u>
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Business Type Activities Assets Restricted

Temporary investments consist of cash and other highly liquid investments that are dedicated to the following:

Debt Service	<u>\$ 348,443</u>
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C. PROPERTY TAXES AND RECEIVABLES

The City's property tax is levied each October 1 on the assessed value listed as of the previous January 1 for all real and personal property located in the City. The lien date is January 1 of that year and they become delinquent on February 1. The tax levy for October, 2021 (fiscal year ended September 30, 2022) was \$461,648.

The tax assessment of October 1, 2021 tax sets a tax levy at \$.06988 per \$100 of assessed valuation at 100 percent of market value.

Delinquent property taxes estimated to be collected within the next fiscal year are recognized as revenues. Other delinquent property taxes receivable at year end that are deemed uncollectible are recorded as deferred revenues in the governmental fund balance sheet. Current property taxes receivable at 9/30/22 were \$24,483 and delinquent property taxes receivable were \$50,343 for a total due of \$74,826.

CITY OF HUBBARD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

3. DETAILED NOTES ON ALL FUNDS (Continued)

D. CAPITAL ASSETS

Changes in capital assets during the year ended September 30, 2022, were as follows:

	Balance October 1, 2021	Additions	Transfers/ Retirements	Balance September 30, 2022
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 8,817	\$ -	\$ -	\$ 8,817
Capital assets being depreciated:				
Buildings and improvements	1,589,068	-	-	1,589,068
Machinery and equipment, vehicles	597,351	6,093	-	603,444
	-	-	-	-
Total capital assets being depreciated	2,186,419	6,093	-	2,192,512
Less accumulated depreciation	(1,231,110)	(75,660)	-	(1,306,770)
Total capital assets, being depreciated, net	955,309	(69,567)	-	885,742
Governmental activities capital assets, net	<u>964,126</u>	<u>(69,567)</u>	<u>-</u>	<u>894,559</u>
Business-type Activities				
Capital assets not being depreciated				
Land	\$ 3,573	\$ -	\$ -	\$ 3,573
Total capital assets not being depreciated	<u>3,573</u>	<u>-</u>	<u>-</u>	<u>3,573</u>
Capital assets being depreciated:				
Construction in progress	1,209,308	263,753	(1,473,061)	-
Water system	7,821,069	1,473,061	-	9,294,130
Machinery and equipment	516,684	3,495	-	520,179
Total capital assets, being depreciated	9,547,061	1,740,309	(1,473,061)	9,814,309
Less accumulated depreciation	(3,717,838)	(248,038)	-	(3,965,876)
Total capital assets, being depreciated, net	<u>5,829,223</u>	<u>1,492,271</u>	<u>(1,473,061)</u>	<u>5,848,433</u>
Business-type activities capital assets, net	<u>\$ 5,832,796</u>	<u>\$ 1,492,271</u>	<u>\$ (1,473,061)</u>	<u>\$ 5,852,006</u>

CITY OF HUBBARD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

3. DETAILED NOTES ON ALL FUNDS (Continued)

D. CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	24,228
Public safety	46,351
Streets	5,081
Parks and recreation	-
Total depreciation expense - governmental activities	\$ 75,660

Business-type activities:

Water and sewer	\$ 248,038
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E. LONG-TERM DEBT

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

	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Business-type activities	10/1/2021	Increases	Decreases	9/30/2022
Combination Tax and Revenue Bonds	2,890,000	-	225,000	2,665,000
Equipment loans	134,133	-	95,261	38,872
OPEB liability	12,237	854	-	13,091
	3,036,370	854	320,261	2,716,963

	<u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u>
General Fund	10/1/2021	Increase	Decrease	9/30/2022
Equipment loans	\$ 64,884	\$ -	\$ (20,160)	\$ 44,724
OPEB liability	\$ 25,951	\$ 1,711	\$ -	\$ 27,662
	90,835	1,711	(20,160)	\$ 72,386

Component Unit activities				
Note payable	197,842	-	15,322	182,520

CITY OF HUBBARD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

3. DETAILED NOTES ON ALL FUNDS (Continued)

E. LONG-TERM DEBT (Continued)

Long-term debt for general fund and business-type activities at September 30, 2022 consists of the following:

<u>Payee and Terms</u>	<u>General Fund</u>	<u>Proprietary Fund</u>
\$125,000 bank loan, due in quarterly installments of \$5,223 through 2023, interest at 3.98%, for water treatment plan upgrades	\$ -	\$ 960
due in annual installments of \$35,000 to \$80,000 through 2043, interest at .35% to 4.25%	\$ -	\$ 1,180,000
\$2,810 tax and revenue refunding bonds, Series 2021 due in annual installments of \$150,000 to \$235,000 through 2029; interest at 3.26%	\$ -	\$ 1,485,000
\$114,511 loan, due in quarterly installments of \$7,645 through 2025; interest at 3.125%, for the purchase of machinery		\$ 37,912
\$28,140 bank loan due in monthly installments of \$451 through 2023; interest at 4.82%, for the purchase of a truck	5,272	
\$43,000 loan, due in annual installments of \$9,801 through 2024; interest at 4.52%, for the purchase of a police vehicle	\$ 18,348	
\$62,000 loan, due in annual installments of \$7,624 through 2025; interest at 3.92%, for the purchase of machinery	\$ 21,104	\$ -
Total	\$ 44,724	\$ 2,703,872
Less current portion	21,028	258,339
Total Long-Term Debt	<u>\$ 23,696</u>	<u>\$ 2,445,533</u>

Component Unit

\$262,000 note payable, due in monthly installments of \$2,072 \$ 182,520

The annual requirements to amortize the long-term debt outstanding in the business-type activities as of September 30, 2022, are as follows:

<u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	258,339	90,104	348,443
2024	248,869	88,791	337,660
2025	246,664	74,212	320,876
2026	250,000	66,149	316,149
2027	260,000	58,892	318,892
2028-2031	655,000	159,142	814,142
2032-2036	280,000	133,326	413,326
2037-2041	345,000	66,988	411,988
2042-2046	160,000	10,200	170,200
Total	\$ 2,703,872	\$ 2,496,537	\$ 21,061,874

CITY OF HUBBARD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

3. DETAILED NOTES ON ALL FUNDS (Continued)

E. LONG-TERM DEBT (Continued)

The annual requirements to amortize the long-term debt outstanding in the general fund as of September 30, 2022 are as follows:

Year ended September 30,	Principal	Interest	Total
2023	21,028	1,798	22,826
2024	16,429	987	17,416
2025	7,267	286	7,553
2026	-	-	-
2027	-	-	-
	-	-	-
Total	\$ 44,724	\$ 3,071	\$ 47,795

The annual requirements to amortize the long-term debt outstanding in the component unit activities as of September 30, 2022 are as follows:

Year ended September 30,	Principal	Interest	Total
2023	16,106	8,759	24,865
2024	16,908	7,957	24,865
2025	17,753	7,112	24,865
2026	18,702	6,163	24,865
2027	19,679	5,186	24,865
2028-2030	93,372	10,271	103,643
Total	\$ 182,520	\$ 45,448	\$ 227,968

3. DETAILED NOTES ON ALL FUNDS (Continued)

4. OTHER INFORMATION

A. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other governments in the State of Texas to form the Texas Municipal League Intergovernmental Risk Pool (the Pool), a public entity risk pool currently operating as a common risk management and insurance program for liability, property, and workmen's compensation coverage. The City pays a quarterly contribution to the Pool for its insurance coverage. The agreement for formation of the Pool provides that the Pool will be self-sustaining through member contributions and will reinsure through commercial companies for claims in excess of specific limits.

The City has experienced no significant reductions in coverage through the Pool over the past year. There have been no insurance settlements exceeding Pool coverage for any of the last three years.

CITY OF HUBBARD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

4. OTHER INFORMATION (Continued)

B. PENSION PLAN

Plan Description

The City of Hubbard participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual report (CAFR) that can be obtained at www.tmr.com.

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

B. Benefits Provided

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24 or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

CITY OF HUBBARD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

III. DETAILED NOTES ON ALL FUNDS (Continued)

I. PENSION PLAN (Continued)

Employees covered by benefit terms.

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	5
Inactive employees entitled to but not yet receiving benefits	18
Active employees	<u>12</u>
Total	35

C. Contributions

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

Employees for the City of Hubbard were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City of Hubbard were 6% and 6% in calendar years 2022 and 2021 respectively. The city's contributions to TMRS for the year ended September 30, 2022 were 13,527, and were equal to the required contributions.

D. Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2021, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Inflation 2.5% per year

Overall payroll growth 3.5-10.5% per year

Investment Rate of Return 6.75% net of pension plan investment expense, including inflation

CITY OF HUBBARD, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB o account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2021, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2010 through December 31, 2014, first used in the December 31, 2017 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2020 valuation.

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset class	Target allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	5.0%	8.50%
Total	100.0%	

Discount Rate

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

CITY OF HUBBARD, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

I. PENSION PLAN (Continued)

City of Hubbard	
Schedule of Changes in Net Pension Liability and Related Ratios Current Period	
September 30, 2022	
A. Total pension liability	
1. Service Cost	\$ 42,285
2. Interest (on the Total Pension Liability)	39,886
3. Changes of benefit terms	-
4. Difference between expected and actual experience	7,098
5. Changes of assumptions	-
6. Benefit payments, including refunds of employee contributions	(29,329)
7. Net change in total pension liability	\$ 59,940
8. Total pension liability - beginning	584,427
9. Total pension liability - ending	\$ 644,367
B. Plan fiduciary net position	
1. Contributions - employer	\$ 13,527
2. Contributions - employee	28,285
3. Net investment income	81,288
4. Benefit payments, including refunds of employee contributions	(29,329)
5. Administrative Expense	(375)
6. Other	2
7. Net change in plan fiduciary net position	\$ 93,398
8. Plan fiduciary net position - beginning	622,475
9. Plan fiduciary net position - ending	\$ 715,873
C. Net pension liability [A.9-B.9]	\$ (71,506)
D. Plan fiduciary net position as a percentage of the total pension liability [B.9 / A.9]	111.10%
E. Covered-employee payroll	\$ 471,409
F. Net pension liability as a percentage of covered employee payroll [C / E]	-15.17%

Sensitivity of the net pension liability to changes in the discount rate.

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.75%) or 1 percentage point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$25,793	\$(71,506)	\$(150,349)
Pension Plan Fiduciary Net Position			

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

CITY OF HUBBARD, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

I. PENSION PLAN (Continued)

CITY OF HUBBARD
SCHEDULE OF PENSION EXPENSE
SEPTEMBER 30, 2022

1.	Total Service Cost	\$ 42,285
2.	Interest on the Total Pension Liability	39,886
3.	Current Period Benefit Changes	-
4.	Employee Contributions (Reduction of Expense)	(28,285)
5.	Projected Earnings on Plan Investments (Reduction of Expense)	(42,017)
6.	Administrative Expense	375
7.	Other Changes in Fiduciary Net Position	(3)
8.	Recognition of Current Year Outflow (Inflow) of Resources - Liabilities	2,398
9.	Recognition of Current Year Outflow (Inflow) of Resources - Assets	(7,855)
10.	Amortization of Prior Year Outflows (Inflows) of Resources - Liabilities	(1,441)
11.	Amortization of Prior Year Outflows (Inflows) of Resources - Assets	(5,791)
12.	Total Pension Expense	\$ (448)

CITY OF HUBBARD
SCHEDULE OF OUTFLOWS AND INFLOWS - CURRENT AND FUTURE EXPENSE
SEPTEMBER 30, 2022

	Recognition Period (or amortization yrs)	Total (Inflow) or Outflow of Resources	2021 Recognized in current pension expense	Deferred (Inflow) Outflow in future expense
Due to Liabilities:				
Difference in expected and actual experience [actuarial (gains) or losses]	2.9600	\$ 7,098	\$ 2,398	\$ 4,700
Difference in assumption changes [actuarial (gains) or losses]	2.9600	\$ -	\$ -	\$ -
			<u>\$ 2,398</u>	<u>\$ 4,700</u>
Due to Assets:				
Difference in projected and actual earnings on pension plan investments [actuarial (gains) or losses]	5.0000	\$ (39,271)	\$ (7,855)	\$ (31,416)
			<u>\$ (7,855)</u>	<u>\$ (31,416)</u>
Total:				<u>\$ (26,716)</u>

Deferred Outflows and Deferred Inflows of Resources, by year, to be recognized in future pension expense as follows:

	Net deferred outflows (inflows) of resources
2022	\$ (7,130)
2023	(15,094)
2024	(8,824)
2025	(7,851)
2026	-
Thereafter	-
Total	<u>\$ (38,899)</u>

Subsequent Events/Pending Litigation - No items of audit significance or audit materiality noted.

**Net Other Post Employment Benefits Liability.
Actuarial Assumptions**

Actuarial assumptions were developed from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. These assumptions were adopted in 2015 and first used in the December 31, 2015 valuation.

All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.

The Mortality Experience Investigation Study covering 2009 through 2011 is used as the basis for the post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs). Mortality Rates for service employees uses the RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

Inflation	2.50% per year
Overall payroll growth	3.50 to 10.5% per year including inflation
Discount rate	3.31%

**City of Hubbard
Schedule of Changes in Net OPEB Liability
September 30, 2022**

A. Total OPEB liability		
1. Service Cost	\$	1,980
2. Interest (on the Total OPEB Liability)		779
3. Changes of benefit terms		-
4. Difference between expected and actual experience		(1,214)
5. Changes of assumptions		1,444
6. Benefit payments, including refunds of employee contributions		(424)
7. Net change in total pension liability	\$	2,565
8. Total pension liability - beginning		38,188
9. Total pension liability - ending	\$	40,753
B. Covered-employee payroll	\$	471,409
C. Total OPEB liability as a percentage of covered employee payroll [A/B]		8.64%

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, calculated using the current discount rate of 3.31% as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.31%) or -1 percentage point higher (4.31%) than the current rate. Because the SDBF is considered an unfunded trust, the relevant discount rate to calculate the total OPEB liability is based on the Fidelity Index's 20 year Municipal GO AA Index.

	1% Decrease in Discount Rate (2.31%)	Discount Rate (3.31%)	1% Increase in Discount Rate (4.31%)
Total OPEB liability	\$51,858	\$40,753	\$32,686

CITY OF HUBBARD TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE B – DEFINED BENEFIT PENSION PLAN (Continued)

CITY OF HUBBARD
SCHEDULE OF OPEB EXPENSE
SEPTEMBER 30, 2022

1.	Total Service Cost	1,980
2.	Interest on the Total OPEB Liability	779
3.	Changes in Benefit terms	-
4.	Employer administrative costs	-
5.	Recognition of deferred outflows/inflows of resources	
6.	Difference between expected and actual experience	(105)
7.	Changes in assumptions or other inputs	2,168
8.	Total OPEB Expense	<u>4,822</u>

CITY OF HUBBARD
SCHEDULE OF OPEB OUTFLOWS AND INFLOWS - CURRENT AND FUTURE EXPENSE
SEPTEMBER 30, 2022

	Recognition Period (or amortization yrs)	Total (Inflow) or Outflow of Resources	2021 Recognized in current pension expense	Deferred (Inflow) Outflow in future expense
Due to Liabilities:				
Difference in expected and actual experience [actuarial (gains) or losses]	5.6000	\$ (1,214)	\$ (217)	\$ (997)
Difference in assumption changes [actuarial (gains) or losses]	5.6000	\$ 1,444	\$ 258	\$ 1,186
			<u>\$ 41</u>	<u>\$ 189</u>
Contributions made subsequent to measurement date		provided by city		provided by city
Total (excluding city provided contributions made subsequent to measurement date				
Deferred Outflows and Deferred Inflows of Resources, by year, to be recognized in future pension expense as follows:				
		Net deferred outflows (inflows) of resources		
	2022	\$ 2,063		
	2023	2,063		
	2024	1,823		
	2025	1,022		
	2026	25		
	Thereafter	-		
	Total	\$ 6,996		

Other Information

Due to the SDBF being considered an unfunded OPEB plan, benefit payments are treated as being equal to the employer's yearly contributions for retirees. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits. In order to determine the retiree portion of the City's Supplemental Death Benefit Plan contributions (that which is considered OPEB), the City should perform the following calculation:
Total covered payroll * retiree Portion of SDB Contribution (Rate)

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HUBBARD, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
NET ASSETS – BUDGET TO ACTUAL – GENERAL FUND
For the year ended September 30, 2022

	<u>Original</u> <u>Budget</u>	<u>Amended</u> <u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
<u>Revenues</u>				
General property taxes	406,100	406,100	444,841	38,741
Sales tax	140,000	140,000	178,667	38,667
Franchise tax	79,000	79,000	71,399	(7,601)
Fines, fees and court revenue	305,250	305,250	102,229	(203,021)
Fees and permits	18,655	18,655	112,928	94,273
Interest	700	700	1,070	370
Other income	9,135	9,135	6,732	(2,403)
Total Revenues	<u>958,840</u>	<u>958,840</u>	917,866	(40,974)
<u>Expenses</u>				
General government	220,218	220,218	248,982	(28,764)
Public safety	388,100	388,100	370,131	17,969
Public works	108,371	108,371	109,433	(1,062)
Court expenses	193,030	193,030	88,096	104,934
Parks and recreation	34,888	34,888	43,993	(9,105)
Debt service:				
Principal	-	-	20,160	(20,160)
Capital outlay	9,801	9,801	6,093	3,708
Total Operating Expenses	<u>954,408</u>	<u>954,408</u>	886,888	67,520
Operating Income (Loss)	4,432	4,432	30,978	26,546
<u>Other Financing Sources (Uses)</u>				
Grant receipt	-	-	17,500	17,500
Grant expense	-	-	-	-
Transfers from Restricted Funds	-	-	-	-
Transfers to Proprietary Fund	-	-	(80,000)	(80,000)
Total	<u>-</u>	<u>-</u>	<u>(62,500)</u>	<u>(62,500)</u>
Change in Net Assets	<u>4,432</u>	<u>4,432</u>	<u>(31,522)</u>	<u>(35,954)</u>
Fund Balance-Beginning of Year	341,520	341,520	341,520	
Fund Balance-End of Year	<u>345,952</u>	<u>345,952</u>	<u>309,998</u>	<u>(35,954)</u>

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

CITY OF HUBBARD, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
NET ASSETS – BUDGET TO ACTUAL
For the year ended September 30, 2022

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues</u>				
Sewer Income	190,000	190,000	192,622	2,622
Sanitation income	175,018	175,018	225,696	50,678
Water income	480,000	480,000	508,626	28,626
Tap & Impact fees	4,560	4,560	16,550	11,990
Penalties and service charges	16,460	16,460	23,570	7,110
Interest	600	600	1,296	696
Miscellaneous income	11,660	11,660	18,723	7,063
Total Revenues	878,298	878,298	987,083	108,785
<u>Expenses</u>				
Water purchase	60,000	60,000	95,966	(35,966)
Garbage collection	150,500	150,500	199,846	(49,346)
Salaries & personnel expenses	189,884	189,884	189,408	476
Repairs & Maintenance	167,000	167,000	128,939	38,061
Administration expenses	109,660	109,660	63,784	45,876
Miscellaneous	3,500	3,500	28,617	(25,117)
Loan Principal Payments	241,000	241,000	320,261	(79,261)
Interest expense	72,359	72,359	100,483	(28,124)
Capital outlay	3,919	3,919	267,248	(263,329)
Total Operating Expenses	997,822	997,822	1,394,552	(396,730)
Operating Income (Loss)	(119,524)	(119,524)	(407,469)	(287,945)
<u>Other Financing Sources (Uses)</u>				
Loan Disbursements	-	-	-	-
Property tax income	60,000	60,000	60,159	159
Grant receipt	474,194	474,194	380,514	(93,680)
Grant expenditures	(474,194)	(474,194)	(147,596)	326,598
Transfers (in)	-	-	80,000	80,000
Transfers (out)	-	-	-	-
Total	60,000	60,000	373,077	313,077
Change in Net Assets	(59,524)	(59,524)	(282,430)	25,132
Depreciation			248,038	248,038
Addback Capital outlay for GAAP			267,248	267,248
Addback Loan Principle/Proceeds for GAAP			320,261	320,261
Fund Balance - Beginning of Year			3,383,475	
GAAP basis change in net assets			587,509	587,509
Fund Balance-End of Year	-	-	3,688,554	3,688,554

City of Hubbard, Texas
Note to Statement of Revenues, Expenditures and
Changes in Fund Balance-Budget and Actual-
General Fund

For the Year Ended September 30, 2022

1. Budgetary Highlights

The City's original budget was amended during the year ended September 30, 2022.

The City's overall actual revenue was \$935,366 or \$23,474 less than budgeted in the General Fund. This was primarily generated from less than expected fines and fees. The City's overall actual expenses were \$886,888 or \$67,520 less than budgeted.

The City's overall enterprise fund actual revenue was \$1,427,756 or \$104,260 less than budgeted. This was primarily due to less grant revenues. The City's overall enterprise fund expenses were \$1,202,677 or \$269,339 less than budgeted. The decreases in proprietary fund expenses were primarily in grant expenses.

City of Hubbard

Schedule of Changes in Net Pension Liability and Related Ratios

Last ten years (will ultimately be displayed)

	2014	2015	2016	2017	2018	2019	2020	2021
Total pension liability								
1. Service Cost	20,396	25,028	25,502	25,120	25,734	42,702	41,047	42,200
2. Interest (on the Total Pension Liability)	19,332	21,019	23,979	25,647	29,521	33,182	36,640	39,800
3. Changes of benefit terms					-	12,271		
4. Difference between expected and actual experience	(2,052)	7,294	(20,939)	9,765	(9,122)	(3,985)	(1,073)	7,000
5. Changes of assumptions	-	11,957	-	-	-	4,193	-	
6. Benefit payments, including refunds of employee contributions	(17,261)	(14,515)	(6,600)	(687)	(6,196)	(19,106)	(28,964)	(29,300)
7. Net change in total pension liability	20,415	50,783	21,942	59,845	39,937	69,257	47,650	59,900
8. Total pension liability - beginning	274,598	295,013	345,796	367,738	427,583	467,520	536,777	584,400
9. Total pension liability - ending	295,013	345,796	367,738	427,583	467,520	536,777	584,427	644,300
Plan fiduciary net position								
1. Contributions - employer	4,266	2,212	1,635	3,240	2,381	3,593	13,212	13,500
2. Contributions - employee	20,142	20,482	20,434	20,000	20,199	22,738	27,334	28,200
3. Net investment income	18,977	528	24,744	56,290	(14,528)	75,253	43,182	81,200
4. Benefit payments, including refunds of employee contributions	(17,261)	(14,515)	(6,600)	(687)	(6,196)	(19,106)	(28,964)	(29,300)
5. Administrative Expense	(198)	(321)	(279)	(292)	(280)	(425)	(279)	(300)
6. Other	(16)	(17)	(15)	(15)	(15)	(13)	(11)	
7. Net change in plan fiduciary net position	25,910	8,369	39,919	78,536	1,561	82,040	54,474	93,300
8. Plan fiduciary net position - beginning	331,665	357,575	365,944	405,863	484,399	485,960	568,001	622,400
9. Plan fiduciary net position - ending	357,575	365,944	405,863	484,399	485,960	568,000	622,475	715,800
Net pension liability [A.9-B.9]	(62,562)	(20,148)	(38,125)	(56,816)	(18,440)	(31,223)	(38,048)	(71,500)
Plan fiduciary net position as a percentage of the total pension liability [B.9 / A.9]	121.21%	105.83%	110.37%	113.29%	103.94%	105.82%	106.51%	111.10%
Covered-employee payroll	\$ 402,841	409,630	408,683	399,998	403,983	\$ 454,764	\$ 455,568	471,400
Net pension liability as a percentage of covered employee payroll [C / E]	-15.53%	-4.92%	-9.33%	-14.20%	-4.56%	-6.87%	-8.35%	-15.10%

City of Hubbard
Schedule of Contributions
Last 10 Fiscal Years (will ultimately be displayed)
September 30, 2022

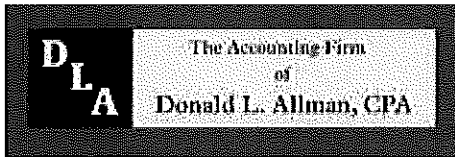
	2015	2016	2017	2018	2019	2020	2021	2022
Actually Determined Contribution	\$ 2,809	\$ 1,879	\$ 2,479	2,583	\$ 3,204	\$10,699	12,930	\$13,500
Contributions in relation to the actually determined contribution	2,894	1,879	2,479	2,583	3,204	10,699	12,930	13,500
Contribution deficiency (excess)	(85)	-	-	-	-	-	-	-
Covered employee payroll	\$ 410,714	\$430,295	\$396,842	\$402,695	402,695	457,421	456,369	471,400
Contributions as a percentage of covered employee payroll	0.70%	0.44%	0.62%	0.64%	0.80%	2.34%	2.83%	2.8%
Notes to Schedule of Contributions								
Valuation Date determined	12/31/2021							
Notes								

Actuarial Information

2017

Actuarial cost method	Entry Age Normal
Amortization method	Level percent of payroll
Amortization period	25 years-closed period
Amortization period for new Gains/Losses	15 years
Asset valuation method	10 year smoothed market 15% soft corridor
Actuarial assumptions	
Investment return	6.75%
Projected salary increases	Varies by age and service
Inflation	3%
Cost-of-living Adjustments	0%

COMPLIANCE AND INTERNAL CONTROL SECTION



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CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S 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 City Council
City of Hubbard, 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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hubbard, Texas, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Hubbard, Texas' basic financial statements, and have issued our report thereon dated April 4, 2023.

Internal Control over Financial Reporting

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Donald L. Allman, CPA, PC
Georgetown, TX
April 4, 2023