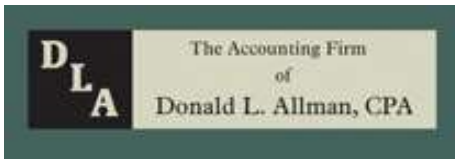


CITY OF HUBBARD, TEXAS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

**CITY OF HUBBARD, TEXAS
TABLE OF CONTENTS**

	<u>Page</u>
Independent Auditor’s Report	1-2
Management’s Discussion and Analysis	3-9
 <i>Basic Financial Statements</i>	
Government Wide Statements:	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet – Governmental Funds	12
Reconciliation of the Balance Sheet of Governmental Funds To the Statement of Net Position	13
Statement of Revenues and Expenditures and Changes in Fund Balances – Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	15
Statement of Net Position – Proprietary Fund	16
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund	17
Statement of Cash Flows – Proprietary Fund	18
<i>Notes to Financial Statements</i>	19-38
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget To Actual-General Fund	40
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget To Actual-Proprietary Fund	41
Note to Schedule of Revenues, Expenditures, and Changes in Fund Balance- Budget to Actual-General Fund	42
Schedule of Outflows and Inflows Current and Future Expense	43
Schedule of Changes in Net Pension Liability and Related Ratios	44
Schedule of Contributions	45
<i>Compliance and Internal Control Section</i>	
Independent Auditors’ Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i>	47

Schedule of Findings and Questioned Costs	48-49
Schedule of Prior Year Findings and Questioned Costs	50
Corrective Action Plan	51



Donald L. Allman, CPA, PC
4749 Williams Drive, Suite # 322
Georgetown, Texas 78633
Email: dallman@donallmancpa.com

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, 2023, 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, 2023, 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 April 11, 2024, 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 11, 2024

MEMBER TEXAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS & AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
4749 Williams Drive, Ste. 322, GEORGETOWN, TEXAS 78633 512-422-3700 FAX: 512-240-5460 WEBSITE www.donallmancpa.com

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, 2023. 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 decreased by \$(324,573) as a result of the year's operations.
- The City's business-type activities net position increased by \$(242,859) as a result of this year's operations, before transfers. The City's general fund activities net position decreased by \$(81,714) as a result of this year's operations, before transfers.
- Total revenues from all sources were \$2,134,655, a decrease of \$(234,522) from the prior year. This was primarily due to decreases in grant income.
- During the year, the City's cost of all programs was \$2,459,228, which represents an increase of \$327,780 from the prior year.
- At September 30, 2023, the City's governmental funds reported an ending balance of \$261,820, which represents a decrease of \$(48,178) 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 on 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 \$4,585,537 of September 30, 2023. When analyzing the net position and net expenses of governmental and business-type activities separately, the business type activities net position is \$3,385,695. 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	
	2023	2022	2023	2022	2023	2022
	Current and other assets	\$ 365,457	\$ 390,587	\$ 1,892,397	\$ 392,562	\$ 2,257,854
Capital assets, net	892,075	894,559	6,235,726	5,852,006	7,127,801	6,746,565
Restricted assets	<u>17,416</u>	<u>70,998</u>	<u>475,430</u>	<u>371,777</u>	<u>492,846</u>	<u>442,775</u>
Total assets	<u>1,274,948</u>	<u>1,356,144</u>	<u>8,603,553</u>	<u>6,616,345</u>	<u>9,878,501</u>	<u>7,972,489</u>
Deferred Outflows of Resources	90,497	36,165	44,445	17,278	134,942	53,443
Current liabilities	50,971	59,368	502,776	457,263	553,747	516,631
Long-term liabilities	<u>27,512</u>	<u>51,358</u>	<u>4,716,799</u>	<u>2,458,624</u>	<u>4,744,311</u>	<u>2,509,982</u>
Total liabilities	<u>78,483</u>	<u>110,726</u>	<u>5,219,575</u>	<u>2,915,887</u>	<u>5,298,058</u>	<u>3,026,613</u>
Deferred Inflows of Resources	87,120	60,027	42,728	29,182	129,848	89,209
Net Position:						
Net Investment in Capital Assets	868,379	822,173	3,244,247	3,135,043	4,112,626	3,957,216
Restricted for:						
Debt service	17,416	22,826	475,430	348,443	492,846	371,269
Unrestricted	<u>314,047</u>	<u>376,557</u>	<u>(333,982)</u>	<u>205,068</u>	<u>(19,935)</u>	<u>581,625</u>
Total net position	<u>1,199,842</u>	<u>1,221,556</u>	<u>3,385,695</u>	<u>3,688,554</u>	<u>4,585,537</u>	<u>4,910,110</u>

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

**Table II
CHANGE IN NET POSITION**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Revenues						
Program Revenues:						
Charges for services	\$ 244,907	\$ 112,928	\$ 958,676	\$ 967,064	\$ 1,203,583	\$ 1,079,992
General Revenues:						
Property tax	477,001	450,796	15,464	60,159	492,465	510,955
Sales tax	188,941	178,667	-	-	188,941	178,667
Franchise Tax	80,217	68,559	-	-	80,217	68,559
Hotel Tax & Alcohol	3,687	2,840	-	-	3,687	2,840
Court fines & fees	94,402	102,229	-	-	94,402	102,229
Grant income & donations	2,505	17,500	26,425	380,514	28,930	398,014
Other income	4,984	6,732	28,053	18,723	33,037	25,455
Investment earnings	1,218	1,070	8,175	1,296	9,393	2,366
Total revenues	<u>1,097,862</u>	<u>941,321</u>	<u>1,036,793</u>	<u>1,427,756</u>	<u>2,134,655</u>	<u>2,369,077</u>
Expenses:						
General government	377,235	262,997	-	-	377,235	262,997
Public safety	412,685	416,482	-	-	412,685	416,482
Public works	136,010	114,514	-	-	136,010	114,514
Court expenses	50,780	88,096	-	-	50,780	88,096
Parks and recreation	201,068	43,993	-	-	201,068	43,993
Grant expenses	-	-	-	147,596	-	147,596
Interest expense	1,798	2,689	146,217	100,483	148,015	103,172
Water and sewer	-	-	1,133,435	954,598	1,133,435	954,598
Total expenses	<u>1,179,576</u>	<u>928,771</u>	<u>1,279,652</u>	<u>1,202,677</u>	<u>2,459,228</u>	<u>2,131,448</u>
Increase in net position						
Before transfer	(81,714)	12,550	(242,859)	225,079	(324,573)	237,629
Transfers	60,000	(80,000)	(60,000)	80,000	-	-
Increase in net position	(21,714)	(67,450)	(302,859)	305,079	(324,573)	237,629
Net position - beginning	1,221,556	1,289,006	3,688,554	3,383,475	4,910,110	4,672,481
Prior Period Adjustment	-	-	-	-	-	-
Net position - ending	<u>1,199,842</u>	<u>1,221,556</u>	<u>3,385,695</u>	<u>3,688,554</u>	<u>4,585,537</u>	<u>4,910,110</u>

Management's Discussion and Analysis City of Hubbard, Texas

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

A large portion of the City's net position (90%) 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 (11%) represents resources that are subject to external restrictions on how they may be used. The balance of *unrestricted net position*, \$(19,935) or (1)%, may be used to meet the government's ongoing obligations to citizens and suppliers.

For the fiscal year 2023, revenues from governmental activities totaled \$1,097,862. Property taxes and sales taxes are the largest components of revenue 61%.

For fiscal year 2023, expenses for governmental activities totaled \$1,179,556. The City's two largest funded programs are public safety and general government.

Revenues of the city's business-type activities were \$1,036,793 for the fiscal year ending September 30, 2023. Expenses for the City's business-type activities were \$1,279,652. 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 \$261,820 which is less than last year's total of \$309,998.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2023, the city has invested \$12,747,343 in capital assets, including water& wastewater system, buildings& improvements, vehicles, equipment and land. This amount represents a net increase of \$381,236 due to current year additions and depreciation. This year's major additions included:

Water System and Sewer System Improvements \$415,031. Equipment additions \$76,460 in general fund and 250,031 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 \$5,016,978 in long-term debt outstanding, versus \$2,789,349 last year. This increase is due to a new \$2,550,000 Bond added in 2023.

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 2023 fiscal year, the City adopted a \$975,457 budget for the General Fund and a \$966,357 budget for the Enterprise Fund. It will be funded through property taxes via a \$0.7882 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, 2023

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Unit
<u>Assets</u>				
Cash and cash equivalents	\$ 228,484	\$ 1,721,606	\$ 1,950,090	\$ 197,021
Accounts receivable, net of allowance for doubtful accounts	136,973	170,791	307,764	-
Capital assets, net	892,075	6,235,726	7,127,801	291,943
Prepaid expenses	-	-	-	
Net Pension Asset	-	-	-	
Restricted assets:				
Cash and investments	17,416	475,430	492,846	-
Total assets	<u>1,274,948</u>	<u>8,603,553</u>	<u>9,878,501</u>	<u>488,964</u>
Deferred Outflows of Resources	90,497	44,445	134,942	
<u>Liabilities</u>				
Accounts payable	22,719	49,827	72,546	174
Accrued expenses	11,823	83,070	94,893	-
Customer deposits	-	106,957	106,957	-
Noncurrent liabilities				
Due within one year	16,429	262,922	279,351	16,908
Due in more than one year	7,267	4,706,664	4,713,931	149,506
Net OPEB Liability	18,937	8,729	27,666	
Net Pension Liability	1,308	1,406	2,714	
Total liabilities	<u>78,483</u>	<u>5,219,575</u>	<u>5,298,058</u>	<u>166,588</u>
Deferred Inflows of Resources	87,120	42,728	129,848	
<u>Net Position</u>				
Net Investment in Capital Assets	868,379	3,244,247	4,112,626	-
Restricted for:				
Debt service	17,416	475,430	492,846	-
Economic development	-	-	-	322,376
Unrestricted net position	<u>314,047</u>	<u>(333,982)</u>	<u>(19,935)</u>	<u>-</u>
Total Net Position	<u>\$ 1,199,842</u>	<u>\$ 3,385,695</u>	<u>\$ 4,585,537</u>	<u>\$ 322,376</u>

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

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF HUBBARD, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2023

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Primary Government			Component Unit
				Governmental Activities	Business-type Activities	Total	
Primary Government:							
Governmental activities:							
General government	\$ 377,235	\$ 244,907	\$ -	\$ (132,328)	\$ -	\$ (132,328)	\$ -
Public safety	412,685	-	2,505	(410,180)	-	(410,180)	-
Municipal Court	50,780	94,402	-	43,622	-	43,622	-
Public works	136,010	-	-	(136,010)	-	(136,010)	-
Interest expense	148,015	-	-	(1,798)	(146,217)	(148,015)	-
Parks and recreation	201,068	-	-	(201,068)	-	(201,068)	-
Total governmental activities	1,325,793	339,309	2,505	(837,762)	(146,217)	(983,979)	-
Business-type activities							
Water and Sewer	1,133,435	958,676	26,425	-	(148,334)	(148,334)	-
Total business-type activities	1,133,435	958,676	26,425	(837,762)	(294,551)	(1,132,313)	-
Total primary government	2,459,228	1,297,985	28,930				
Component unit:							
Economic development	65,925	-	-	-	-	-	(65,925)
General revenues:							
Property taxes				477,001	15,464	492,465	
Sales taxes				188,941	-	188,941	95,157
Franchise taxes				80,217	-	80,217	-
Hotel & alcoholic beverage tax				3,687	-	3,687	-
Other income				4,984	28,053	33,037	34,078
Investment & other earnings				1,218	8,175	9,393	255
Total general revenues				756,048	51,692	807,740	129,490
Changes in net position				(81,714)	(242,859)	(324,573)	63,565
Transfers				60,000	(60,000)	-	
Net position - beginning of year				1,221,556	3,688,554	4,910,110	258,811
Net position - end of year				\$ 1,199,842	\$ 3,385,695	\$ 4,585,537	\$ 322,376

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

**CITY OF HUBBARD, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2023**

	General	Total Governmental Funds
<u>ASSETS</u>		
Cash and investments	\$ 228,484	\$ 228,484
Accounts receivable (net)	136,973	136,973
Restricted cash	17,416	17,416
Total Assets	\$ 382,873	\$ 382,873
<u>LIABILITIES AND FUND BALANCES</u>		
Liabilities:		
Accounts payable	\$ 22,719	\$ 22,719
Accrued liabilities	11,823	11,823
Unearned revenue	86,511	86,511
Total Liabilities	121,053	121,053
Fund Balances:		
Nonspendable	-	-
Restricted	17,416	17,416
Committed	-	-
Assigned	-	-
Unassigned	244,404	244,404
Total Fund Balances	261,820	261,820
Total Liabilities and Fund Balances	\$ 382,873	\$ 382,873

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, 2023

Total fund balance (deficit) - governmental funds	\$ 261,820
Net Pension & OPEB liability is not included in governmental funds	(20,245)
Amounts reported for governmental activities in the statement of net assets are different because:	
Deferred Outflows of Resources are not included in Govt. Funds	90,497

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	678,904	
Accumulated Depreciation	<u>(1,384,714)</u>	
Total Capital Assets		892,075
Various accounting differences between govt. wide and gov. funds		-
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the fund cash reserved		86,511
Deferred Inflows of Resources are not included in Governmental funds		(87,120)
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>(23,696)</u>	
Total Long-Term Liabilities		<u>(23,696)</u>

Net Position of governmental activities	<u>\$ 1,199,842</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, 2023

	General
REVENUE	
General property taxes	\$ 455,565
Sales taxes	188,941
Franchise and other taxes	83,904
Fines	94,402
Fees and permits	244,907
Other charges and service income	-
Interest	1,218
Other income	4,984
Grant Income	2,505
Total Revenue	\$ 1,076,426
EXPENDITURES	
General government	\$ 329,218
Public safety	387,460
Public works	125,111
Parks and recreation	195,547
Court expenses	50,780
Pension expense	-
Debt service:	
Principal	21,028
Capital outlay	75,460
Total Expenditures	\$ 1,184,604
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	\$ (108,178)
OTHER FINANCING SOURCES (USES)	
Transfers in	60,000
Transfers from Restricted Assets	-
Total Other Financing Sources (Uses)	\$ 60,000
EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	\$ (48,178)
FUND BALANCE, BEGINNING OF YEAR	309,998
FUND BALANCE, END OF YEAR	261,820

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, 2023

Change in net position of governmental funds	\$	(48,178)
<p>Amounts reported for governmental activities in the statement of activities (page 14) are different because:</p>		
Net change in pension asset, opeb liability, deferred outflows and deferred inflows		15,840
Difference in property tax revenues for govt. funds		(21,436)
Total Pension & OPEB Expense not included in Govt. Funds		13,516
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 (77,944) was more than capital outlays (75,460) in the current		(2,484)
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.		21,028
Increase in accrued absences		-
 Change in net position of governmental activities (page 11)	 \$	 <u>(21,714)</u>

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

CITY OF HUBBARD, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
September 30, 2023

	<u>Business-type Activities</u> <u>Enterprise Fund</u>
<u>Assets</u>	
Current assets:	
Cash and cash equivalents	\$ 1,721,606
Prepaid expenses	-
Accounts receivable, net	<u>170,791</u>
Total current assets	1,892,397
Noncurrent assets:	
Net Pension Asset	-
Restricted cash and investments	475,430
Capital assets, net	<u>6,235,726</u>
Total noncurrent assets	<u>6,711,156</u>
Total assets	<u>\$ 8,603,553</u>
Deferred Outflows of Resources	44,445
<u>Liabilities</u>	
Current liabilities:	
Accounts payable	\$ 49,827
Accrued expenses	83,070
Customer deposits	106,957
Current portion of long-term debt	<u>262,922</u>
Total current liabilities	502,776
Noncurrent liabilities	
Net Pension Liability	1,406
Revenue Bonds	4,706,664
Net OPEB Liability	<u>8,729</u>
Total liabilities	<u>\$ 5,219,575</u>
Deferred Inflows of Resources	42,728
<u>Net Position</u>	
Net Investment in Capital Assets	3,244,247
Restricted for debt service	475,430
Unrestricted	<u>(333,982)</u>
Total net position	<u>\$ 3,385,695</u>
Total liabilities and net position	<u>\$ 8,605,270</u>

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, 2023

	Business-type Activities
<u>Assets</u>	Enterprise Fund
Current assets:	
Cash and cash equivalents	\$ 1,721,606
Accounts receivable, net	170,791
Total current assets	1,892,397
Noncurrent assets:	
Restricted cash and investments	475,430
Capital assets, net	6,235,726
Total Noncurrent assets:	6,711,156
Total Assets	\$ 8,603,553
<u>Liabilities</u>	
Current liabilities:	
Accounts payable	\$ 49,827
Accrued expenses	83,070
Customer deposits	106,957
Current portion of long-term debt	262,922
Total current liabilities:	502,776
Noncurrent liabilities	
Revenue Bonds	4,706,664
Notes Payable	8,729
Total Liabilities	\$ 5,218,169
<u>Net Position</u>	
Net Investment in Capital Assets	3,244,247
Restricted for debt service	614,811
Unrestricted	(333,982)
Total Net Position	\$ 3,525,076
Total Liabilities and Net Position	
Total Liabilities and Net Position	\$ 8,743,245

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

CITY OF HUBBARD, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
September 30, 2023

	Business-type Activities
	Enterprise Fund
<u>Cash Flows from Operating Activities</u>	
Cash received from customers	\$ 1,013,790
Cash payments to suppliers	(612,947)
Cash payments to employees	(191,459)
Net Cash Provided by Operating Activities	209,384
<u>Cash Flows from Non-Capital Financing Activities</u>	
Transfers from (to) other funds	(60,000)
other income	28,053
Grant income	26,425
Net cash (used) in non-capital financing activities	(5,522)
<u>Cash Flows from Capital and Related Financing Activities</u>	
Acquisition of capital assets	(665,062)
Payments on long-term bonds	(284,286)
Interest paid	(146,217)
Bond proceeds	2,550,000
Net Cash Provided by Capital and Related Financing Activities	1,454,435
<u>Cash Flows from Investing Activities</u>	
Interest received	8,175
(Increase) decrease in restricted cash	(126,987)
Net Cash Provided by Investing Activities	(118,812)
Net Increase in Cash and Cash Equivalents	1,539,485
Cash and cash equivalents - beginning of year	182,121
Cash and cash equivalents - end of year	\$ 1,721,606
<u>Reconciliation of operating loss to net cash provided by operating activities:</u>	
Operating income (loss)	\$ (152,538)
Adjustments to reconcile operating loss to net cash provided by Operating Activities:	
Depreciation expense	281,342
(Increase) decrease in accounts receivable	39,650
(Increase) decrease in prepaid expenses	-
Increase (decrease) in accounts payable	(5,399)
Increase (decrease) in accrued expenses	38,764
Increase (decrease) in customer deposits	7,565
Total adjustments	361,922
Net Cash Provided by Operating Activities	\$ 209,384

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

CITY OF HUBBARD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2023

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, 2023

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, 2023

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, 2023

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, 2023

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 or 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, 2023

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, 2023

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, 2023

3. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS

As of September 30, 2023, 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 \$2,639,957 and the bank balances were \$2,639,957 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 \$492,846. \$1,950,090 is cash for the City of Hubbard and \$197,021 is cash for the EDC.

As of September 30, 2023, 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:

\$17,416

Business Type Activities Assets Restricted

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

\$475,430

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, 2022 (fiscal year ended September 30, 2023) was \$448,211.

The tax assessment of October 1, 2021 tax sets a tax levy at \$.7882 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 9/30/23 were \$30,234 and delinquent property taxes receivable were \$56,277 for a total due of \$86,511.

CITY OF HUBBARD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2023

3. DETAILED NOTES ON ALL FUNDS (Continued)

D. CAPITAL ASSETS

Changes in capital assets during the year ended September 30, 2023, were as follows:

	Balance October 1, 2022	Additions	Transfers/ Retirements	Balance September 30, 2023
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	603,444	75,460	-	678,904
	-	-	-	-
Total capital assets being depreciated	2,192,512	75,460	-	2,267,972
Less accumulated depreciation	(1,306,770)	(77,944)	-	(1,384,714)
Total capital assets, being depreciated, net	885,742	(2,484)	-	883,258
Governmental activities capital assets, net	<u>894,559</u>	<u>(2,484)</u>	<u>-</u>	<u>892,075</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	-	-	-	-
Water system	9,294,130	415,031	-	9,709,161
Machinery and equipment	520,179	250,031	-	770,210
Total capital assets, being depreciated	9,814,309	665,062	-	10,479,371
Less accumulated depreciation	(3,965,876)	(281,342)	-	(4,247,218)
Total capital assets, being depreciated, net	<u>5,848,433</u>	<u>383,720</u>	<u>-</u>	<u>6,232,153</u>
Business-type activities capital assets, net	<u>\$ 5,852,006</u>	<u>\$ 383,720</u>	<u>\$ -</u>	<u>\$ 6,235,726</u>

CITY OF HUBBARD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2023

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	36,299
Public safety	25,225
Streets	10,899
Parks and recreation	5,521
Total depreciation expense - governmental activities	\$ 77,944

Business-type activities:

Water and sewer	\$ 281,342
-----------------	------------

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, 2023:

Business-type activities	Balance 10/1/2022	Increases	Decreases	Balance 9/30/2023
Combination Tax and Revenue Bonds	2,665,000	2,550,000	264,000	4,951,000
Equipment loans	38,872	-	20,286	18,586
	2,703,872	2,550,000	284,286	4,969,586

General Fund	Balance 10/1/2022	Increase	Decrease	Balance 9/30/2023
Equipment loans	\$ 44,724		\$ (21,028)	\$ 23,696
	44,724		(21,028)	\$ 23,696

Component Unit activities

Note payable	182,520	-	16,106	166,414
--------------	---------	---	--------	---------

CITY OF HUBBARD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2023

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, 2023 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 due in annual installments of \$35,000 to \$80,000 through 2043, interest at .35% to 4.25%	\$ -	\$ -
\$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%	\$ -	\$ 1,120,000
\$114,511 loan, due in quarterly installments of \$7,645 through 2025; interest at 3.125%, for the purchase of machinery		\$ 18,586
\$2,550,000 loan, interest rate 4.89%, due in installments of \$40,000 to \$303,000, matures 2/15/2038		\$ 2,550,000
\$28,140 bank loan due in monthly installments of \$451 through 2023; interest at 4.82%, for the purchase of a truck	460	
\$43,000 loan, due in annual installments of \$9,801 through 2024; interest at 4.52%, for the purchase of a police vehicle	\$ 9,765	
\$62,000 loan, due in annual installments of \$7,624 through 2025; interest at 3.92%, for the purchase of machinery	\$ 14,291	\$ -
Total	\$ 24,516	\$ 4,969,586
Less current portion	16,429	262,922
Total Long-Term Debt	<u>\$ 8,087</u>	<u>\$ 4,706,664</u>

Component Unit

\$262,000 note payable, due in monthly installments of \$2,072 \$ 166,414

The annual requirements to amortize the long-term debt outstanding in the business-type activities as of September 30, 2023, are as follows:

<u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	262,922	212,508	475,430
2025	290,664	195,875	486,539
2026	296,000	185,612	481,612
2027	308,000	176,056	484,056
2028	320,000	163,330	483,330
2029-2031	862,000	472,811	1,334,811
2032-2036	1,533,000	437,268	1,970,268
2037-2041	937,000	96,278	1,033,278
2042-2046	160,000	10,200	170,200
Total	\$ 4,969,586	\$ 2,496,537	\$ 21,061,874

CITY OF HUBBARD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2023

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, 2023 are as follows:

Year ended September 30,	Principal	Interest	Total
2024	16,429	987	17,416
2025	7,267	286	7,553
2026	-	-	-
2027	-	-	-
	-	-	-
Total	\$ 23,696	\$ 1,273	\$ 24,969

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
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	20,758	4,107	24,865
2029-2030	72,614	6,164	78,778
Total	\$ 166,414	\$ 36,689	\$ 203,103

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, 2023

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, 2023

III. DETAILED NOTES ON ALL FUNDS (Continued)

I. PENSION PLAN (Continued)

Employees covered by benefit terms.

At the December 31, 2022 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	19
Active employees	<u>12</u>
Total	36

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 2023 and 2022 respectively. The city's contributions to TMRS for the year ended September 30, 2023 were 14,531, and were equal to the required contributions.

D. Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2022, 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, 2022 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, 2022, 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, 2023	
A. Total pension liability	
1. Service Cost	\$ 46,954
2. Interest (on the Total Pension Liability)	43,967
3. Changes of benefit terms	-
4. Difference between expected and actual experience	(23,391)
5. Changes of assumptions	-
6. Benefit payments, including refunds of employee contributions	(32,955)
7. Net change in total pension liability	\$ 34,575
8. Total pension liability - beginning	644,367
9. Total pension liability - ending	<u>\$ 678,942</u>
B. Plan fiduciary net position	
1. Contributions - employer	\$ 14,531
2. Contributions - employee	31,027
3. Net investment income	(52,335)
4. Benefit payments, including refunds of employee contributions	(32,955)
5. Administrative Expense	(452)
6. Other	539
7. Net change in plan fiduciary net position	\$ (39,645)
8. Plan fiduciary net position - beginning	715,873
9. Plan fiduciary net position - ending	<u>\$ 676,228</u>
C. Net pension liability [A.9-B.9]	<u>\$ 2,714</u>
D. Plan fiduciary net position as a percentage of the total pension liability [B.9 / A.9]	99.60%
E. Covered-employee payroll	\$ 517,109
F. Net pension liability as a percentage of covered employee payroll [C / E]	0.52%

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	\$104,794	\$2,714	\$(79,378)
Pension Plan Fiduciary Net Position			

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

CITY OF 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, 2023		
1.	Total Service Cost	\$ 46,954
2.	Interest on the Total Pension Liability	43,967
3.	Current Period Benefit Changes	-
4.	Employee Contributions (Reduction of Expense)	(31,027)
5.	Projected Earnings on Plan Investments (Reduction of Expense)	(48,321)
6.	Administrative Expense	452
7.	Other Changes in Fiduciary Net Position	(540)
8.	Recognition of Current Year Outflow (Inflow) of Resources - Liabilities	(6,780)
9.	Recognition of Current Year Outflow (Inflow) of Resources - Assets	20,132
10.	Amortization of Prior Year Outflows (Inflows) of Resources - Liabilities	738
11.	Amortization of Prior Year Outflows (Inflows) of Resources - Assets	(7,868)
12.	Total Pension Expense	<u>\$ 17,707</u>

CITY OF HUBBARD				
SCHEDULE OF OUTFLOWS AND INFLOWS - CURRENT AND FUTURE EXPENSE				
SEPTEMBER 30, 2023				
	Recognition		2022	
	Period (or	Total (Inflow)	Recognized	Deferred
	amortization	or Outflow of	in current	(Inflow) Outflow
	yrs)	Resources	pension expense	in future expense
Due to Liabilities:				
Difference in expected and actual experience [actuarial (gains) or losses]	3.4500	\$ (23,191)	\$ (6,780)	\$ (16,411)
Difference in assumption changes [actuarial (gains) or losses]	2.9600	\$ -	\$ -	\$ -
			<u>\$ (6,780)</u>	<u>\$ (16,411)</u>
Due to Assets:				
Difference in projected and actual earnings on pension plan investments [actuarial (gains) or losses]	5.0000	\$ 100,657	\$ 20,132	\$ 80,525
			<u>\$ 20,132</u>	<u>\$ 80,525</u>
Total:				<u>\$ 64,114</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			
2023	\$ (1,742)			
2024	4,528			
2025	9,230			
2026	20,129			
2027	-			
Thereafter	-			
Total	\$ 32,145			

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, 2023	
A. Total OPEB liability	
1. Service Cost	\$ 2,172
2. Interest (on the Total OPEB Liability)	765
3. Changes of benefit terms	-
4. Difference between expected and actual experience	1,565
5. Changes of assumptions	(17,020)
6. Benefit payments, including refunds of employee contributions	(569)
7. Net change in total pension liability	\$ (13,087)
8. Total pension liability - beginning	40,753
9. Total pension liability - ending	\$ 27,666
B. Covered-employee payroll	\$ 517,109
C. Total OPEB liability as a percentage of covered employee payroll [A/B]	5.35%

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	\$33,883	\$27,666	\$22,985

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, 2023			
1.	Total Service Cost		2,172
2.	Interest on the Total OPEB Liability		765
3.	Changes in Benefit terms		-
4.	Employer administrative costs		-
5.	Recognition of deferred outflows/inflows of resources		
6.	Difference between expected and actual experience		142
7.	Changes in assumptions or other inputs		(513)
8.	Total OPEB Expense		2,566

CITY OF HUBBARD				
SCHEDULE OF OPEB OUTFLOWS AND INFLOWS - CURRENT AND FUTURE EXPENSE				
SEPTEMBER 30, 2023				
	Recognition		2022	
	Period (or	Total (Inflow)	Recognized	Deferred
	amortization	or Outflow of	in current	(Inflow) Outflow
	yrs)	Resources	pension expense	in future expense
Due to Liabilities:				
Difference in expected and actual experience [actuarial (gains) or losses]	6.3500	\$ 1,565	\$ 247	\$ 1,318
Difference in assumption changes [actuarial (gains) or losses]	6.3500	\$ (17,020)	\$ (2,681)	\$ (14,339)
			<u>\$ (2,434)</u>	<u>\$ (13,021)</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			
2023	\$ (371)			
2024	(611)			
2025	(1,412)			
2026	(2,409)			
2027	(2,434)			
Thereafter	(851)			
Total	\$ (8,088)			

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, 2023

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Revenues</u>				
General property taxes	417,658	417,658	455,565	37,907
Sales tax	140,000	140,000	188,941	48,941
Franchise tax	85,000	85,000	83,904	(1,096)
Fines, fees and court revenue	305,250	305,250	244,907	(60,343)
Fees and permits	18,545	18,545	94,402	75,857
Interest	700	700	1,218	518
Other income	9,235	9,235	4,984	(4,251)
Total Revenues	<u>976,388</u>	<u>976,388</u>	1,073,921	97,533
<u>Expenses</u>				
General government	369,897	369,897	329,218	40,679
Public safety	409,887	409,887	387,460	22,427
Public works	105,373	105,373	125,111	(19,738)
Court expenses	47,111	47,111	50,780	(3,669)
Parks and recreation	33,388	33,388	195,547	(162,159)
Debt service:				
Principal	-	-	21,028	(21,028)
Capital outlay	9,801	9,801	75,460	(65,659)
Total Operating Expenses	<u>975,457</u>	<u>975,457</u>	1,184,604	(209,147)
Operating Income (Loss)	931	931	(110,683)	(111,614)
<u>Other Financing Sources (Uses)</u>				
Grant receipt	-	-	2,505	2,505
Grant expense	-	-	-	-
Transfers from Restricted Funds	-	-	-	-
Transfers to Proprietary Fund	-	-	60,000	60,000
Total	<u>-</u>	<u>-</u>	62,505	62,505
Change in Net Assets	<u>931</u>	<u>931</u>	<u>(48,178)</u>	<u>(49,109)</u>
Fund Balance-Beginning of Year	341,520	341,520	309,998	
Fund Balance-End of Year	<u>342,451</u>	<u>342,451</u>	<u>261,820</u>	<u>(80,631)</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, 2023

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues</u>				
Sewer Income	222,000	222,000	210,443	(11,557)
Sanitation income	219,200	219,200	223,127	3,927
Water income	610,104	610,104	489,835	(120,269)
Tap & Impact fees	9,000	9,000	3,000	(6,000)
Penalties and service charges	21,460	21,460	2,624	(18,836)
Interest	500	500	8,175	7,675
Miscellaneous income	11,160	11,160	28,053	16,893
Total Revenues	1,093,424	1,093,424	965,257	(128,167)
<u>Expenses</u>				
Water purchase	60,000	60,000	111,248	(51,248)
Garbage collection	153,500	153,500	216,297	(62,797)
Salaries & personnel expenses	210,426	210,426	191,459	18,967
Repairs & Maintenance	120,000	120,000	210,134	(90,134)
Administration expenses	104,520	104,520	93,308	11,212
Miscellaneous	3,500	3,500	-	3,500
Loan Principal Payments	244,000	244,000	-	244,000
Interest expense	66,492	66,492	146,217	(79,725)
Capital outlay/Depreciation	3,919	3,919	281,342	(277,423)
Total Operating Expenses	966,357	966,357	1,250,005	(283,648)
Operating Income (Loss)	127,067	127,067	(284,748)	(411,815)
<u>Other Financing Sources (Uses)</u>				
	-	-	-	-
Property tax income	62,000	62,000	15,464	(46,536)
Grant receipt	-	-	26,425	26,425
Grant expenditures	-	-	-	-
Transfers (in)	-	-	-	-
Transfers (out)	-	-	(60,000)	(60,000)
Total	62,000	62,000	(18,111)	(80,111)
Change in Net Assets	189,067	189,067	(302,859)	(491,926)
			-	-
Fund Balance - Beginning of Year			3,688,554	
Fund Balance-End of Year	-	-	3,385,695	3,385,695

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, 2023

1. Budgetary Highlights

The City's original budget was amended during the year ended September 30, 2023.

The City's overall actual revenue was \$1,073,921 or \$97,533 more than budgeted in the General Fund. This was primarily generated from more than expected permits and fees and property tax and sales tax. The City's overall actual expenses were \$1,184,604 or \$209,147 more than budgeted.

The City's overall enterprise fund actual revenue was \$965,257 or \$128,167 less than budgeted. This was primarily due to less water revenues. The City's overall enterprise fund expenses were \$1,250,005 or \$283,648 more than budgeted. The increases in proprietary fund expenses were primarily in capital outlay 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	2022
Total pension liability									
1. Service Cost	20,396	25,028	25,502	25,120	25,734	42,702	41,047	42,285	46,954
2. Interest (on the Total Pension Liability)	19,332	21,019	23,979	25,647	29,521	33,182	36,640	39,886	43,967
3. Changes of benefit terms					-	12,271			
4. Difference between expected and actual	(2,052)	7,294	(20,939)	9,765	(9,122)	(3,985)	(1,073)	7,098	(23,391)
5. Changes of assumptions	-	11,957	-		-	4,193	-		
6. Benefit payments, including refunds of e	<u>(17,261)</u>	<u>(14,515)</u>	<u>(6,600)</u>	<u>(687)</u>	<u>(6,196)</u>	<u>(19,106)</u>	<u>(28,964)</u>	<u>(29,329)</u>	<u>(32,955)</u>
7. Net change in total pension liability	20,415	50,783	21,942	59,845	39,937	69,257	47,650	59,940	34,575
8. Total pension liability - beginning	274,598	295,013	345,796	367,738	427,583	467,520	536,777	584,427	644,367
9. Total pension liability - ending	<u>295,013</u>	<u>345,796</u>	<u>367,738</u>	<u>427,583</u>	<u>467,520</u>	<u>536,777</u>	<u>584,427</u>	<u>644,367</u>	<u>678,942</u>
Plan fiduciary net position									
1. Contributions - employer	4,266	2,212	1,635	3,240	2,381	3,593	13,212	13,527	14,531
2. Contributions - employee	20,142	20,482	20,434	20,000	20,199	22,738	27,334	28,285	31,027
3. Net investment income	18,977	528	24,744	56,290	(14,528)	75,253	43,182	81,288	(52,335)
4. Benefit payments, including refunds of e	(17,261)	(14,515)	(6,600)	(687)	(6,196)	(19,106)	(28,964)	(29,329)	(32,955)
5. Administrative Expense	(198)	(321)	(279)	(292)	(280)	(425)	(279)	(375)	(452)
6. Other	<u>(16)</u>	<u>(17)</u>	<u>(15)</u>	<u>(15)</u>	<u>(15)</u>	<u>(13)</u>	<u>(11)</u>	<u>2</u>	<u>539</u>
7. Net change in plan fiduciary net position	25,910	8,369	39,919	78,536	1,561	82,040	54,474	93,398	(39,645)
8. Plan fiduciary net position - beginning	<u>331,665</u>	<u>357,575</u>	<u>365,944</u>	<u>405,863</u>	<u>484,399</u>	<u>485,960</u>	<u>568,001</u>	<u>622,475</u>	<u>715,873</u>
9. Plan fiduciary net position - ending	<u>357,575</u>	<u>365,944</u>	<u>405,863</u>	<u>484,399</u>	<u>485,960</u>	<u>568,000</u>	<u>622,475</u>	<u>715,873</u>	<u>676,228</u>
Net pension liability [A.9-B.9]	<u>(62,562)</u>	<u>(20,148)</u>	<u>(38,125)</u>	<u>(56,816)</u>	<u>(18,440)</u>	<u>(31,223)</u>	<u>(38,048)</u>	<u>(71,506)</u>	<u>2,714</u>
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%	99.60%
Covered-employee payroll	\$ 402,841	409,630	408,683	399,998	403,983	\$ 454,764	\$ 455,568	471,409	517,109
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%	-15.17%	0.52%

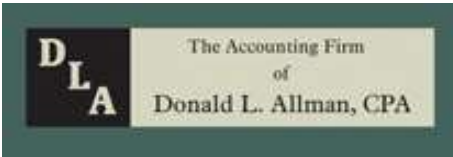
City of Hubbard									
Schedule of Contributions									
Last 10 Fiscal Years (will ultimately be displayed)									
September 30, 2023									
	2015	2016	2017	2018	2019	2020	2021	2022	
Actually Determined Contribution	\$ 2,809	\$ 1,879	\$ 2,479	2,583	\$ 3,204	\$10,699	12,930	\$13,527	
Contributions in relation to the act determined contribution	<u>2,894</u>	<u>1,879</u>	<u>2,479</u>	2,583	3,204	10,699	12,930	13,527	
		-	-						
Contribution deficiency (excess)	(85)	-	-		-	-			
Covered employee payroll	\$ 410,714	\$430,295	\$396,842	\$402,695	402,695	457,421	456,369	471,409	
Contributions as a percentage of cc employee payroll	0.70%	0.44%	0.62%	0.64%	0.80%	2.34%	2.83%	2.87%	
Noes to Schedule of Contributions									
Valuation Date determined	12/31/2022								
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



Donald L. Allman, CPA, PC
4749 Williams Drive, Ste. 322
Georgetown, Texas 78633
Email: dallman@donallmancpa.com

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 City of Hubbard, TX , as of and for the year ended, September 30, 2023, and the related notes to the financial statements, which collectively comprise City of Hubbard, Texas’ basic financial statements and have issued our report thereon dated April 11, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Hubbard, Texas’s 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 Hubbard, Texas the effectiveness of City of Hubbard, Texas’s internal control. Accordingly, we do not express an opinion on the effectiveness of City of Hubbard, Texas’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2023-1 to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2023-2 to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Hubbard, Texas’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2023-1 and 2023-2.

City of Hubbard, Texas’s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Hubbard, Texas’s response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. City of Hubbard, Texas’s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 11, 2024

CITY OF HUBBARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

A. Summary of Auditor’s Results

1. Financial Statements

Type of auditor’s report issued:	<u>Unmodified</u>		
Internal control over financial reporting:			
One or more material weaknesses identified?	Yes	<u>x</u> _____	No _____
One or more significant deficiencies identified that are not considered to be material weaknesses?	Yes	<u>x</u> _____	No _____
Noncompliance material to financial Statements noted?	Yes	_____	No <u> x </u> _____

Financial Statement Findings

2023-1 Defalcation of City of Hubbard funds was discovered and reported by a City of Hubbard employee, and the employee who committed the defalcation confessed to the act. So far this has only affected the Municipal Court fund, but could possibly be more widespread. The Forensic Examination requested will encompass all other funds to see if more fraudulent occurrences are present.

- Condition: Cash was found to be withheld and not deposited from a payment received, and the employee admitted to taking the funds.
- Criteria: Internal control procedures should be in place to assure that the defalcation of City funds is reduced to a very low risk.
- Effect: The City of Hubbard lost funds due to employee defalcation.
- Cause: Internal control procedures need to be strengthened to reduce the risk of defalcation to an acceptably low level.
- Recommendation: The City of Hubbard has requested a forensic examination to determine the amount of defalcation that may have occurred and will follow the recommendations of the forensic examination to strengthen internal controls and reduce the risk of future defalcation.
- City’s response: The city administrator will ensure the most accurate accounting information is used to prepare internal financial statements.

CITY OF HUBBARD
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

2023-2 Voids were not properly documented and reported

Condition: Voids were not properly documented and reported leading to potential defalcation to occur.

Criteria: Voids need to be properly recorded and documented to reduce the risk of potential defalcation.

Effect: Improper recording of voids led to defalcation of City funds.

Cause: Voids were not properly documented and recorded.

Recommendation: The City of Hubbard has requested a forensic examination and will follow the recommendations of the forensic examination to strengthen internal control procedures to properly document and report voids to reduce the risk of possible defalcation.

City's response: The City of Hubbard will follow the recommendations of the forensic examination to strengthen their internal control procedures and reduce the risk of potential future defalcation.

CITY OF HUBBARD
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

There were no prior year findings.

CITY OF HUBBARD
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2023

The City Administrator will ensure the recommendations of the forensic examination are implemented and followed in order to strengthen the City of Hubbard's internal control structure and reduce the risk of possible defalcation to an acceptably low level.

