

the comprehensive annual  
financial report of the  
**City of Hudson Oaks, TX**  
for the fiscal year ending  
September 30, 2019



**HUDSON OAKS**



**CITY OF HUDSON OAKS, TEXAS**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

**Prepared by the Finance Department**

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**CITY OF HUDSON OAKS, TEXAS**  
 Comprehensive Annual Financial Report  
 For the Year Ended September 30, 2019

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## INTRODUCTORY SECTION

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April 14, 2020

Honorable Mayor and City Council  
City of Hudson Oaks, TX

Dear Mayor and City Council:

The City Administrator's Office is pleased to present the Comprehensive Annual Financial Report for the City of Hudson Oaks, Texas, for the fiscal year ended September 30, 2019.

This report is published to provide the City Council, residents, bondholders, city staff and other interested parties with detailed information concerning the financial condition and activities of the City government. Responsibility for both accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City.

To the best of our knowledge and belief the enclosed data are accurate in all respects, and are organized in a manner designed to fairly present the financial position and results of City operations, which are measured by the financial activity of its various funds. We also believe that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

## THE REPORT

The reporting model issued by the Governmental Accounting Standards Board (GASB) requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). We believe our presentation provides better information to use the comprehensive annual financial report. This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Hudson Oaks' MD&A can be found immediately following the independent auditor's report.

## CITY PROFILE

### Location

Hudson Oaks is located in Parker County, just 20 miles west of Fort Worth. Hudson Oaks is home to approximately 2,345 people and serves as a prime location for residents who desire a short commute time with the luxury of living in a city with no property tax. There are currently 2.6 square miles of land within the City's boundaries.

### Government Structure

Founded in 1978, Hudson Oaks is a Type A General Law Municipality that operates under a Council-Manager form of government. The City Council is comprised of a mayor and five at-large council members and is responsible for enacting ordinances, resolutions, and regulations governing the City, as well as appointing members of various statutory and advisory boards, the

City Administrator, City Attorney, the City Secretary and the Municipal Judge. The City Administrator is responsible for the enforcement of laws and ordinances, the appointment and supervision of the directors and department heads, and the performance of functions within the municipal organization.

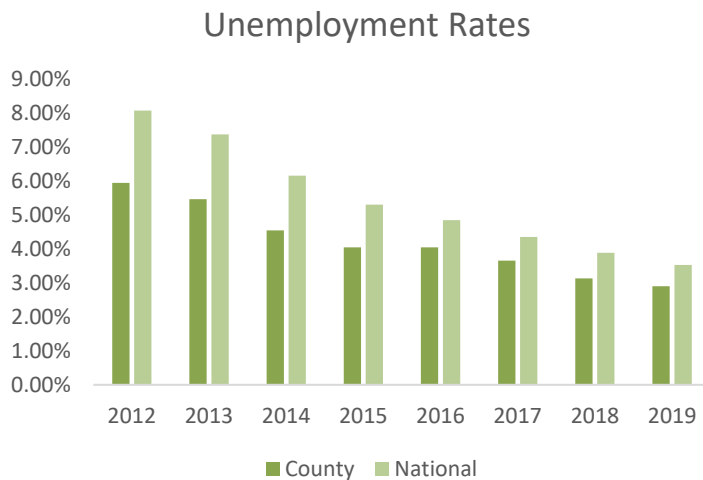
### Services Provided

The City provides services that are meant to be necessary and meaningful to the City, while maintaining a low cost to the citizens, including the benefit of no property tax. Major services provided under the general government and enterprise functions are: police, water and wastewater utility services, stormwater utility services, park facilities, streets, and administrative services.

## ECONOMIC CONDITIONS AND OUTLOOK

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

### Regional Economy

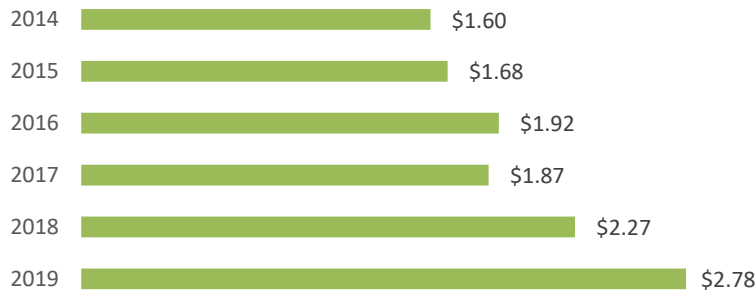


Hudson Oaks is 20 miles west of downtown Fort Worth, which makes it an ideal location for people to live and commute. Hudson Oaks has had strong economic growth over the past years, thriving on commercial development as a sales tax dependent City. Unemployment rates have dropped, while City and County sales tax receipts continue to increase.

### Local Economy

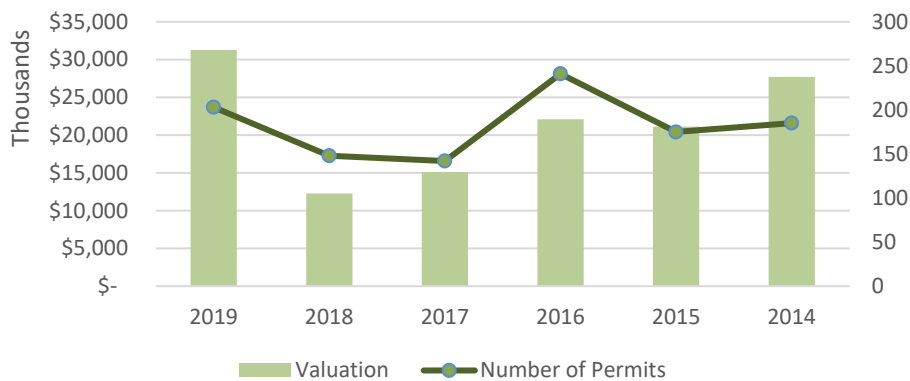
Hudson Oaks is a thriving economy between Weatherford and Fort Worth. Customers come from all over to shop in Hudson Oaks. Approximately 70,000 vehicles a day travel through Hudson Oaks, which makes it an ideal place to do business. The stability of the local Wal-Mart combined with the vast amount of car dealerships consistently brings consumers to the area. A large grocer opened this past year bringing additional sales tax to the City. These establishments, along with other retail stores and restaurants, provide outlets to meet the needs of area residents as well as a solid and growing retail base for the City. Sales tax collections increased 25% compared to the prior year. The sales tax revenue for 2019-2020 has been conservatively budgeted even though future growth is likely due to new businesses coming into the city. A new apartment complex which is approximately 50% constructed will bring additional residents to the City providing more revenue growth.

### Sales Tax Collections (in millions)



The City’s residential developments are almost at capacity which in turn has begun to generate fewer residential building permits. The increase in valuation is due to the large commercial projects ongoing in the City. The City expects more density in the future, with larger commercial projects.

### Building Permits Issued (in thousands)



## FINANCIAL INFORMATION

### Accounting System and Budgetary Control

The City’s accounting records for general governmental operations are maintained on a modified accrual basis, revenues are recorded when available and measurable, and expenditures are recorded when the services or goods are received and the liabilities are incurred. Accounting records for the City’s utilities are maintained on the accrual basis.

In developing and maintaining the City’s accounting system, consideration is given to the adequacy of the internal control structure. Internal accounting controls are designed to provide reasonable, but no absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability of assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The City Charter provides that the City Council shall adopt the annual budget prepared by the City Administrator. This budget is reviewed by the City Council and is formally adopted by the passage of a budget ordinance. The City Administrator is authorized to transfer budgeted amounts between line items and departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.

Budgetary control has been established at the individual fund and department level. Financial reports are produced showing budget and actual expenditures by line item, and are distributed monthly to City department management and to others upon request.

Individual line items are reviewed and analyzed for budgetary compliance. Personnel expenditures are monitored and controlled at a position level and capital expenditures are monitored and controlled item by item. Revenue budgets are reviewed monthly.

In addition, the City has implemented a five-year strategic plan process that projects full line-item and capital expenditure detail for all departments. The first year of this strategic plan is utilized as a starting basis for the annual budget.

### Cash Management

As of October 1, 2019, the City's depository contract is with First Financial Bank, N.A. It is a three-year relationship period with two one-year extension options.

The remaining idle cash is invested in government securities and government investment pools as allowed by the State of Texas Statutes and by the City's investment policy.

The ending balance of the City's investment portfolio for Fiscal Year 2018-2019 was approximately \$1,818,486. The overall portfolio provided \$90,778 in investment income, representing interest revenue net of realized gains, unrealized gains and losses and investment expenses.

It is the City's policy that all demand deposits and time deposits will have a collateralization level of not less than 102% of market value of principal and accrued interest, less an amount of \$250,000, which represents insurance by the FDIC or FSLIC on certain types of bank deposits. Evidence of pledged collateral shall be documented by safekeeping or a master repurchase agreement with the collateral pledged clearly listed in the agreement and safekeeping confirmations. Collateral is monitored monthly to ensure that the market value of the pledged securities equals or exceeds the related deposit of investment balance.

All investments transacted by the City are purchased using the delivery versus payment method. That is, funds are not wired or paid until verification has been made that the correct security has been received by the Custodian. Securities are held in the name of the City of held on behalf of the City. The original copy of the safekeeping statements is delivered to the City.

The City will not accept as depository collateral any security that is not specifically allowed to be held as a direct investment by the City's portfolio, and the maximum maturity of the collateral securities may be no greater than five years. Collateral is held by an independent third party with whom the depository bank has a custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) is supplied to the City and retained. The safekeeping institution will be the Federal Reserve Bank, Federal Home Loan Bank, or an institution not affiliated with the depository bank or the broker/dealer pledging the security. The safekeeping agreement includes the authorized signatories of the City and the depository bank.

All collateral shall be subject to verification and audit by the Financial Analyst or the City's independent auditors.

### Long-Term Financing

The City intends that the length of any long-term financing matches the life of assets purchased with the financing. The City will generally use lease-purchase options of larger pieces of equipment with an expected useful life of at least five years. Certificates of Obligation or bonded indebtedness are issued for projects and other significant capital improvements with longer useful lives.

### Long-Term Financial Planning

The City develops a multi-year blueprint annually for planning the City's future capital expenditures, which coordinates and integrates community planning, development and financial capacity. This blueprint is the Capital Improvement Plan (CIP). The CIP's goal is to implement necessary infrastructure and facility issues related to city growth and increased service demands and improve efficiency in the city. This strategic capital plan ensures that infrastructure needs projected over the next several years are identified, prioritized and properly funded.

### Transparency

The City has been recognized by GFOA for both the Distinguished Budget award program and the Certificate of Achievement in Financial Reporting for the Comprehensive Annual Financial Report. Also, during 2018, the City was recognized by the State of Texas for its transparency in Traditional Finances, Pensions and Debt. The City was awarded a transparency star for each of these programs.

## OTHER INFORMATION

### Independent Audit

Section 7.13 of the City Charter requires the City Council to direct that an independent annual audit be made of all accounts of the City. This requirement has been complied with, and the independent auditor's report has been included in this report.

It should be noted that the auditors included all funds in their audit, performed their audit in accordance with generally accepted auditing standards, and stated that, in their opinion, the statements herein present fairly, in all material aspects, the financial position of the City at September 30, 2019, and the results of its operations and the cash flows of its proprietary fund type for the year ended in conformity with accounting principles generally accepted in the United States of America.

### Certificate of Achievement

The Government Finance Officers Association of the United States of America and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Hudson Oaks for its comprehensive annual financial report for the fiscal year ended September 30, 2018. This was the third year that the government has achieved this prestigious award.

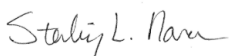
To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

### Acknowledgements

The preparation of this report could not have been accomplished without the full support and involvement of the City Administrator and staff that provided information and analyses contained within this document. In addition, we acknowledge the thorough, professional, and timely way our independent auditors, George, Morgan and Sneed, P.C., conducted the audit. Finally, we express appreciation to the Mayor and City Council for their continued support for maintaining the highest standard and professionalism of the management of the City's finances.

Sincerely,



Sterling Naron  
City Administrator



CITY OF HUDSON OAKS, TEXAS

MAYOR

Marc Povero

MAYOR PRO-TEM

Tom Fitzpatrick

COUNCIL MEMBERS

Place 1 – Tom Marquardt

Place 2 – Brian Lixey

Place 3 – Marty Schrantz

Place 5 – Daniel Cross

CITY ADMINISTRATOR

Sterling Naron

DEPARTMENT DIRECTORS

Ricky King – Public Works

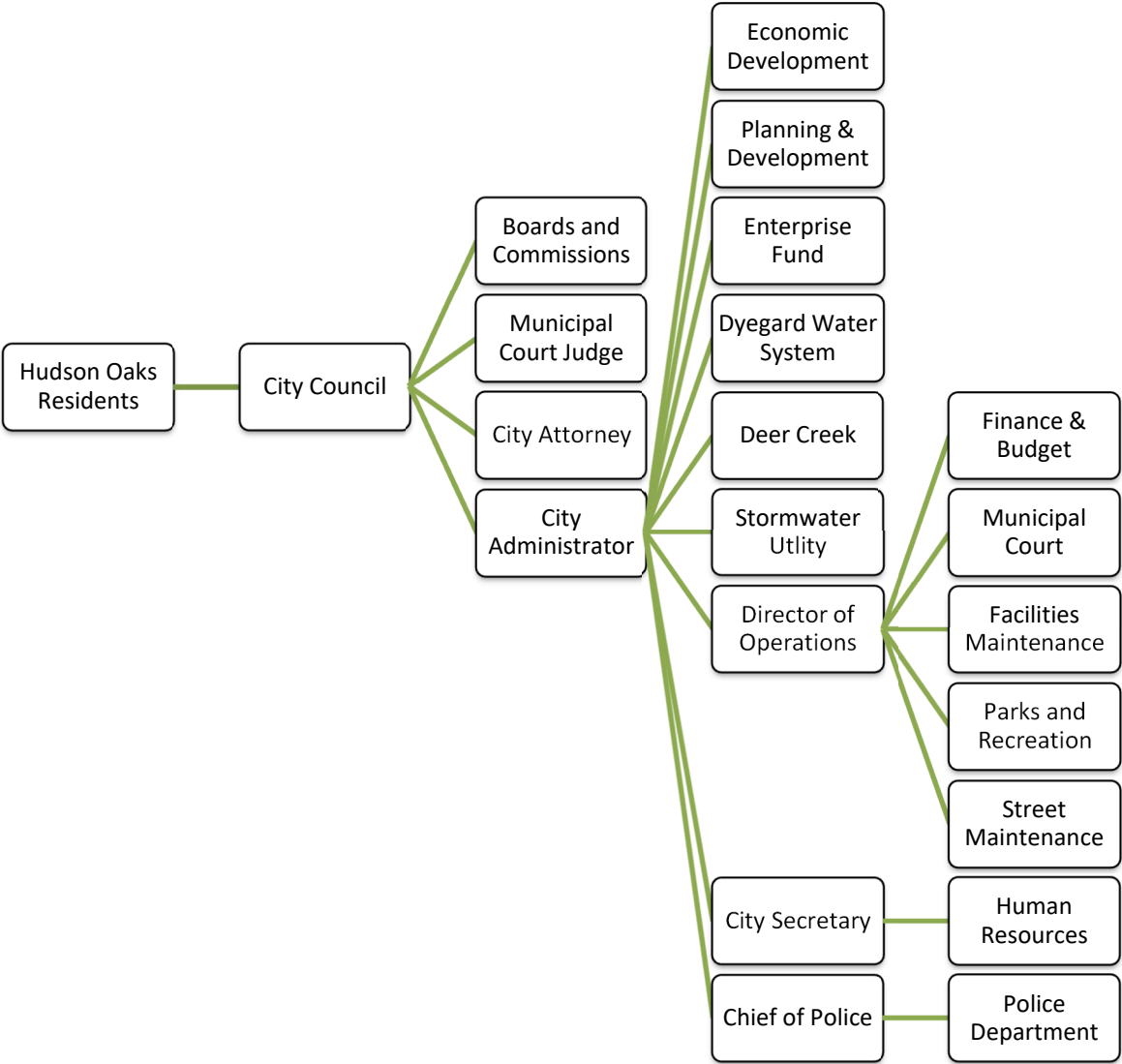
Brittney Huff - Operations

Ryan Berry – Streets, Parks & Recreation

Shelley Scazero – City Secretary

Paul Conner – Municipal Court Judge

ORGANIZATIONAL CHART





Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Hudson Oaks  
Texas**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2018**

*Christopher P. Morill*

Executive Director/CEO

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**FINANCIAL SECTION**

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## **INDEPENDENT AUDITOR'S REPORT**

To the City Council  
City of Hudson Oaks, Texas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Hudson Oaks, Texas, (the "City") as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

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

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

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

#### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2019, 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.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-13 and budgetary comparison information, schedule of changes in net pension liability and related ratios, schedule of employer contributions and related ratios and schedule of changes in total OPEB liability and related ratios on pages 54 – 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

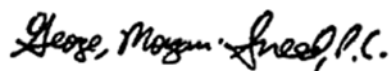
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards general accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The introductory section, enterprise fund supplementary information and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2020, on our consideration of the City of Hudson Oaks, Texas' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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' 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 Hudson Oaks, Texas' internal control over financial reporting and compliance.



Weatherford, Texas  
April 14, 2020



## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of The City of Hudson Oaks, Texas, we offer readers of The City of Hudson Oaks' financial statements this narrative overview and analysis of the financial activities of The City of Hudson Oaks for the year ended September 30, 2019.

### FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Hudson Oaks exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$14,648,050 (*net position*) compared to \$13,271,390 for the prior year. Of this amount, \$3,874,819 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$1,376,660. The City's operations increased the governmental activities and increased business-type activities by \$940,171 and \$436,489 respectively.
- As of the close of the current fiscal year, the City of Hudson Oaks' governmental funds reported combined ending fund balances of \$1,435,697 compared to \$1,505,397 for the prior year. 90% is available for spending at the City's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,346,488, or 40% of total general fund expenditures.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City of Hudson Oaks' basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the differences reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and fees).

intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, highways and streets and parks, mayor and council, and planning and development. The business-type activities of the City include waterworks, wastewater and stormwater. The government-wide financial statements can be found on Exhibits 1 and 2 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The City maintains nine individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund and Debt Service Fund, which are considered major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report. The City adopts an annual appropriated budget for the general fund. A budgetary comparison schedule has been provided for these funds to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on Exhibits 3 through 6 of this report.

**Proprietary funds.** The City maintains two types of proprietary funds. The Enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water and wastewater operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for reimbursements for employee health care costs. Because this service predominately benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, wastewater and stormwater utility funds. The basic proprietary fund financial statements can be found on Exhibits 7 through 9 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-53 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-53 of this report.

**Other information.**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. Required supplementary information can be found on Exhibit A-1 through A-4.

The combining and individual nonmajor governmental funds and enterprise fund statements and schedules are presented immediately following the required supplementary information. These statements can be found on Exhibits B-1 through B-2 and Schedules 1 through 3 of this report.

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$14,648,050 as of September 30, 2019. Below is a summary of the City’s Statement of Net Position.

**Condensed Statement of Net Position**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 3,712,314	\$ 2,221,728	\$ 2,878,839	\$ 2,296,238	\$ 6,591,153	\$ 4,517,966
Capital assets	15,759,950	16,069,583	9,582,498	9,924,972	25,342,448	25,994,555
Total Assets	19,472,264	18,291,311	12,461,337	12,221,210	31,933,601	30,512,521
Deferred Outflow of Resources	281,378	117,634	110,669	49,892	392,047	167,526
Total Deferred Outflow of Resources	281,378	117,634	110,669	49,892	392,047	167,526
Current liabilities	1,148,110	425,860	452,203	167,652	1,600,313	593,512
Long-term liabilities	10,344,786	10,546,891	5,537,574	5,904,929	15,882,360	16,451,820
Total liabilities	11,492,896	10,972,751	5,989,777	6,072,581	17,482,673	17,045,332
Deferred Inflow of Resources	137,110	252,729	57,815	110,596	194,925	363,325
Total Deferred Inflow of Resources	137,110	252,729	57,815	110,596	194,925	363,325
Net Position:						
Net investment						
in capital assets	6,126,451	5,941,949	4,307,311	4,349,604	10,433,762	10,291,553
Restricted Net Position (expendable)	114,555	137,208	224,914	234,001	339,469	371,209
Unrestricted Net Position	1,882,630	1,104,308	1,992,189	1,504,320	3,874,819	2,608,628
Total Net Position	\$ 8,123,636	\$ 7,183,465	\$ 6,524,414	\$ 6,087,925	\$ 14,648,050	\$ 13,271,390

The largest portion of the City’s net position (71%) reflects its investment in capital assets (e.g. land, buildings, equipment, automobiles, improvements, infrastructure and construction in progress); less any outstanding debt used to acquire those assets. The City uses these capital assets to provide services to 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

An additional portion of the City's net position (2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$3,874,819 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The following is a summary of the City's Statement of Activities.

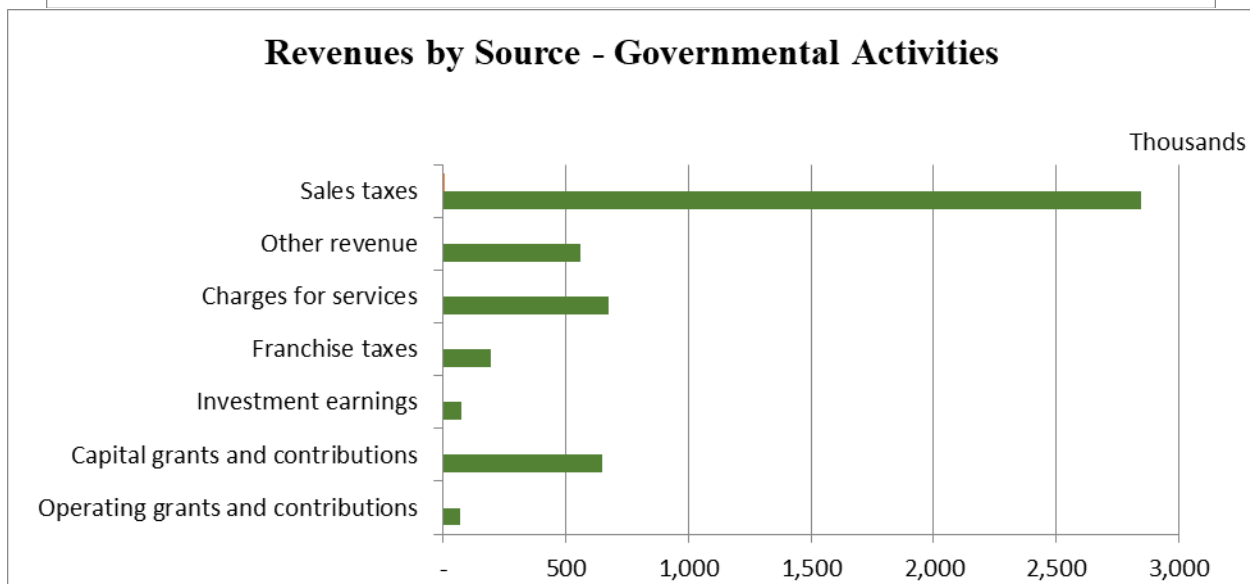
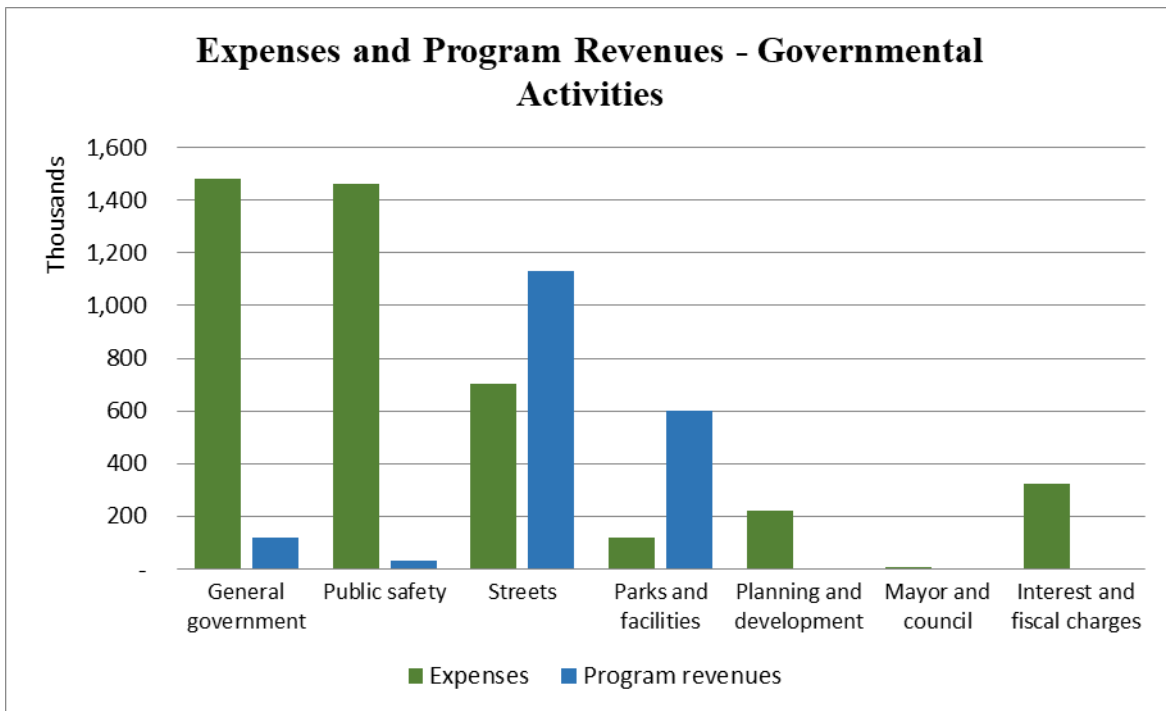
**Condensed Statement of Activities**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 673,812	\$ 368,067	\$ 2,687,013	\$ 2,585,563	\$ 3,360,825	\$ 2,953,630
Operating grants and contributions	70,936	69,261	-	-	70,936	69,261
Capital grants and contributions	1,132,776	78,922	-	-	1,132,776	78,922
General revenues:						
Sales taxes	2,844,353	2,300,050	-	-	2,844,353	2,300,050
Franchise taxes	194,412	192,368	-	-	194,412	192,368
Investment earnings	72,907	60,797	17,871	14,637	90,778	75,434
Other Revenue	178,071	65,560	-	-	178,071	65,560
Total revenues	5,167,267	3,135,025	2,704,884	2,600,200	7,872,151	5,735,225
Expenses						
General government	1,479,708	768,763	-	-	1,479,708	768,763
Public safety	1,462,412	1,331,101	-	-	1,462,412	1,331,101
Streets	700,498	241,549	-	-	700,498	241,549
Parks and facilities	119,793	71,203	-	-	119,793	71,203
Planning and development	222,846	134,253	-	-	222,846	134,253
Mayor and council	4,530	15,666	-	-	4,530	15,666
Interest and fiscal charges	323,999	288,326	-	-	323,999	288,326
Bond issuance costs	-	91,036	-	-	-	91,036
Hudson Oaks water	-	-	1,323,132	1,435,879	1,323,132	1,435,879
Dyegard Water System	-	-	216,573	210,994	216,573	210,994
Deercreek Management	-	-	140,208	135,674	140,208	135,674
Wastewater	-	-	343,883	325,990	343,883	325,990
Stormwater	-	-	157,909	56,181	157,909	56,181
Total expenses	4,313,786	2,941,897	2,181,705	2,164,718	6,495,491	5,106,615
Increase (decrease) in net position before transfers	853,481	193,128	523,179	435,482	1,376,660	628,610
Transfers	86,690	291,523	(86,690)	(291,523)	-	-
Increase (decrease) in net position	940,171	484,651	436,489	143,959	1,376,660	628,610
Net Position, Beginning	7,183,465	6,722,725	6,087,925	5,954,429	13,271,390	12,677,154
Prior Period Adjustment	-	(23,911)	-	(10,462)	-	(34,373)
Net Position, Ending	\$ 8,123,636	\$ 7,183,465	\$ 6,524,414	\$ 6,087,926	\$ 14,648,050	\$ 13,271,391

**Governmental Activities.** Governmental activities increased the City's net position by \$940,171. Key elements are as follows.

- Revenues increased \$2,032,242. Charges for services increased mainly due to additional permits. Capital grants and contributions increased due to street assessments levied in the current year for projects completed. Sales tax increased \$544,303 primarily due to growth and new businesses built in the City.
- Transfers in were \$86,690 which was used to pay for special events and capital projects.
- Expenses increased \$1,371,889. General governmental expenses increased approximately \$710,945 mainly due to economic development agreement expenses. Streets expense increased \$458,949 due to increased street improvements and repairs.

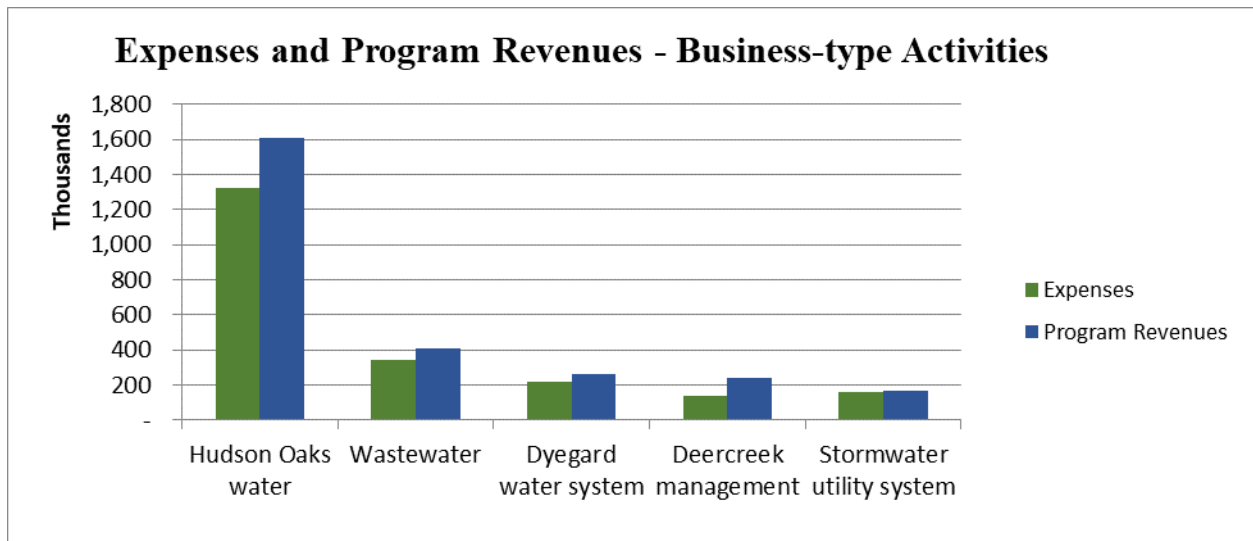
Below are two graphs summarizing governmental revenue and expense:



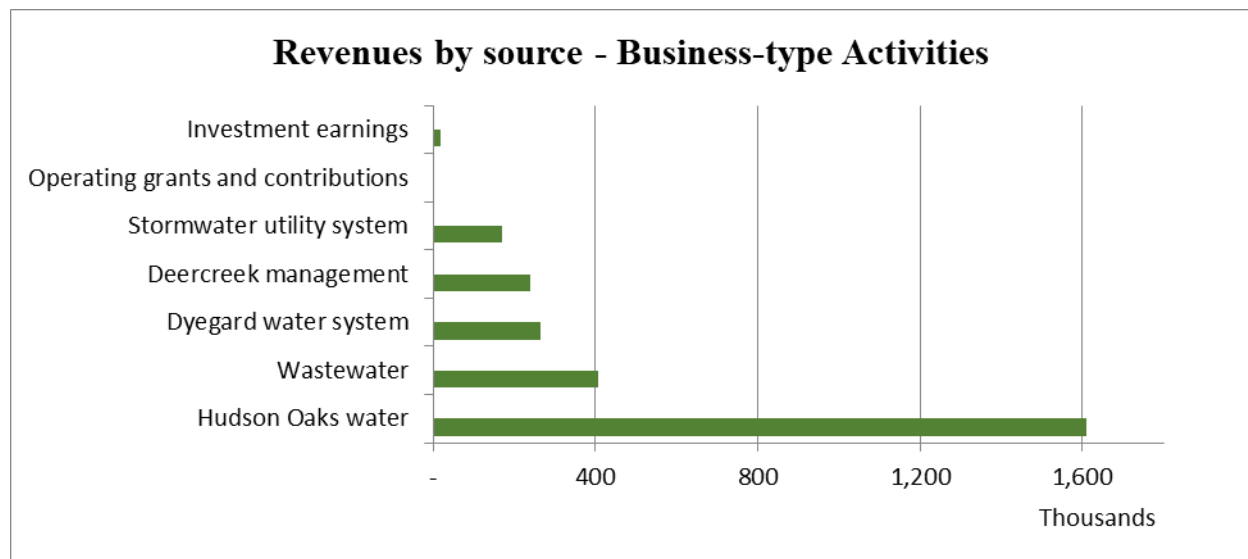
**Business-type activities.** Business-type activities increased the City’s net position by \$436,489. Key elements are as follows.

- Revenues increased \$104,684. Charges for service increased \$101,450 due to an increase in water rates.
- Expenses increased \$16,987. Waterworks expenses decreased \$112,747 primarily due to less maintenance and repairs in the current year. Stormwater expenses also increased \$101,728 due to the underlying repairs in the street drainage system.

Below are two graphs summarizing business-type activities revenue and expense:



\*\*\*\*\*



## Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At year end, the City's governmental funds reported combined ending fund balances of \$1,435,697. (90%) of the ending fund balance constitutes unassigned fund balance, which is available for spending at the government's discretion.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,346,488. During the current fiscal year, the fund balance of the City's general fund increased by \$8,159. Key factors in this increase are as follows:

- Revenues increased about 35% or \$1,056,866. The City's sales tax revenues increased tremendously during the year mainly due to new retail and other businesses entering the City. Court fines declined 46% as the City continues its strong relationship with its residents and community policing model. Miscellaneous revenue increased due to street assessments. Licenses and permit revenue increased due to large commercial projects.
- Expenditures increased about 46% or \$1,074,975. Streets increased 591% due to an emphasis in street repairs and improvements. General government expenditures increased primarily due to economic development agreement incentives paid.

Below is a comparison of the general fund's net change in fund balance for the fiscal year ended September 30, 2019 and September 30, 2018.

	2019	2018	Increase (Decrease)	Percent Increase (Decrease)
<b>Revenues:</b>				
Taxes				
Sales and use	\$ 2,777,646	\$ 2,268,003	\$ 509,643	22%
Franchise	193,184	184,118	9,066	5%
Licenses and permits	600,157	280,676	319,481	114%
Charges for services	5,927	3,155	2,772	88%
Municipal court fines	20,538	38,027	(17,489)	-46%
Interest	65,255	30,180	35,075	116%
Intergovernmental	-	80,183	(80,183)	0%
Miscellaneous	401,520	123,019	278,501	226%
Total revenues	<u>4,064,227</u>	<u>3,007,361</u>	<u>1,056,866</u>	<u>35%</u>
<b>Expenditures:</b>				
Current:				
General government	1,181,303	556,962	624,341	112%
Public safety	1,370,287	1,439,923	(69,636)	-5%
Streets	444,480	64,319	380,161	591%
Parks and facilities	119,238	72,159	47,079	65%
Planning and development	222,846	134,253	88,593	66%
Mayor and council	4,530	15,666	(11,136)	-71%
Debt service				
Principal	45,919	31,881	14,038	44%
Interest and fiscal charges	3,810	2,275	1,535	67%
Total expenditures	<u>3,392,413</u>	<u>2,317,438</u>	<u>1,074,975</u>	<u>46%</u>
<b>Other financing sources (uses):</b>				
Transfers Out	(692,243)	(725,855)	33,612	-5%
Proceeds from capital lease	28,588	41,046	(12,458)	-30%
Net change in fund balance	<u>\$ 8,159</u>	<u>\$ 5,114</u>	<u>\$ 3,045</u>	<u>60%</u>

**Proprietary funds.** The City's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Proprietary Fund at the end of the fiscal year amounted to \$1,992,189. The change in net position was a \$436,489 increase. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.



## General Fund Budgetary Highlights

The City amended the general fund budget once during fiscal year 2019. Budgeted revenues were increased \$861,882. Budgeted expenditures were increased \$623,727. The most significant changes to expenditures was to increase the general government budget, public works budget and planning and development budget.

General fund expenditures exceeded budget by \$283,186. The City received additional revenue to cover the expenditures that exceeded budget.

## Capital Assets

The City's investment in capital assets for its governmental and business type activities as of September 30, 2019, amounts to \$25,342,449 (net of accumulated depreciation). This investment in capital assets includes land, buildings, water and wastewater systems, improvements, equipment, and infrastructure.

Major capital asset events during the current fiscal year included the following:

### Governmental Activities:

- \$69,446 for land purchase.
- \$141,406 increase to construction in progress for ongoing signage projects and street projects.
- \$28,513 for a new police vehicle.

### Business-type activities:

- \$208,977 for water tower repainting.
- \$146,877 for additional new water lines put in to serve businesses.

## The City of Hudson Oaks Capital Assets (Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 848,478	\$ 779,032	\$ 559,867	\$ 559,867	\$ 1,408,345	\$ 1,338,899
Buildings	1,862,934	1,929,119	31,190	32,379	1,894,124	1,961,498
Water plant	-	-	2,747,436	2,678,321	2,747,436	2,678,321
Distribution systems	-	-	2,658,551	2,679,579	2,658,551	2,679,579
Wastewater systems	-	-	2,508,165	2,639,293	2,508,165	2,639,293
Automobiles	84,177	95,223	-	1,284	84,177	96,507
Intangible Assets	-	-	491,231	519,779	491,231	519,779
Equipment	141,870	183,351	39,512	49,949	181,382	233,300
Improvements	102,878	116,112	-	-	102,878	116,112
Infrastructure	6,241,180	4,173,299	-	-	6,241,180	4,173,299
Construction in progress	6,478,433	8,793,447	546,547	764,521	7,024,980	9,557,968
<b>Total</b>	<b>\$ 15,759,950</b>	<b>\$ 16,069,583</b>	<b>\$ 9,582,499</b>	<b>\$ 9,924,972</b>	<b>\$ 25,342,449</b>	<b>\$ 25,994,555</b>

Additional information on the City's capital assets can be found in note 3 to the financial statements.

## Long-Term Debt

At the end of the current fiscal year, the City of Hudson Oaks had total bonded debt, notes payable and capital leases payable of \$14,908,688.

### City of Hudson Oaks' Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Capital leases	\$ 58,965	\$ 76,296	\$ 24,180	\$ 39,484	\$ 83,145	\$ 115,780
Certificates of Obligation	9,388,648	9,804,276	4,989,128	5,361,854	14,377,776	15,166,130
General Obligation bonds	185,884	247,060	261,882	343,761	447,766	590,821
Total	<u>\$ 9,633,497</u>	<u>\$ 10,127,632</u>	<u>\$ 5,275,190</u>	<u>\$ 5,745,099</u>	<u>\$ 14,908,687</u>	<u>\$ 15,872,731</u>

More detailed information about the City's debt is presented in note 5 to the financial statements.

### Economic factors and the Next Year's Budgets and Rates

The City of Hudson Oaks commercial development one again soared in 2019. The new grocery store has been completed and construction on the new apartments is well underway. A few other major businesses have paid permit and are currently in construction. As the City continues its mission for a no property tax City, the reliance on commercial development to produce sales tax is extremely important.

Residential permits increased in fiscal year 2019 as the City continues to see the commercial projects develop. Commercial permits kept the revenues afloat, but still less than the previous year. The City expects significant growth in an undeveloped part of the City due to the CenterPoint construction project, which is adding new frontage roads within the City, will be complete in the next year.

Looking ahead to 2020, the Oakey Corridor street improvements should be complete and ready for private development for the City's new marquee downtown area, filled with restaurants and shops. The Hudson Oaks bridge project is now complete and has allowed for a new, focal point restaurant on the corner of the interstate and Hudson Oaks Drive. The new access points on the south side of the City have opened up spots for future development.

Much of the focus continues to be on growing the sales tax base as the City maintains its functionality without a property tax. A focus towards being a full-service City without a property tax is the main goal in Hudson Oaks and building a comprehensive and competitive sales tax marketplace accomplishes what the City strives to achieve.

The City has expanded events during 2019. Continued growth is seen during the Boomin' 4<sup>th</sup> event which draws thousands to the annual fireworks show. The City also expanded its marquee wine tasting event during the fall and added a Christmas Event during the year.

The fiscal year 2020 general fund budget continues the City's conservative approach to fiscal matters. The budget includes additional funds for street maintenance, police protection, and employee retention while holding sales tax projections related to the aforementioned developments to a minimum. This conservative approach will allow the City more flexibility if revenues exceed budget in the future to expand on developments to continue to grow the City.

**Request for Information**

The financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Administrator, 210 Hudson Oaks Drive, Hudson Oaks, Texas 76087.

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## **BASIC FINANCIAL STATEMENTS**

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**CITY OF HUDSON OAKS, TEXAS**  
**Statement of Net Position**  
**September 30, 2019**

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 801,404	\$ 1,674,853	\$ 2,476,257
Investments	1,460,980	506,296	1,967,276
Receivables (Net of allowances for uncollectibles)			
Accounts	-	405,556	405,556
Sales tax	516,184	-	516,184
Franchise taxes	87,978	-	87,978
Fines	39,753	-	39,753
Miscellaneous receivables	802,572	214,732	1,017,304
Prepaid items	30,486	8,470	38,956
Internal Balances	(27,043)	27,043	-
Restricted assets:			
Cash and cash equivalents	-	41,889	41,889
Capital assets (net of accumulated depreciation):			
Nondepreciable	7,326,911	1,106,414	8,433,325
Depreciable, net of accumulated depreciation	8,433,039	8,476,084	16,909,123
<b>Total Assets</b>	<u>19,472,264</u>	<u>12,461,337</u>	<u>31,933,601</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows on pensions	279,570	109,907	389,477
Deferred outflows on OPEB	1,808	762	2,570
<b>Total Deferred Outflow of Resources</b>	<u>281,378</u>	<u>110,669</u>	<u>392,047</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 19,753,642</u>	<u>\$ 12,572,006</u>	<u>\$ 32,325,648</u>
<b>LIABILITIES:</b>			
Accounts Payable	1,071,844	417,026	1,488,870
Accrued payroll	20,990	5,774	26,764
Accrued interest payable	55,276	29,403	84,679
Noncurrent liabilities:			
Due within one year	713,741	509,130	1,222,871
Due in more than one year	9,631,045	5,028,444	14,659,489
<b>Total Liabilities</b>	<u>11,492,896</u>	<u>5,989,777</u>	<u>17,482,673</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows on pensions	134,405	56,674	191,079
Deferred inflows on OPEB	2,705	1,141	3,846
<b>Total Deferred Inflow of Resources</b>	<u>137,110</u>	<u>57,815</u>	<u>194,925</u>
<b>NET POSITION:</b>			
Net Investments in Capital Assets	6,126,451	4,307,311	10,433,762
Restricted Net Position - Public Safety	17,304	-	17,304
Restricted Net Position - Debt Service	52,638	17,324	69,962
Restricted Net Position - Impact Fees	-	207,590	207,590
Restricted Net Position - Capital Projects	22,141	-	22,141
Restricted Net Position - Other	22,472	-	22,472
Unrestricted Net Position	1,882,630	1,992,189	3,874,819
<b>Total Net Position</b>	<u>8,123,636</u>	<u>6,524,414</u>	<u>14,648,050</u>
<b>Total Liability, Deferred Inflows of Resources, and Net Position</b>	<u>\$ 19,753,642</u>	<u>\$ 12,572,006</u>	<u>\$ 32,325,648</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF HUDSON OAKS, TEXAS**  
**Statement of Net Position**  
**September 30, 2019**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental activities:				
General government	\$ 1,479,708	\$ 46,357	\$ 70,936	\$ -
Public safety	1,462,412	27,298	-	1,261
Streets	700,498	-	-	1,131,515
Parks and facilities	119,793	-	-	-
Planning and development	222,846	600,157	-	-
Mayor and council	4,530	-	-	-
Interest and fiscal charges	323,999	-	-	-
<b>Total governmental activities</b>	<u>4,313,786</u>	<u>673,812</u>	<u>70,936</u>	<u>1,132,776</u>
Business-type activities:				
Hudson Oaks water	1,323,132	1,608,617	-	-
Wastewater	343,883	406,172	-	-
Dyegard water system	216,573	262,906	-	-
Deercreek management	140,208	239,734	-	-
Stormwater utility system	157,909	169,584	-	-
<b>Total business-type activities</b>	<u>2,181,705</u>	<u>2,687,013</u>	<u>-</u>	<u>-</u>
<b>Total primary government</b>	<u>6,495,491</u>	<u>3,360,825</u>	<u>70,936</u>	<u>1,132,776</u>

General Revenues:  
Taxes:  
Sales Taxes  
Franchise Taxes  
Investment Earnings  
Other Revenue  
Transfers  
Total General Revenues and Transfers

Change in Net Position

Net Position October 1

Net Position September 30

The notes to the financial statements are an integral part of this statement.



**Exhibit 2**

Net (Expense) Revenue and Changes in Net Position

Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (1,362,415)	\$ -	\$ (1,362,415)
(1,433,853)	-	(1,433,853)
431,017	-	431,017
(119,793)	-	(119,793)
377,311	-	377,311
(4,530)	-	(4,530)
(323,999)	-	(323,999)
(2,436,262)	-	(2,436,262)
-	285,485	285,485
-	62,289	62,289
-	46,333	46,333
-	99,526	99,526
-	11,675	11,675
-	505,308	505,308
(2,436,262)	505,308	(1,930,954)
2,844,353	-	2,844,353
194,412	-	194,412
72,907	17,871	90,778
178,071	-	178,071
86,690	(86,690)	-
3,376,433	(68,819)	3,307,614
940,171	436,489	1,376,660
7,183,465	6,087,925	13,271,390
\$ 8,123,636	\$ 6,524,414	\$ 14,648,050

**CITY OF HUDSON OAKS, TEXAS**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2019**

	<u>General Fund</u>	<u>General Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Assets:				
Cash	\$ 480,792	\$ 55,838	\$ 251,949	\$ 788,579
Investments	1,445,739	-	15,241	1,460,980
Receivables				
Sales Tax	516,184	-	-	516,184
Franchise Tax	87,978	-	-	87,978
Fines and fees	39,753	-	-	39,753
Miscellaneous	758,910	-	43,662	802,572
Prepaid items	30,486	-	-	30,486
Due from other funds	1,534	-	-	1,534
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 3,361,376</u>	<u>\$ 55,838</u>	<u>\$ 310,852</u>	<u>\$ 3,728,066</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	804,547	-	267,297	1,071,844
Accrued payroll	20,990	-	-	20,990
Accrued interest payable	-	-	-	-
Due to Other Funds	-	3,200	25,377	28,577
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>825,537</u>	<u>3,200</u>	<u>292,674</u>	<u>1,121,411</u>
Deferred inflows of resources:				
Deferred revenue	1,148,893	-	22,065	1,170,958
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Fund balances:				
Nonspendable	30,486	-	-	30,486
Restricted fund balance				
Public, educational, and government access fees	9,972	-	-	9,972
Public Safety	-	-	17,304	17,304
Parks	-	-	12,500	12,500
Capital Projects	-	-	22,141	22,141
Debt Service	-	52,638	-	52,638
Assigned fund balance				
Construction Projects	-	-	-	-
Unassigned fund balance	1,346,488	-	(55,832)	1,290,656
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances	<u>1,386,946</u>	<u>52,638</u>	<u>(3,887)</u>	<u>1,435,697</u>
	<u>\$ 3,361,376</u>	<u>\$ 55,838</u>	<u>\$ 310,852</u>	<u>\$ 3,728,066</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF HUDSON OAKS, TEXAS**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**To the Statement of Net Position**  
**September 30, 2019**

Total Fund Balances - Governmental Funds	\$	1,435,697
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. The cost of these assets was \$19,799,995 and the accumulated depreciation was \$4,040,045.		15,759,950
Long-term liabilities, including \$9,574,534 bonds payable, \$58,965 of capital leases payable and \$157,344 compensated absences payable are not due and payable in the current period, and, therefore are not reported as a liability in the fund financial statements.		(9,790,843)
Interest payable is not expected to be liquidated with available financial resources and is not reported as a liability in the fund financial statements.		(55,276)
Franchise taxes receivable, sales tax receivable, and fines and fees receivable are not available soon enough to pay for the current period's expenditures and therefore are deferred revenue in the fund financial statements.		1,170,958
Included in the items related to noncurrent liabilities is the recognition of the City's net pension liability required by GASB 68 in the amount of \$525,169, a deferred resource inflow related to pensions of \$134,405 and a deferred resource outflow related to pensions in the amount of \$167,925. This resulted in a decrease to net position.		(380,004)
Included in the items related to noncurrent liabilities is the recognition of the City's Other Post Employment Benefits (OPEB) as required by GASB 75 in the amount of \$28,774, a deferred inflow related to OPEB of \$1,508, a deferred outflow to OPEB of \$2,705. This results in a decrease to net position.		(29,671)
The City uses an internal service fund to charge costs of reimbursements to employees for health care costs above deductible amounts. The adjustment is to reflect the consolidation of the internal service fund activities related to governmental activities.		12,825
Net Position of Governmental Activities	<u>\$</u>	<u>8,123,636</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF HUDSON OAKS, TEXAS**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended September 30, 2019**

	General Fund	General Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>				
Taxes				
Sales and Use	\$ 2,777,646	\$ -	\$ -	\$ 2,777,646
Franchise	193,184	-	-	193,184
Licenses and permits	600,157	-	-	600,157
Charges for services	5,927	-	-	5,927
Municipal court fines	20,538	-	833	21,371
Interest	65,255	2,145	5,507	72,907
Miscellaneous	401,520	73,357	206,063	680,940
Total revenues	<u>4,064,227</u>	<u>75,502</u>	<u>212,403</u>	<u>4,352,132</u>
<b>EXPENDITURES:</b>				
Current:				
General government	1,181,303	-	169,878	1,351,181
Public safety	1,370,287	-	-	1,370,287
Streets	444,480	-	-	444,480
Parks and facilities	119,238	-	-	119,238
Planning and development	222,846	-	-	222,846
Mayor and council	4,530	-	-	4,530
Capital outlay	-	-	146,045	146,045
Debt service:				
Principal	45,919	460,000	-	505,919
Interest and fiscal charges	3,810	368,774	-	372,584
Total expenditures	<u>3,392,413</u>	<u>828,774</u>	<u>315,923</u>	<u>4,537,110</u>
Excess (deficiency) of revenues over (under) expenditures	<u>671,814</u>	<u>(753,272)</u>	<u>(103,520)</u>	<u>(184,978)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	784,765	86,690	871,455
Transfers out	(692,243)	-	(92,522)	(784,765)
Issuance of capital lease	28,588	-	-	28,588
Total other financing sources (uses):	<u>(663,655)</u>	<u>784,765</u>	<u>(5,832)</u>	<u>115,278</u>
Net change in fund balance	8,159	31,493	(109,352)	(69,700)
Fund balance, October 1	<u>1,378,787</u>	<u>21,145</u>	<u>105,465</u>	<u>1,505,397</u>
Fund balance, September 30	<u>\$ 1,386,946</u>	<u>\$ 52,638</u>	<u>\$ (3,887)</u>	<u>\$ 1,435,697</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF HUDSON OAKS, TEXAS**  
**Reconciliation of Statement of Revenues,**  
**Expenditures and Changes in Fund Balances of**  
**The Governmental Funds to the Statement of Activities**  
**For the Year Ended September 30, 2019**

Total Net Change in Fund Balances - Governmental Funds	\$ (69,700)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including \$169,919 of capital outlays and \$505,919 of debt principal payments is to increase net position.	675,838
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(479,552)
Current year issuance of capital lease payables are other financing sources in the fund financial statements. The effect of \$28,588 increase in capital lease payable is a decrease to net position.	(28,588)
Current year interest payable and compensated absences of the governmental funds are not due and payable in the current period, and, therefore are not reported as liabilities in the fund financial statements. The net effect of the \$31,781 decrease in interest payable, \$14,773 increase in compensated absences payable and \$16,804 amortization of deferred charges, premiums and discounts is to decrease net position.	33,812
Sales tax, franchise tax, fines and fees, and other intergovernmental revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the fund statements.	815,135
GASB required the City to recognize their net pension liability, deferred resource inflow related to pensions and deferred resource outflow related to pensions. The changes in these balances decreased net position.	5,207
GASB required the City to recognize their other post employment benefit liability and deferred inflows related to OPEB. The changes in these balances decreased net position.	(3,101)
The City uses and internal service fund to charge the costs of health costs reimbursable to employees to appropriate functions in other funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.	(8,880)
Change in Net Position of Governmental Activities	\$ 940,171

The notes to the financial statements are an integral part of this statement.

**CITY OF HUDSON OAKS, TEXAS**  
Statement of Net Position  
Proprietary Fund  
For the Year Ended September 30, 2019

	Business-type Activities			Governmental Activities
	Water & Wastewater	Other Enterprise Funds	Total Enterprise Funds	Internal Service Fund
<b>Assets</b>				
Current Assets:				
Cash	\$ 1,670,569	\$ 4,284	\$ 1,674,853	\$ 12,825
Investments	506,296	-	506,296	-
Accounts receivable (net of allowance for doubtful accounts)	389,574	15,982	405,556	-
Miscellaneous receivables	214,732	-	214,732	-
Due from other funds	3,349	24,243	27,592	-
Prepaid expense	8,470	-	8,470	-
Restricted cash	24,565	17,324	41,889	-
Total current assets	<u>2,817,555</u>	<u>61,833</u>	<u>2,879,388</u>	<u>12,825</u>
Noncurrent Assets:				
Capital Assets:				
Nondepreciable	559,867	546,547	1,106,414	-
Depreciable, net of accumulated depreciation	8,476,084	-	8,476,084	-
Total noncurrent assets	<u>9,035,951</u>	<u>546,547</u>	<u>9,582,498</u>	<u>-</u>
Total assets	<u>11,853,506</u>	<u>608,380</u>	<u>12,461,886</u>	<u>12,825</u>
<b>Deferred Outflow of Resources</b>				
Deferred Outflow Related to Pensions	109,907	-	109,907	-
Deferred Outflow Related to OPEB	762	-	762	-
Total deferred outflow of resources	<u>110,669</u>	<u>-</u>	<u>110,669</u>	<u>-</u>
<b>Liabilities</b>				
Current Liabilities:				
Accounts payable	416,607	419	417,026	-
Accrued payroll	5,774	-	5,774	-
Compensated absences payable	28,809	-	28,809	-
Due to other funds	549	-	549	-
Current liabilities payable from restricted assets:				
Current portion of long-term debt	454,282	26,039	480,321	-
Accrued interest payable	27,200	2,203	29,403	-
Total current liabilities	<u>933,221</u>	<u>28,661</u>	<u>961,882</u>	<u>-</u>
Noncurrent Liabilities:				
Capital lease payable	8,467	-	8,467	-
Net pension liability	221,446	-	221,446	-
OPEB liability	12,133	-	12,133	-
Certificates of obligation	4,310,025	476,373	4,786,398	-
Total noncurrent liabilities	<u>4,552,071</u>	<u>476,373</u>	<u>5,028,444</u>	<u>-</u>
Total liabilities	<u>5,485,292</u>	<u>505,034</u>	<u>5,990,326</u>	<u>-</u>
<b>Deferred Inflow of Resources</b>				
Deferred Inflow Related to Pensions	56,674	-	56,674	-
Deferred Inflow Related to OPEB	1,141	-	1,141	-
Total deferred outflow of resources	<u>57,815</u>	<u>-</u>	<u>57,815</u>	<u>-</u>
<b>Net Position</b>				
Net Investment in capital assets	4,263,176	44,135	4,307,311	-
Restricted for debt service (expendable)	-	17,324	17,324	-
Restricted for impact fees (expendable)	207,590	-	207,590	-
Unrestricted	1,950,302	41,887	1,992,189	12,825
Total net position	<u>\$ 6,421,068</u>	<u>\$ 103,346</u>	<u>\$ 6,524,414</u>	<u>\$ 12,825</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF HUDSON OAKS, TEXAS**  
Statement of Revenues, Expenses and Changes in Fund Net Position  
Proprietary Fund  
For the Year Ended September 30, 2019

	Business-type Activities			Governmental
	Water & Wastewater	Other Enterprise Funds	Total Enterprise Funds	Internal Service Fund
Operating revenues:				
Water, wastewater and Stormwater	\$ 2,148,221	\$ 169,584	\$ 2,317,805	\$ -
Management contract charges	239,734	-	239,734	-
Late payment charges	12,881	-	12,881	-
Tap Fees	17,000	-	17,000	-
Impact fees	49,306	-	49,306	-
Customer assessment fees	13,905	-	13,905	-
Miscellaneous fees & charges	36,382	-	36,382	10,278
Total operating revenues	<u>2,517,429</u>	<u>169,584</u>	<u>2,687,013</u>	<u>10,278</u>
Operating expenses:				
Personal services	505,897	-	505,897	-
Professional services	69,145	9,137	78,282	19,501
Supplies	93,199	-	93,199	-
Operations	542,423	-	542,423	-
Maintenance and repairs	51,417	135,761	187,178	-
Well utilities	118,545	-	118,545	-
Depreciation	480,353	-	480,353	-
Total operating expenses	<u>1,860,979</u>	<u>144,898</u>	<u>2,005,877</u>	<u>19,501</u>
Operating income (loss)	<u>656,450</u>	<u>24,686</u>	<u>681,136</u>	<u>(9,223)</u>
Nonoperating revenues (expenses)				
Interest	17,580	291	17,871	343
Interest expense	<u>(162,817)</u>	<u>(13,011)</u>	<u>(175,828)</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>(145,237)</u>	<u>(12,720)</u>	<u>(157,957)</u>	<u>343</u>
Contributions and transfers:				
Transfers out	<u>(86,690)</u>	<u>-</u>	<u>(86,690)</u>	<u>-</u>
	<u>(86,690)</u>	<u>-</u>	<u>(86,690)</u>	<u>-</u>
Change in net position	424,523	11,966	436,489	(8,880)
Net Position, Beginning	<u>5,996,545</u>	<u>91,380</u>	<u>6,087,925</u>	<u>21,705</u>
Net Position, Ending	<u>\$ 6,421,068</u>	<u>\$ 103,346</u>	<u>\$ 6,524,414</u>	<u>\$ 12,825</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF HUDSON OAKS, TEXAS**  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended September 30, 2019

	Business-type Activities			Governmental Activities
	Water & Wastewater	Other Enterprise Funds	Total Enterprise Funds	Internal Service Fund
<b>Cash flows from operating activities:</b>				
Cash received from customers and users	\$ 2,466,525	\$ 173,849	\$ 2,640,374	\$ 10,278
Cash paid to suppliers	(564,185)	(144,480)	(708,665)	(19,501)
Cash paid to employees	(517,486)	-	(517,486)	-
Net cash provided (used) by operating activities	<u>1,384,854</u>	<u>29,369</u>	<u>1,414,223</u>	<u>(9,223)</u>
<b>Cash flow from noncapital financing activities:</b>				
Due to other funds	549	(7,238)	(6,689)	-
Due from other funds	(549)	-	(549)	-
Transfers in (out)	(86,690)	-	(86,690)	-
Net cash provided (used) by noncapital financing activities	<u>(86,690)</u>	<u>(7,238)</u>	<u>(93,928)</u>	<u>-</u>
<b>Cash flows from capital and related financing activities:</b>				
Principal payments - certificates of obligation	(420,000)	(25,000)	(445,000)	-
Principal payments - capital leases	(15,304)	-	(15,304)	-
Purchase of property, plant and equipment	(162,215)	-	(162,215)	-
Special assessments	80,361	-	80,361	-
Interest payments	(173,356)	(14,049)	(187,405)	-
Net cash flows provided by (used in) capital and related financing activities	<u>(690,514)</u>	<u>(39,049)</u>	<u>(729,563)</u>	<u>-</u>
<b>Cash flows from investing activities:</b>				
Interest received	17,580	291	17,871	343
(Purchase) sale of investments	(11,552)	-	(11,552)	-
Net cash provided by (used in) investing activities	<u>6,028</u>	<u>291</u>	<u>6,319</u>	<u>343</u>
<b>Net increase (decrease) in cash</b>	<u>613,678</u>	<u>(16,627)</u>	<u>597,051</u>	<u>(8,880)</u>
<b>Cash, October 1</b>	<u>1,081,456</u>	<u>38,235</u>	<u>1,119,691</u>	<u>21,705</u>
<b>Cash, September 30</b>	<u>\$ 1,695,134</u>	<u>\$ 21,608</u>	<u>\$ 1,716,742</u>	<u>\$ 12,825</u>
<b>Reconciliation of income from operations to net cash provided by operating activities:</b>				
Income (loss) from operations	\$ 656,450	24,686	681,136	(9,223)
Adjustments to reconcile income from operations to net cash provided by (used in) operating activities				
Depreciation	480,353	-	480,353	-
Disposal of capital assets	24,334	-	24,334	-
(Increase) decrease in accounts receivable	(49,774)	4,265	(45,509)	-
(Increase) decrease in miscellaneous receivables	(1,130)	-	(1,130)	-
(Increase) decrease in prepaid expenses	(482)	-	(482)	-
(Increase) decrease in deferred outflow of resources	(60,777)	-	(60,777)	-
Increase (decrease) in accounts payable	286,692	418	287,110	-
Increase (decrease) in accrued payroll	(585)	-	(585)	-
Increase (decrease) in compensated absences	(9,946)	-	(9,946)	-
Increase (decrease) in net pension liability	112,901	-	112,901	-
Increase (decrease) in OPEB liability	(401)	-	(401)	-
Increase (decrease) in deferred inflow of resources	(52,781)	-	(52,781)	-
Net adjustments	<u>728,404</u>	<u>4,683</u>	<u>733,087</u>	<u>-</u>
Net cash provided by operating activities	<u>\$ 1,384,854</u>	<u>\$ 29,369</u>	<u>\$ 1,414,223</u>	<u>\$ (9,223)</u>
<b>Noncash Investing, Capital and Financing Activities</b>				
Capital lease	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement





**CITY OF HUDSON OAKS, TEXAS**  
**Notes to the Financial Statements**  
**September 30, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. General Statement

The City of Hudson Oaks (the “City”) is a General Law Type A city which adopted a council-administrator form of government by ordinance in 2007. The City provides the following services as authorized by the State of Texas Local Government Code: public safety (police), public works, parks and recreation, water, wastewater, stormwater, and general administration.

The accounting and reporting policies of the City relating to the funds are included in the accompanying financial statements and conform to generally accepted accounting principles applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units and by the Financial Accounting Standards Board (when applicable). The more significant accounting policies of the City are described below.

B. Financial Reporting Entity

The City’s financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City’s reporting entity, as set forth in Section 2100 of GASB’s Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- The organization is legally separate
- The City holds the corporate powers of the organization
- The City appoints a voting majority of the organization’s board
- The City is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the City
- There is fiscal dependency by the organization on the City

Based on the aforementioned criteria, the City of Hudson Oaks has no component units.

C. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all on the nonfiduciary activities of the primary government and the internal service fund. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.



**CITY OF HUDSON OAKS, TEXAS**  
**Notes to the Financial Statements**  
**September 30, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**D. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, 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 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. Under the modified accrual basis of accounting, revenues are recognized as soon as they are 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. The government considers all revenues available if they are collected within 30 days after year-end. Expenditures generally are recorded when the related fund liability is incurred, however, debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized when payment is due.

Sales taxes, franchise taxes, licenses, and interest associated with the current period are all considered to be susceptible to accrual and have been recognized as revenues of the current period. All other revenue items are considered to be measurable and available only when the government receives payment.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges and transfers between the governmental activities and the business-type activities, which cannot be eliminated.

The City reports the following major governmental funds:

The *general fund* is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax receipts and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

The *debt service fund* is used to account for the principal and interest payments on the city's general debt. Monthly transfers are made into this fund and debt payments are subsequently paid from this fund.



**CITY OF HUDSON OAKS, TEXAS**  
**Notes to the Financial Statements**  
**September 30, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The City reports the following major proprietary funds:

The *water and wastewater fund* is used for activities which are financed and operated in a manner similar to private business enterprise where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. Combining schedules can be found on page 62 - 64 of the financial statements, under enterprise fund supplementary information. There are no external parties that require separate segment reporting for the supplementary information.

The City reports Other enterprise funds as nonmajor funds:

The *stormwater utility fund* accounts for the operation of the Stormwater Utility and provides funding for storm drainage capital improvements and enhanced maintenance of the storm drainage system in order to reduce stormwater related pollutants from entering the City's waterways. The fund also accounts for the accumulation of resources for and the payment of long-term principal and interest for the stormwater debt.

Additionally, the government reports the following fund types:

The *internal service fund* accounts for health insurance reimbursements and health card advancements to employees of the government. The internal service fund charges various other funds containing personnel to provide these services for employees. Because these services predominately benefit the governmental rather than the business-type functions, they have been included within governmental activities in the government-wide financial statements.

Amounts reported as program revenues include 1) charges for customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenue and expense from nonoperating items. Operating revenues and expenses generally 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 wastewater fund are charges to customers for sales and services. 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 nonoperating revenues and expenses.



**CITY OF HUDSON OAKS, TEXAS**  
**Notes to the Financial Statements**  
**September 30, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

E. Assets, Liabilities and Net Position or Equity

1) Cash, Cash Equivalents, and Investments

For the purposes of the statement of cash flows for the proprietary fund, investments are considered to be cash equivalents if they are highly liquid with maturity within three months or less when purchased. The City does not include cash in broker accounts pending investment or amounts invested in TexPool or TexStar as cash equivalents.

2) Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as Due To/From Other Funds. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All receivables are presented net of allowance for uncollectible accounts. Water, dyegard, wastewater, and stormwater funds accounts receivable with final status comprise the allowance for uncollectible accounts of \$19,194. In the governmental activities the fines and fees receivable are reported net of an allowance of \$159,014 which is 80% of the outstanding receivable.

3) Unbilled Services

Utility operating revenues (water, dyegard, wastewater and stormwater) are billed on monthly cycles. The City records estimated revenues for services delivered during the current fiscal year, which will be billed during the next fiscal year. \$171,132 of unbilled services is reported with accounts receivable in the proprietary fund.

4) Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

5) Restricted Assets

The City has established Interest and Sinking Fund accounts in the utility capital projects fund. The use of these accounts is limited by bond ordinances and other legal restrictions.

6) Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets, are reported in the applicable governmental activities or business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements. The



**CITY OF HUDSON OAKS, TEXAS**  
**Notes to the Financial Statements**  
**September 30, 2019**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their acquisition value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant and equipment of the primary government and proprietary funds are depreciated using the straight-line method over the following estimated useful lives.

Buildings	40 years
Water plant	7-25 years
Distribution system	30 years
Office equipment	5-7 years
Automobiles and trucks	3-5 years

7) 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 or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualifies in this category. Deferred outflows related to pensions and deferred outflows related to OPEB, both reported in the government-wide statement of net position and proprietary funds statement of net position.

In addition to liabilities, the statement of financial position and governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resource (revenue) until that time. The City has three types of items in this category. Unavailable revenues for governmental funds and deferred inflows related to pensions and deferred inflows related to OPEB in the government-wide statement of net position and proprietary funds statements are reported as deferred inflows of resources. At the end of the fiscal year the components of deferred inflows in the governmental funds were as follows:

Deferred Revenue	
Sales taxes	\$ 262,216
Franchise taxes	84,215
Court fines	43,552
Ticket sales	22,065
Roadway assessments	758,910
	\$ 1,170,958



**CITY OF HUDSON OAKS, TEXAS**  
**Notes to the Financial Statements**  
**September 30, 2019**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

8) Compensated Absences

The City allows vacation leave with pay for all regular full-time employees after one full year of employment. Employees may carry no more than one-half of their earned vacations to the following year up to a maximum of thirty days (240 hours). Upon termination an employee may be allowed payment for accumulated vacation pay. Employees who terminate employment in good standing and who have not been terminated for disciplinary reasons are eligible to receive compensation for a portion of their accrued sick leave after their accrued hours exceed 100. All vacation and sick pay benefits are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for vacation and sick pay is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

9) Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

10) Long-term Obligations

In the government-wide financial statements, and proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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



**CITY OF HUDSON OAKS, TEXAS**  
**Notes to the Financial Statements**  
**September 30, 2019**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

11) Fund Balances – Governmental Funds

The City implemented GASB No. 54, *Fund Balance and Governmental Fund Type Definitions*, in fiscal year 2011. In the fund financial statements, governmental funds report the following classifications of fund balance.

Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to formal action by City Council, the City's highest level of decision-making authority. Commitments may be established, modified, or rescinded only through formal action of City Council.

Assigned – includes amounts that the City intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. City Council has designated the City Administrator the authority to assign fund balance.

Unassigned – All amounts not included in other spendable classifications. The general fund is the only fund that reports a positive fund balance amount. In other governmental funds, it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

The details of the fund balances are included in the Governmental Funds Balance Sheet (page 17). When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to be spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been first spent out of committed funds, then assigned, and finally unassigned as needed. The City's financial goal is to have sufficient balance in the General Fund with sufficient working capital and margin of safety to address local and regional emergencies without borrowing. The City strives to maintain a General Fund Balance of 30% of the City's general fund annual operating expenditures.

12) Deficit fund equity

At September 30, 2019, the capital projects fund reported a deficit fund balance of \$48,542. Although it is unusual for a capital projects fund to report a deficit fund balance, the City will fund any overage on the remaining projects in the fund from the general fund.

13) Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the City's policy is to apply restricted net position first.



**CITY OF HUDSON OAKS, TEXAS**  
**Notes to the Financial Statements**  
**September 30, 2019**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

14) Comparative Data

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the government's financial position and operations. Also, certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation.

15) Use of Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires the use of management's estimates.

**NOTE 2 - DEPOSITS AND INVESTMENTS:**

The City is authorized within the guidelines provided by the Public Funds Investment Act, Texas Government Code Chapter 2256 and local ordinances to invest (1) in obligations of the United States, its agencies, and instrumentalities, (2) direct obligations of the State of Texas or its agencies, (3) collateralized mortgage obligations issued and guaranteed by an agency or instrumentality of the United States, (4) obligations of states, agencies, counties, cities and other political subdivisions of any state rated as to investment quality of not less than "A" or its equivalent by a nationally-recognized investment firm, (5) certificates of deposit issued by state or national banks domiciled in the State of Texas, insured by the Federal Deposit Insurance Corporation or secured by obligations described in (1) through (4) above that have a market value of not less than the principal amount of the certificates, (6) investment pools authorized by the Act and (7) fully collateralized repurchase agreements.

In compliance with the Public Funds Investment Act, the government has adopted a deposit and investment policy. That policy addresses the following risks:

*Custodial Credit Risk – Investments:* For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investments are with the Texas Local Government Investment Pool ("TexPool"), the Texas Short-Term Asset Reserve Investment Pool ("TexStar"), and in certificates of deposit.

Under the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Federated Investors, Inc. through an agreement with the State of Texas Comptroller of Public Accounts. The State Comptroller is the sole officer, director, and shareholder of the Texas Treasurer Safekeeping Trust Company authorized to operate TexPool. TexPool is subject to annual review by an independent auditor consistent with the Public Funds Investment Act. Audited financial statements of the Pool are available at First Public, 12009 Research Blvd. Austin, Texas 78759. In addition, TexPool is subject to review by the State Auditor's Office and by the Internal Auditor of the Comptroller's Office. The reported value of the pool is the same as the fair value of the pool shares. TexPool does not impose liquidity fees or redemption gates on participant withdrawals.

*Credit Risk – Investments:* This is the risk that an issuer of an investment will be unable to fulfill its obligations. The ratings of securities by nationally recognized rating agencies is designed to give an





**CITY OF HUDSON OAKS, TEXAS**  
**Notes to the Financial Statements**  
**September 30, 2019**

**NOTE 2 - DEPOSITS AND INVESTMENTS (continued)**

indication of credit risk. It is the government's policy to limit its investments to those investments rated at least AAAM. The credit quality rating for both TexPool and TexStar at year end was AAAM by Standard & Poor's.

*Interest Rate Risk – Investments:* This is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the government manages its exposure to decline in fair values by limiting the weight average maturity of its investment portfolio to less than one year from the time of purchase. The maximum allowable maturity for operating funds is five years and two years for debt service funds. The weight average maturity for the government's investment in external investment pools is less than 60 days.

*Custodial Credit Risk – Deposits:* Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Consistent with the requirements of State law, it is the policy of the City to require full collateralization of all City deposits. An appropriate third-party safekeeping agent, as designated by the City, shall maintain collateral on deposits. This policy applies to any deposits held in an approved depository in excess on the amount protected by Federal Deposit

Insurance Corporation insurance. The City's deposits were fully insured or collateralized as required by the state statutes at September 30, 2018. The collateral is held by Frost National Bank in the City's name under a joint safekeeping agreement with First Financial Bank N.A.

The City invests in the Texas Short Term Asset Reserve Fund (TexStar) and the Texas Local Government Investment Pool (TexPool). TexStar and TexPool are local government investment pools organized under the authority of the Interlocal Corporation Act 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. All investments of TexStar and TexPool are stated at amortized cost, which in most cases approximates the market value of the securities. The objectives of TexStar and TexPool are to maintain a stable \$1.00 net asset value, however, the \$1.00 net asset value is not guaranteed or insured by the State of Texas or the pools themselves. TexStar does not impose liquidity fees or redemption gates on participant withdrawals.

The City controls credit risk by limiting investments to those investments authorized by both the Public Funds Investment Act and by its investment policy.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.



**CITY OF HUDSON OAKS, TEXAS**  
**Notes to the Financial Statements**  
**September 30, 2019**

**NOTE 2 - DEPOSITS AND INVESTMENTS (continued)**

The City has the following recurring fair value measurements as of September 30, 2019:

- Property acquisitions valued at \$148,790 within City limits for economic development purposes using property brokers opinion from sales and purchases around the area (Level 3 input).

Description	Cost	Fair Value	Percentage of Total Investments	Standard & Poor's	Weighted Average Maturity	Fair Value Measurements Using
TexPool	\$ 361,558	\$ 361,558	18.38%	AAAm	34 days	Amortized Cost
TexStar	1,456,928	1,456,928	74.06%	AAAm	22 days	Amortized Cost
Land	96,526	148,790	7.56%			Level 3
	<u>\$ 1,915,012</u>	<u>\$ 1,967,276</u>	100.00%			



**CITY OF HUDSON OAKS, TEXAS**  
**Notes to the Financial Statements**  
**September 30, 2019**

**NOTE 3 - CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2019, was as follows:

Governmental Activities	Balance 09/30/2018	Additions	Retirements	Balance 09/30/2019
<b>Non - Depreciable Assets:</b>				
Land	\$ 779,032	\$ 69,446	\$ -	\$ 848,478
Construction in Progress	8,793,447	141,406	(2,456,420)	6,478,433
Total non-depreciable assets	<u>9,572,479</u>	<u>210,852</u>	<u>(2,456,420)</u>	<u>7,326,911</u>
<b>Depreciable Assets:</b>				
Equipment	438,792	-	-	438,792
Automobiles	212,009	28,513	-	240,522
Buildings	2,566,375	-	-	2,566,375
Improvements	267,429	-	-	267,429
Infrastructure	6,572,992	2,386,974	-	8,959,966
Total capital assets being depreciated	<u>10,057,597</u>	<u>2,415,487</u>	<u>-</u>	<u>12,473,084</u>
<b>Accumulated Depreciation:</b>				
Equipment	(255,441)	(41,481)	-	(296,922)
Automobiles	(116,786)	(39,559)	-	(156,345)
Buildings	(637,256)	(66,185)	-	(703,441)
Improvements	(151,317)	(13,234)	-	(164,551)
Infrastructure	(2,399,693)	(319,093)	-	(2,718,786)
Total accumulated depreciation	<u>(3,560,493)</u>	<u>(479,552)</u>	<u>-</u>	<u>(4,040,045)</u>
Governmental activities capital assets, net	<u>\$ 16,069,583</u>	<u>\$ 2,146,787</u>	<u>\$ (2,456,420)</u>	<u>\$ 15,759,950</u>



**CITY OF HUDSON OAKS, TEXAS**  
**Notes to the Financial Statements**  
**September 30, 2019**

**NOTE 3 - CAPITAL ASSETS (continued)**

Business-type activities:	Balance 09/30/2018	Additions	Retirements	Balance 09/30/2019
<b>Non-Depreciable Assets:</b>				
Land	\$ 559,867	\$ -	\$ -	\$ 559,867
Construction in Progress	764,521	15,338	(233,312)	546,547
<b>Total non-depreciable assets</b>	<b>1,324,388</b>	<b>15,338</b>	<b>(233,312)</b>	<b>1,106,414</b>
Buildings	46,413	-	-	46,413
Water plant	4,124,512	208,977	-	4,333,489
Water distribution	5,005,492	146,877	-	5,152,369
Wastewater systems	3,833,533	-	-	3,833,533
Automobiles	122,692	-	-	122,692
Equipment	160,761	-	-	160,761
Intangible assets	787,886	-	-	787,886
<b>Total capital assets being depreciated</b>	<b>14,081,289</b>	<b>355,854</b>	<b>-</b>	<b>14,437,143</b>
<b>Accumulated Depreciation:</b>				
Buildings	(14,034)	(1,189)	-	(15,223)
Water plant	(1,446,191)	(139,862)	-	(1,586,053)
Water distribution	(2,325,913)	(167,905)	-	(2,493,818)
Wastewater lines	(1,194,240)	(131,128)	-	(1,325,368)
Automobiles	(121,408)	(1,284)	-	(122,692)
Equipment	(110,812)	(10,437)	-	(121,249)
Intangible assets	(268,107)	(28,548)	-	(296,655)
<b>Total accumulated depreciation</b>	<b>(5,480,705)</b>	<b>(480,353)</b>	<b>-</b>	<b>(5,961,058)</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 9,924,972</b>	<b>\$ (109,161)</b>	<b>\$ (233,312)</b>	<b>\$ 9,582,499</b>



**CITY OF HUDSON OAKS, TEXAS**  
**Notes to the Financial Statements**  
**September 30, 2019**

**NOTE 3 - CAPITAL ASSETS (continued)**

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

Governmental activities:	
General government	\$ 135,319
Public safety	87,883
Highways and streets and parks	256,350
Total depreciation expense - governmental activities	<u>\$ 479,552</u>
Business-type activities:	
Hudson Oaks water system	\$ 236,312
Wastewater	138,722
Dyegard water system	105,319
Total depreciation expense - business-type activities	<u>\$ 480,353</u>

Intangible Assets

June 20, 2003, the water and wastewater fund purchased raw water capacity rights in Benbrook Lake, capacity rights in the Benbrook Pipeline and capacity rights in the Weatherford Treatment Facility. The Enterprise Fund purchased these rights through an agreement with Parker County Utility District #1.

The total cost associated with the buy-ins was \$787,886. This cost was financed with the Combination Tax and Revenue Certificates of Obligation, Series 2003. The debt was refunded with the General Obligation Refunding Bonds, Series 2010. The Benbrook Lake and Treatment Facility capacity rights were then sold back to the City of Weatherford for a credit balance towards future impact fees and demand charges. As of September 30, 2018, there was no credit remaining from the City of Weatherford related to this buy-in purchase.

In April of 2004 the water and wastewater fund paid an additional \$104,935 of legal fees associated with the rights purchased through the agreement with Parker County Utility District #1 (PCUD #1). Per amendment number 1 effective March 31, 2004, \$147,916 of the legal fees are related to initial organization cost.

August 24, 2009, the City entered into an agreement with Parker County Special Utility District (PCSUD) to purchase PCSUD's raw water capacity reservation for \$490,834. The raw water capacity reservation reserves the right for the City to receive raw water from Tarrant Regional Water District. The raw water capacity reservation is based on a projected 30-year average daily use of 1.0 MGD.



**CITY OF HUDSON OAKS, TEXAS**  
**Notes to the Financial Statements**  
**September 30, 2019**

**NOTE 3 - CAPITAL ASSETS (continued)**

A summary of intangible assets as of September 30, 2019, follows:

	Term	Asset	Accumulated Depreciation	Net Asset
Depreciated intangible assets				
TRWD Raw Water Buy-in	28 years	\$ 134,839	\$ (72,344)	\$ 62,495
TRWD Raw Water Capacity	30 years	490,834	(137,729)	353,105
Legal Fees For Buy-ins	30 years	162,213	(86,582)	75,631
Total depreciated intangible assets		<u>\$ 787,886</u>	<u>\$ (296,655)</u>	<u>\$ 491,231</u>

Aggregate Intangible Depreciation Expense:

For the year ended September 30, 2019	<u>\$ 28,548</u>
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**NOTE 4 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The composition of the interfund balances for the City’s individual major funds and nonmajor funds as of September 30, 2019, is as follows:

Receivable Fund	Payable Fund	Amount
General	General debt service	\$ 400
General	Other governmental funds	1,134
Total Governmental Funds		<u>\$ 1,534</u>
Deercreek	Utility capital projects	\$ 549
Water and wastewater	General debt service	2,800
Stormwater utility	General capital projects	24,243
Total business-type activities funds		<u>\$ 27,592</u>

The composition of the interfund transfers for the City’s individual major funds and nonmajor funds as of September 30, 2019, is as follows:

Transfer In	Transfer Out	Amount	Purpose
General debt service	Other governmental	\$ 92,522	Debt service
Other governmental funds	Water and wastewater fund	86,690	Special events and capital projects
Debt Service	General	692,243	Debt Service
Total Governmental Funds Transfer In		<u>\$ 871,455</u>	



**CITY OF HUDSON OAKS, TEXAS**  
**Notes to the Financial Statements**  
**September 30, 2019**

**NOTE 5 – LONG-TERM DEBT**

A. Capital Leases

Governmental Activities:

On October 27, 2017, the general fund acquired two police vehicles with a capital lease. The lease requires three annual payments of \$14,281 beginning October 2018. The interest rate is 2.8%. The outstanding balance as of September 30, 2019 was \$27,723.

On April 25, 2017, the general fund acquired computers for police vehicles with a capital lease. The lease requires monthly payments of \$565 beginning June 2017. The interest rate is 5%. The outstanding balance as of September 30, 2019 was \$16,585.

On October 3, 2018 the general fund a police vehicle with a capital lease. The lease requires annual payments of \$7,853 beginning October 2019. The interest rate is 5%. The outstanding balance as of September 30, 2019 was \$14,582.

Business-type Activities:

On September 8, 2017, the deercreek fund acquired a vehicle with a capital lease. The lease requires three annual payments of \$7,780 beginning September 2018. The interest rate is 2.8%. The outstanding balance as of September 30, 2019 was \$7,550.

On December 20, 2017, the deercreek fund acquired a vehicle with a capital lease. The lease requires three annual payments of \$8,627 beginning December 2018. The interest rate is 3.25%. The outstanding balance as of September 30, 2019 was \$16,630.

The following is an analysis of capital assets purchased under capital leases as of September 30, 2019:

	<u>Governmental Activities</u>
Automobiles	\$ 108,016
Equipment	29,116
Less accumulated depreciation	<u>(91,576)</u>
	<u><u>\$ 45,556</u></u>



**CITY OF HUDSON OAKS, TEXAS**  
**Notes to the Financial Statements**  
**September 30, 2019**

**NOTE 5 – LONG-TERM DEBT (continued)**

The following is a schedule of future minimum lease payments under the capital leases and the present value of the net minimum lease payments at September 30, 2019:

	Governmental Activities	Business-type Activities
2020	\$ 28,913	\$ 16,388
2021	28,872	8,702
2022	4,520	-
Total minimum lease payments	62,305	25,090
Amount representing interest	(3,340)	(910)
Present value of future minimum payments	\$ 58,965	\$ 24,180

**B. Bonds Payable**

Bonds, certificates of obligation payable at September 30, 2019, consist of the following individual issues:

**Governmental Activities**

\$1,800,000 2007 Certificates of Obligation, for construction of street, bridge, curb, and sidewalk improvements, together with utility relocation and drainage improvements, due in annual installments through August 1, 2027, 4.10%.	\$ 920,000
\$810,000 2010 General Obligation Refunding Bonds, refunding the 2008 Tax Notes, due in annual installments through August 1, 2023, 3.00% - 4.00%.	180,000
\$722,750 2012 Certificates of Obligation, issued for middle median improvements, due in annual installments through August 1, 2032, 2.00% - 3.50%.	725,000
\$4,195,000 2016A Certificates of Obligation, for construction of road projects and a downtown development. The payments are due in annual installments through February 1, 2036, 2.00% - 5.00%	3,740,000
\$1,540,000 2016B Certificates of Obligation, for construction of City fiber internet lines, due in annual installments through February 1, 2036, 2.00% - 6.00%.	1,405,000
\$2,325,000 2018 Certificates of Obligation, for construction of City fiber internet lines and Public Improvements District No. 1. The payments are due in annual installments through February 1, 2038, 2.00% - 5.00%	2,280,000
<b>Total Governmental Activities</b>	<b>\$ 9,250,000</b>





**CITY OF HUDSON OAKS, TEXAS**  
**Notes to the Financial Statements**  
**September 30, 2019**

**NOTE 5 – LONG-TERM DEBT (continued)**

**Business-type Activities**

\$1,185,000 2010 General Obligation Refunding Bonds, to refund the 2000B Certificates of Obligation and 2003 Certificates of Obligation. The bonds are due in annual installments through August 1, 2023, 3.00% - 4.00%.	\$ 260,000
\$2,915,000 2010 Certificates of Obligation, for the acquisition of the Dyegard water system, due in annual installments through August 1, 2035, 2.50% - 4.25%.	2,185,000
\$2,124,300 2012 Certificates of Obligation, issued for water system improvements, due in annual installments through August 1, 2032, 2.00% - 3.50%.	1,330,000
\$1,235,000 2014 Certificates of Obligation, for the construction, expansion and improvements to the City's sanitary wastewater system, due in annual installments through August 1, 2024, 2.15%.	875,000
\$550,000 2016A Certificates of Obligation, for drainage projects associated with the new downtown development. The payments are due in annual installments through February 1, 2036, 2.00% - 5.00%	485,000
<b>Total Business-type activities</b>	<u><u>\$ 5,135,000</u></u>

The annual requirements to amortize all bonded debt outstanding as of September 30, 2019 are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2020	510,000	316,118	826,118	455,000	173,625	628,625
2021	510,000	292,393	802,393	450,000	160,928	610,928
2022	535,000	271,393	806,393	455,000	147,998	602,998
2023	550,000	251,613	801,613	470,000	133,893	603,893
2024	530,000	231,478	761,478	420,000	119,465	539,465
2025 - 2030	2,265,000	736,055	3,001,055	1,320,000	443,463	1,763,463
2030 - 2035	2,470,000	517,256	2,987,256	1,310,000	189,231	1,499,231
2036 - 2040	1,880,000	131,286	2,011,286	255,000	9,919	264,919
Debt service requirements	\$ 9,250,000	\$ 2,747,592	\$ 11,997,592	\$ 5,135,000	\$ 1,378,522	\$ 6,513,522
Add: Unamortized premium	341,340	-	341,340	116,003	-	116,003
Total	\$ 9,591,340	\$ 2,747,592	\$ 12,338,932	\$ 5,251,003	\$ 1,378,522	\$ 6,629,525



**CITY OF HUDSON OAKS, TEXAS**  
**Notes to the Financial Statements**  
**September 30, 2019**

**NOTE 5 – LONG-TERM DEBT (continued)**

The following is a summary of long-term debt transactions of the City for the year ended September 30, 2019:

	9/30/18	Additions	Retirements	9/30/19	Due within one year
<b>Governmental Activities:</b>					
Certificates of Obligation, 2007	\$ 1,015,000	\$ -	\$ 95,000	\$ 920,000	\$ 100,000
General Obligation Refunding, 2010	240,000	-	60,000	180,000	60,000
2010 Premium on bond	7,060	-	1,176	5,884	1,176
Certificates of Obligation, 2012	770,000	-	45,000	725,000	45,000
2012 Premium on Bond	17,732	-	1,266	16,466	1,266
Certificates of Obligation, 2016A	3,905,000	-	165,000	3,740,000	175,000
2016A Premium on Bond	140,907	-	7,940	132,967	7,938
Certificates of Obligation, 2016B	1,455,000	-	50,000	1,405,000	55,000
2016B Premium on Bond	62,504	-	3,521	58,983	3,521
Certificates of Obligation, 2018	2,325,000	-	45,000	2,280,000	75,000
2018 Premium on Bond	113,135	-	2,901	110,234	5,802
Capital Leases	76,296	28,588	45,919	58,965	26,694
Net pension liability	248,041	525,169	248,041	525,169	-
OPEB liability	28,645	28,774	28,645	28,774	-
Compensated Absences	142,571	157,344	142,571	157,344	157,344
<b>Total Governmental Activities</b>	<b>10,546,891</b>	<b>739,875</b>	<b>941,980</b>	<b>10,344,786</b>	<b>713,741</b>
<b>Business-type Activities:</b>					
Certificates of Obligation, 2010	2,285,000	-	100,000	2,185,000	100,000
2010 Premium on bond	55,460	-	3,263	52,197	3,263
General Obligation Refunding, 2010	340,000	-	80,000	260,000	80,000
2010 Premium on bond	3,761	-	1,879	1,882	1,879
Certificates of Obligation 2012	1,415,000	-	85,000	1,330,000	85,000
2012 Premium on Bond	47,938	-	3,423	44,515	3,427
Certificates of Obligation, 2014	1,030,000	-	155,000	875,000	165,000
Certificates of Obligation, 2016A	510,000	-	25,000	485,000	25,000
2016A Premium on Bond	18,452	-	1,040	17,412	1,039
Capital Leases	39,484	-	15,304	24,180	15,713
Net pension liability	108,545	221,446	108,545	221,446	-
OPEB liability	12,534	12,133	12,534	12,133	-
Compensated Absences	38,755	28,809	38,755	28,809	28,809
<b>Total Business-type Activities</b>	<b>5,904,929</b>	<b>262,388</b>	<b>629,743</b>	<b>5,537,574</b>	<b>509,130</b>
<b>Total Long-Term Debt</b>	<b>\$ 16,451,820</b>	<b>\$ 1,002,263</b>	<b>\$ 1,571,723</b>	<b>\$ 15,882,360</b>	<b>\$ 1,222,871</b>

For governmental activities, compensated absences payable, pension and OPEB liabilities are liquidated by the general fund.



**CITY OF HUDSON OAKS, TEXAS**  
**Notes to the Financial Statements**  
**September 30, 2019**

**NOTE 6 – CONDUIT DEBT AGREEMENTS**

June 10, 2004, the City passed an ordinance authorizing and approving the creation of the Hudson Oaks Education Finance Corporation (a non-profit corporation) to finance and refinance education facilities for the purpose of aiding intuitions of higher education and accredited primary and secondary schools within the limitations set forth in Chapter 53, Texas Education Code.

During the year ended December 31, 2005, the board of directors of the Hudson Oaks Education Finance Corporation (the “Corporation”) entered into a \$4,000,000 loan agreement with Lakehill Preparatory School (the “Borrower”) and Frost National Bank (the “Lender”). According to the terms of the loan agreement the Lender is making a loan to the Corporation and the Corporation is making a loan to the Borrower. The proceeds will be used by Borrower to refinance the construction, improvement, and equipping of school buildings and athletic facilities on Borrower’s campus and payment of the costs of issuance. The Corporation’s obligations under the loan agreement are payable solely from the loan payments received from the Borrower and other amounts received, if any, from the enforcement of the security provided by the Borrower Note, and do not constitute, give rise to or impose upon the Corporation or the City of Hudson Oaks, Texas, a pecuniary liability, a charge upon the general credit thereof or a pledge of the general revenues of the City or the Corporation. The Corporation has assigned the Borrower Note to the Lender; therefore, the Lender will make loan payments directly to the Lender. The amount of Hudson Oaks Education Finance Corporation conduit debt obligations outstanding at September 30, 2019 are as follows:

Lakehill Preparatory School Loan Agreement	\$ 1,935,000
--	--------------

June 10, 2004, the City passed an ordinance authorizing and approving the creation of the Hudson Oaks Health Development Corporation (a non-profit corporation) to acquire, construct, provide, improve, finance, and refinance health facilities to assist the maintenance of the public health, subject to the Texas Health Facilities Development Act. As of September 30, 2019, this corporation has not issued any debt.

**NOTE 7 – DEFINIED BENEFIT PENSION PLANS**

A. PLAN DESCRIPTION

The City of Hudson Oaks participates as one of 887 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS’s defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmrs.com](http://www.tmrs.com).

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



**CITY OF HUDSON OAKS, TEXAS**  
**Notes to the Financial Statements**  
**September 30, 2019**

**NOTE 7 – DEFINED BENEFIT PENSION PLANS (continued)**

**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 payments 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.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City for 2018 and 2017 were the same and were as follows:

Employee deposit rate	7%
Matching ratio (city to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20
Updated Service Credit	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating

***Employees covered by benefit terms.***

At December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiveing benefits	10
Inactive employees entitled to but not receiving benefits	17
Active employees	<u>22</u>
	49

**C. CONTRIBUTIONS**

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



**CITY OF HUDSON OAKS, TEXAS**  
**Notes to the Financial Statements**  
**September 30, 2019**

**NOTE 7 – DEFINED BENEFIT PENSION PLANS (continued)**

C. CONTRIBUTIONS (continued)

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 12.73% and 11.96% in calendar years 2018 and 2019, respectively. The city's contributions to TMRS for the year ended September 30, 2019, were \$192,399, and were equal to the required contributions.

D. NET PENSION LIABILITY

The city's Net Pension Liability (NPL) was measured as of December 31, 2018, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

ACTUARIAL ASSUPMTIONS:

The Total Pension Liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. Rates are multiplied by a factor of 100%, which adds an additional layer of conservatism. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male's rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality 16 rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These



**CITY OF HUDSON OAKS, TEXAS**  
**Notes to the Financial Statements**  
**September 30, 2019**

**NOTE 7 – DEFINED BENEFIT PENSION PLANS (continued)**

ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of 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%	4.30%
International Equity	17.5%	6.10%
Core-Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.39%
Real Return	10.0%	3.78%
Real Estate	10.0%	4.44%
Absolute Return	10.0%	3.56%
Private Equity	5.0%	7.75%
Total	100%	

**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 HUDSON OAKS, TEXAS**  
**Notes to the Financial Statements**  
**September 30, 2019**

**NOTE 7 – DEFINED BENEFIT PENSION PLANS (continued)**

<u>Changes in the Net Pension Liability</u>	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balance at 12/31/2017	\$ 3,774,260	\$ 3,417,674	\$ 356,586
Changes for the Year			
Service Cost	252,831		252,831
Interest	261,963		261,963
Change of benefit terms	-		-
Difference between expected and actual performance	66,530		66,530
Changes of assumptions			
Contributions- employer		190,898	(190,898)
Contributions- employee		104,971	(104,971)
Net investment income		(102,492)	102,492
Benefit payments, including refunds of employee contributions	(39,488)	(39,488)	-
Administrative expense		(1,979)	1,979
Other changes		(103)	103
Net Changes	<u>541,836</u>	<u>151,807</u>	<u>390,029</u>
<b>Balance at 12/31/2018</b>	<b><u>\$ 4,316,096</u></b>	<b><u>\$ 3,569,481</u></b>	<b><u>\$ 746,615</u></b>

**SENSITIVITY OF THE NET POSITION 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:

	<u>1% Decrease in Discount Rate (5.75%)</u>	<u>Discount Rate (6.75%)</u>	<u>1% Increase in Discount Rate (7.75%)</u>
City's net pension liability	\$1,597,656	\$746,615	\$71,176

**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](http://www.tmrs.com).



**CITY OF HUDSON OAKS, TEXAS**  
**Notes to the Financial Statements**  
**September 30, 2019**

**NOTE 7 – DEFINED BENEFIT PENSION PLANS (continued)**

E. PENSION EXPENSE AND DEFEERED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

For the year ended September 30, 2019, the city recognized pension expense of \$187,284.

At September 30, 2019 the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 64,044	\$ 183,308
Changes in actuarial assumptions	-	7,771
Differences between projected and actual investment earnings	174,690	-
Contributions subsequent to the measurement date	150,743	-
Total	\$ 389,477	\$ 191,079

\$147,206 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Net deferred outflows (inflows) of resources
2019	\$ 5,263
2020	(17,692)
2021	(10,990)
2022	71,074
2023	-
Thereafter	-
	\$ 47,655





**CITY OF HUDSON OAKS, TEXAS**  
**Notes to the Financial Statements**  
**September 30, 2019**

**NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

**A. PLAN DESCRIPTION**

TMRS administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an other postemployment benefit (OPEB) and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

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

**B. BENEFITS PROVIDED**

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiveing benefits	6
Inactive employees entitled to but not receiving benefits	2
Active employees	22
	<hr style="width: 100%; border: 0.5px solid black;"/>
	30

**C. TOTAL OPEB LIABILITY**

The City's total OPEB liability was measured as of December 31, 2018 and was determined by an actuarial valuation as of that date.

*Actuarial Assumptions:*

The Total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overpall payroll growth	3.50% to 10.50% including inflation
Retirees' share of benefit related costs	\$0

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



**CITY OF HUDSON OAKS, TEXAS**  
**Notes to the Financial Statements**  
**September 30, 2019**

**NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)**

Mortality rates for service retirees were based on the gender distinct RP 2000 Combined Mortality Table with Blue Collar Adjustments with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Mortality rates for disabled retirees were based on the gender distinct RP 2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

*Discount Rate*

The discount rate used to measure the Total OPEB Liability was 3.71%. The discount rate was based on the Fidelity Index’s “20-Year Municipal GO AA Index” rate as of December 31, 2018.

*Changes in the Total OPEB Liability*

<u>Changes in the OPEB Liability</u>	<u>Total OPEB Liability</u>
Balance at 12/31/2017	\$ 41,179
Changes for the Year	
Service Cost	2,849
Interest	1,408
Change of benefit terms	-
Difference between expected and actual performance	(1,312.00)
Changes of assumptions	(3,067)
Benefit payments	(150)
Net Changes	<u>(272)</u>
<b>Balance at 12/31/2018</b>	<b><u>\$ 40,907</u></b>

*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 discount rate of 3.71%, 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 (2.71%) or 1-percentage-point higher (4.71%) than the current rate:

	1% Decrease in Discount Rate (2.71%)	Discount Rate (3.71%)	1% Increase in Discount Rate (4.71%)
City's OPEB liability	\$49,183	\$40,907	\$34,357



**CITY OF HUDSON OAKS, TEXAS**  
**Notes to the Financial Statements**  
**September 30, 2019**

**NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)**

**D. OPEB EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB**

For the year ended September 30, 2019, the City recognized OPEB expense of \$4,137.

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB for the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 1,152
Changes in assumptions and other inputs	2,570	2,694
Contributions subsequent to the measurement date	-	-
<b>Total</b>	<b>\$ 2,570</b>	<b>\$ 3,846</b>

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

Year ended December 31:	Net deferred outflows (inflows) of resources
2019	\$ (120)
2020	(120)
2021	(120)
2022	(120)
2023	(120)
Thereafter	(676)
	<b>\$ (1,276)</b>

**NOTE 9 – RISK MANAGEMENT**

The City is exposed to various risks of loss related to theft or damage of assets, errors and omissions, injuries to employees, and natural disasters. These risks are covered by the City's participation in the Texas Municipal League Intergovernmental Risk Pool (TMLIRP) for liability, property, and workers' compensation and in the Texas Municipal League Intergovernmental Employee Benefits Pool (TMLIEBP) for employee health insurance. These are self-sustaining risk pools operated on a state-wide basis for the benefit of several hundred Texas cities and other public entities. The City pays annual premiums to the TMLIRP, which retains risk of loss up to \$3,000,000 and obtains independent coverage for losses more than that amount. Monthly premiums are paid to the TMLIEBP, which retains risk of loss up to \$500,000 per individual and obtains independent coverage for losses more than that amount. There have been no reductions in coverage from the coverage in the prior year, and there have been no settlements that exceeded coverage in the current or past four fiscal years.



**CITY OF HUDSON OAKS, TEXAS**  
**Notes to the Financial Statements**  
**September 30, 2019**

**NOTE 10 – CONTINGENT LIABILITIES**

A. Federal and State Programs

The City participates in certain federal and state-assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement, which may arise as the result of these audits is not believed to be material.

**NOTE 11 – DEFERRED COMPENSATION PLAN**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code (“IRC”) 457. The plan, as amended, is available to all employees and permits them to defer a portion of their salary until future years. Participation is optional. The deferred compensation is not available to employees until termination, retirement, death, or emergency.

All amounts of compensation deferred under the plan (until paid or made available to the employee or other beneficiary) were placed in a trust for the exclusive benefit of the participants and not the beneficiaries. This action is in accordance with changes made to IRS Section 457. The City does not have any fiduciary responsibility or administrative duties relating to the deferred compensation plan other than remitting employees’ contribution to the trustees. Accordingly, the City has not presented the assets and liabilities in the Plan in the basic financial statements.

**NOTE 12 – WATER AND WASTEWATER SERVICE CONTRACTS**

A. Treated Water

During 2010, the City entered into a contract for treated water with the City of Weatherford wherein the City of Weatherford agreed to deliver treated water to an existing meter located at the City of Hudson Oaks LOR Water Plant #2. Charges to the City are based upon a volume charge. The wholesale water charge shall be recalculated annually and becomes effective on January 1<sup>st</sup> of each year.

B. Wastewater Service

The City entered into a 20-year wastewater service contract with the City of Weatherford on January 27, 2000, wherein the City of Weatherford agreed to extend a wastewater collection line to the Weatherford city limits just west of the Hudson Oaks city limits and to provide sewage treatment service for amounts of wastewater collected by the City and delivered to the Weatherford System. The City constructed wastewater facilities including a wastewater collection line from the point of entry of the Weatherford System into the City and related lift stations. Charges to the City are based upon a flow charge for the transmission and treatment of wastewater received from the Hudson Oaks system and a capacity charge to compensate Weatherford for the capacity in the Weatherford system necessary to accept the maximum daily flow from the Hudson Oaks system.



**CITY OF HUDSON OAKS, TEXAS**  
**Notes to the Financial Statements**  
**September 30, 2019**

**NOTE 13 – CONTRACTS AND COMMITMENTS**

- A. On August 26, 2010 the City entered into an interlocal agreement with the Town of Annetta, Texas in whereby the City agreed to assist Annetta in the operations and management of Annetta’s water system.
- B. In November 2014, the City created the Hudson Oaks Public Improvements District No. 1, for the purposes of designing, acquiring and constructing public improvement projects in the District. The District includes approximately 46 acres in the City. The City has committed to fund improvements of up to \$3,534,000 in the District with \$2,000,000 being funded within 120 days of issuance of a notice to proceed on a new grocery store and once the store opens the remaining actual costs up to \$1,534,000. The City issued new bonds in 2018 to fund the initial \$2,000,000. There was no construction activity for the year ended September 30, 2019.
- In July 2015 the City levied an annual assessment of \$.46 per \$100 of net taxable value against the properties in the District through year 2019. This assessment will be used to fund the long-term debt used to fund the public improvements. The City commenced assessments on October 1, 2017.
- C. On June 1, 2016, the City issued 2016A Certificates of Obligation. The certificates were issued to fund a new downtown development within the City, the Oakey Corridor. As of September 30, 2019, \$2,738,979 has been incurred on the project.
- D. On March 22, 2018, the City issued 2018 Certificates of Obligation. The certificates were issues to fund Public Improvement District No. 1 improvements. As of September 30, 2019, \$1,955,316 has been incurred on the project.

**NOTE 14 – TAX ABATEMENTS**

The City is authorized to provide assistance for economic development under Chapter 380 of the Texas Local Government Code. The economic development must serve the purpose of promoting state or local economic development by stimulating business or commercial activity within the City. The assistance may be in the form of loans, grants, tax rebates and use of City personnel and services. The City has entered into Chapter 380 Economic Development Program Agreements with companies and has agreed to provide grants and rebates of sales tax.

The City entered into an economic development agreement dated November 14, 2016, with a developer to reimburse the developer the cost of developing a commercial retail building. The agreement requires the City to rebate to the developer 50% of the City’s sales tax collected from the issuance of the certificate of occupancy for a period of four (4) years until the developer has been reimbursed the total sum of \$60,000, whichever occurs first. The City accrued \$27,907 at September 30, 2019 for a sales tax rebate for this economic development.

The City entered into an economic development agreement dated January 30, 2017, with a developer to construct a new facility and provide services to residents. The agreement requires the City to rebate all sales tax collected from the issuance of the certificate of occupancy for taxable services provided outside City limits. The City rebated \$324,868 for the year September 30, 2019.



**CITY OF HUDSON OAKS, TEXAS**  
**Notes to the Financial Statements**  
**September 30, 2019**

**NOTE 15 – SUBSEQUENT EVENTS**

Subsequent events were evaluated through April 14, 2020, which is the date the financial statements were available to be issued.

**NOTE 16 - FUTURE ACCOUNTING PRONOUNCEMENTS**

The Government Accounting Standards Board has issued several statements that will be effective in future years. The City has not yet determined the effect these statements will have on its financial reporting.

GASB Statement No. 87, *Leases* will improve financial reporting by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This Statement is effective for reporting periods beginning after December 15, 2019.

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**REQUIRED SUPPLEMENTARY INFORMATION**



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**CITY OF HUDSON OAKS, TEXAS**  
 General Fund  
 Schedule of Revenues, Expenditures and Changes in Fund Balance -  
 Budget and Actual  
 For the Year Ended September 30, 2019

	Budget		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 2,623,500	\$ 2,970,000	\$ 2,970,830	\$ 830
Licenses and permits	221,200	603,613	600,157	(3,456)
Charges for services	3,000	3,000	5,927	2,927
Municipal court fines	59,739	21,608	20,538	(1,070)
Interest	10,000	60,000	65,255	5,255
Intergovernmental	-	-	-	-
Miscellaneous	257,561	378,661	401,520	22,859
<b>Total revenues</b>	<b>3,175,000</b>	<b>4,036,882</b>	<b>4,064,227</b>	<b>27,345</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	704,590	976,093	1,181,303	(205,210)
Public safety	1,295,901	1,348,812	1,370,287	(21,475)
Streets	258,450	401,495	444,480	(42,985)
Parks and facilities	78,555	104,621	119,238	(14,617)
Planning and development	106,000	220,977	222,846	(1,869)
Mayor and council	7,500	7,500	4,530	2,970
<b>Debt service:</b>				
Principal	32,130	45,919	45,919	-
Interest and fiscal charges	2,374	3,810	3,810	-
<b>Total expenditures</b>	<b>2,485,500</b>	<b>3,109,227</b>	<b>3,392,413</b>	<b>(283,186)</b>
Excess (deficiency) of revenues over (under) expenditures	689,500	927,655	671,814	(255,841)
<b>Other Financing Sources (Uses):</b>				
Transfers out	(689,500)	(689,500)	(692,243)	(2,743)
Issuance of capital lease	-	-	28,588	28,588
<b>Total other financing sources (uses):</b>	<b>(689,500)</b>	<b>(689,500)</b>	<b>(663,655)</b>	<b>25,845</b>
Net change in fund balance	-	238,155	8,159	(229,996)
Fund balance, October 1	1,378,787	1,378,787	1,378,787	-
Fund balance, September 30	<u>\$ 1,378,787</u>	<u>\$ 1,616,942</u>	<u>\$ 1,386,946</u>	<u>\$ (229,996)</u>

The accompanying notes are an integral part of this schedule.

**CITY OF HUDSON OAKS, TEXAS**  
Schedule of Changes in Net Pension Liability  
and Related Ratios  
For the Year Ended September 30, 2019

	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>					
Service Cost	\$ 252,831	\$ 248,257	\$ 224,824	\$ 208,249	\$ 199,076
Interest (on the Total Pension Liability)	261,963	246,144	233,278	214,601	195,208
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	66,530	(156,684)	(160,582)	36,888	(78,250)
Change of assumptions	-	-	-	(26,499)	-
Benefit payments, including refunds of employee contributions	(39,488)	(171,826)	(65,411)	(37,169)	(49,985)
<b>Net Change in Total Pension Liability</b>	541,836	165,891	232,109	396,070	266,049
<b>Total Pension Liability-Beginning</b>	\$ 3,774,260	\$ 3,608,369	\$ 3,376,260	\$ 2,980,190	\$ 2,714,141
<b>Total Pension Liability-Ending (a)</b>	\$ 4,316,096	\$ 3,774,260	\$ 3,608,369	\$ 3,376,260	\$ 2,980,190
<b>Plan Fiduciary Net Position</b>					
Contributions-Employer	190,898	196,686	173,428	152,320	134,567
Contributions-Employee	104,971	103,564	94,181	88,724	82,097
Net Investment Income	(102,492)	400,904	170,372	3,416	116,357
Benefit payments, including refunds of employee contributions	(39,488)	(171,826)	(65,411)	(37,169)	(49,985)
Administrative Expense	(1,979)	(2,076)	(1,923)	(2,081)	(1,214)
Other	(103)	(105)	(103)	(103)	(100)
<b>Net Change in Plan Fiduciary Net Position</b>	151,807	527,147	370,544	205,107	281,722
<b>Plan Fiduciary Net Position-Beginning</b>	3,417,674	2,890,527	2,519,983	2,314,876	2,033,154
<b>Plan Fiduciary Net Position-Ending (b)</b>	\$ 3,569,481	\$ 3,417,674	\$ 2,890,527	\$ 2,519,983	\$ 2,314,876
<b>Net Pension Liability-Ending (a) - (b)</b>	\$ 746,615	\$ 356,586	\$ 717,842	\$ 856,277	\$ 665,314
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	82.70%	90.55%	80.11%	74.64%	77.68%
<b>Covered Payroll</b>	\$ 1,499,592	\$ 1,479,480	\$ 1,345,443	\$ 1,267,491	\$ 1,172,812
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	49.79%	24.10%	53.35%	67.56%	56.73%

The Schedule of Changes in the City's Net Pension Liability and Related Ratios shows the changes in Total Pension Liability less the changes in Fiduciary Net Position, resulting in the net pension liability calculation for the city. Note that this is a 10-year schedule, to be created by the city prospectively, over the next 10-year period.

The accompanying notes to required supplementary information are an integral part of this schedule.

**CITY OF HUDSON OAKS, TEXAS**  
 Schedule of Employer Contributions  
 and Related Ratios  
 For the Year Ended September 30, 2019

	2019	2018	2017	2016	2015	2014
Actuarially Determined Contribution	\$ 192,399	\$ 195,378	\$ 190,996	\$ 167,446	\$ 146,854	\$ 136,130
Contributions in relation to the actuarially determined contribution	<u>\$ 192,399</u>	<u>\$ 195,378</u>	<u>\$ 190,996</u>	<u>\$ 167,446</u>	<u>\$ 146,854</u>	<u>\$ 136,130</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 1,596,310	\$ 1,507,121	\$ 1,446,119	\$ 1,325,824	\$ 1,237,245	\$ 1,204,317
Contributions as a percentage of covered employee payroll	12.05%	12.96%	13.21%	12.63%	11.87%	11.30%

The Schedule of Employer Contributions shows the city’s required annual contributions from the actuarial valuation, compared with the actual contributions remitted. This schedule is based on the city’s respective fiscal year-end, and will be built over the next 10-year period.

The accompanying notes to required supplementary information are an integral part of this schedule.

**CITY OF HUDSON OAKS, TEXAS**  
 Schedule of Changes in Total OPEB Liability and Related Ratios  
 Last 10 Years (will ultimately be displayed)

	2018	2017
<b>Total Pension Liability</b>		
Service Cost	\$ 2,849	\$ 2,367
Interest (on the Total OPEB liability)	1,408	1,338
Changes of benefit terms		-
Difference between expected and actual experience	(1,312)	-
Changes of assumptions	(3,067)	3,396
Benefit payments	(150)	(296)
Net Change in Total OPEB Liability	(272)	6,805
Total OPEB liability - Beginning	41,179	34,374
Total OPEB liability - Ending	\$ 40,907	\$ 41,179
Covered Payroll	\$ 1,499,592	\$ 1,479,480
Total OPEB Liability as a Percentage of Covered Payroll	2.73%	2.78%

The accompanying notes to required supplementary information are an integral part of this schedule.

**CITY OF HUDSON OAKS, TEXAS**  
**Notes to Required Supplementary Information**  
**September 30, 2019**

NOTE 1 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1) Budget

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. All annual appropriations lapse at fiscal year end. The City Administrator is authorized to transfer budgeted amounts between line items and departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.

The first budget reading for the ensuing year is presented to the City Council no later than the August City Council meeting. A second budget reading, if necessary, is presented no later than the September City Council meeting. A final budget is approved prior to the beginning of the budget year, and the budget is effective September 1 of the budget year. From its date of submission, the proposed budget shall be a public record, and copies are available for the public upon request. One amendment to the budget for the fiscal year was enacted and approved by the City Council.

2) Encumbrances

The City does not record encumbrances for goods and services.

3) Expenditures in excess of appropriations over \$5,000

General Government, public safety, streets, parks and facilities, and all had expenditures in excess of appropriations greater than \$5,000. The largest of these departments, general government, was \$205,210 in excess of appropriations in which an unbudgeted economic development payment was made. All expenditures were covered by increases in budgeted and actual revenues.

**CITY OF HUDSON OAKS, TEXAS**  
**Notes to Required Supplementary Information**  
**September 30, 2019**

NOTE 2- DEFINED BENEFIT PENSION PLANS

Notes to Schedule of Contributions

Valuation Date:

Notes

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method

Entry Age Normal

Amortization Method

Level Percentage of Payroll, Closed

Remaining Amortization Period

25 years

Asset Valuation Method

10 Year smoothed market; 15% soft corridor

Inflation

2.50%

Salary Increases

3.50% to 10.50% including inflation

Investment Rate of Return

6.75%

Retirement Age

Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014

Mortality

RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information:

Notes

There were no changes during the year.

NOTE 3 – SCHEDULE OF CHANGES IN OPEB LIABILITY

No assets are accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75 to pay related benefits.

**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**



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## **NONMAJOR GOVERNMENTAL FUNDS**

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### **SPECIAL REVENUE FUNDS**

The Special Revenue Funds are used to account for revenue sources that are legally restricted to expenditures for specific purposes.

Police Seizure Forfeiture – This fund is used to account for revenue from police seizures.

Municipal Court Technology – This fund is used to account for Municipal Court fees collected for court technology.

Court Building Security – This fund is used to account for Municipal Court fees collected for court building security.

Park Dedication – This fund is used to account for park dedication donations and expenditures of those funds.

Special Events – This fund is used to account for community event revenues and expenditures of those funds.

PID No. 1 – This fund is used to account for taxes collected within the District and expenditures associated within the District.

General Capital Projects – This fund is used to account for the acquisition and construction of the government's major capital facilities and equipment, other than those financed by proprietary funds.

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**CITY OF HUDSON OAKS, TEXAS**  
**Nonmajor Funds**  
**Combining Balance Sheet**  
**September 30, 2019**

	Police Seizure Forfeiture Fund	Municipal Court Technology Fund	Court Building Security Fund	Park Dedication Fund	Special Events Fund	PID No. 1 Fund	Total Special Revenue Funds	General Capital Projects Fund	Total General Capital Projects Funds	Total Nonmajor Governmental Funds
<b>Assets</b>										
Cash	\$ 3,587	\$ 1,350	\$ 12,367	\$ 12,500	\$ -	\$ 544	\$ 30,348	\$ 221,601	\$ 221,601	\$ 251,949
Investments	-	-	-	-	-	-	-	15,241	15,241	15,241
Miscellaneous receivable	-	-	-	-	22,065	21,597	43,662	-	-	43,662
<b>Total assets</b>	<u>3,587</u>	<u>1,350</u>	<u>12,367</u>	<u>12,500</u>	<u>22,065</u>	<u>22,141</u>	<u>74,010</u>	<u>236,842</u>	<u>236,842</u>	<u>310,852</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>										
<b>Liabilities:</b>										
Accounts payable	-	-	-	-	6,156	-	6,156	261,141	261,141	267,297
Due to other funds	-	-	-	-	1,134	-	1,134	24,243	24,243	25,377
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,290</u>	<u>-</u>	<u>7,290</u>	<u>285,384</u>	<u>285,384</u>	<u>292,674</u>
<b>Deferred inflows of resources:</b>										
Deferred revenue	-	-	-	-	22,065	-	22,065	-	-	22,065
<b>Fund Balance:</b>										
Restricted fund balance	3,587	1,350	12,367	12,500	-	22,141	51,945	-	-	51,945
Unassigned fund balance	-	-	-	-	(7,290)	-	(7,290)	(48,542)	(48,542)	(55,832)
<b>Total Fund Balance</b>	<u>3,587</u>	<u>1,350</u>	<u>12,367</u>	<u>12,500</u>	<u>(7,290)</u>	<u>22,141</u>	<u>44,655</u>	<u>(48,542)</u>	<u>(48,542)</u>	<u>(3,887)</u>
<b>Total Liabilities, deferred inflows and Fund Balance</b>	<u>\$ 3,587</u>	<u>\$ 1,350</u>	<u>\$ 12,367</u>	<u>\$ 12,500</u>	<u>\$ 22,065</u>	<u>\$ 22,141</u>	<u>\$ 74,010</u>	<u>\$ 236,842</u>	<u>\$ 236,842</u>	<u>\$ 310,852</u>

## CITY OF HUDSON OAKS, TEXAS

## Nonmajor Funds

## Combining Statement of Revenues, Expenditures and Changes

## In Fund Balance

For the Year Ended September 30, 2019

	Police Seizure Forfeiture Fund	Municipal Court Technology Fund	Court Building Security Fund	Park Dedication Fund	Special Events Fund	PID No. 1 Fund	Total Special Revenue Funds	General Capital Projects Fund	Total General Capital Projects Funds	Total Nonmajor Governmental Funds
Revenue:										
Municipal court fines	\$ -	\$ 474	\$ 359	\$ -	\$ -	\$ -	\$ 833	\$ -	\$ -	\$ 833
Interest	-	-	-	-	-	845	845	4,662	4,662	\$ 5,507
Miscellaneous	-	-	-	-	117,185	32,744	149,929	56,134	56,134	206,063
Total Revenues	-	474	359	-	117,185	33,589	151,607	60,796	60,796	212,403
Expenditures:										
Current										
General Government	-	-	-	-	169,878	-	169,878	-	-	169,878
Capital outlay	-	-	-	-	2,539	-	2,539	143,506	143,506	146,045
Total Expenditures	-	-	-	-	172,417	-	172,417	143,506	143,506	315,923
Excess (deficiency) of revenues over (under) expenditures	-	474	359	-	(55,232)	33,589	(20,810)	(82,710)	(82,710)	(103,520)
Other Financing Sources (Uses):										
Transfers In	-	-	-	-	50,000	-	50,000	36,690	36,690	86,690
Transfers Out	-	-	-	-	-	90,000	90,000	2,522	2,522	92,522
Total other financing sources (uses):	-	-	-	-	50,000	(90,000)	(40,000)	34,168	34,168	(5,832)
Net change in fund balance	-	474	359	-	(5,232)	(56,411)	(60,810)	(48,542)	(48,542)	(109,352)
Fund balance, October 1	3,587	876	12,008	12,500	(2,058)	78,552	105,465	-	-	105,465
Fund balance, September 30	\$ 3,587	\$ 1,350	\$ 12,367	\$ 12,500	\$ (7,290)	\$ 22,141	\$ 44,655	\$ (48,542)	\$ (48,542)	\$ (3,887)

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**ENTERPRISE FUND SUPPLEMENTARY INFORMATION**

**CITY OF HUDSON OAKS, TEXAS**  
Water and Wastewater Fund  
Department Combining Statement of Net Position  
September 30, 2019  
With Comparative Totals for the Year Ended September 30, 2018

	Hudson Oaks		Dyegard	Deer Creek	Utility	Totals	
	Water	Wastewater	Water System	Management	Capital Projects	2019	2018
<b>Assets</b>							
<b>Current Assets:</b>							
Cash	\$ 1,015,726	\$ 475,153	\$ 63,652	\$ 116,037	\$ 1	\$ 1,670,569	\$ 917,190
Investments	91,932	414,364	-	-	-	506,296	494,744
Accounts receivable (net of allowance for doubtful accounts)	252,448	38,467	40,533	58,126	-	389,574	339,800
Miscellaneous	27,934	186,798	-	-	-	214,732	293,963
Due from other funds	-	-	-	549	2,800	3,349	2,800
Prepaid items	8,470	-	-	-	-	8,470	7,988
Restricted Cash	-	-	-	-	24,565	24,565	164,266
<b>Total current assets</b>	<b>1,396,510</b>	<b>1,114,782</b>	<b>104,185</b>	<b>174,712</b>	<b>27,366</b>	<b>2,817,555</b>	<b>2,220,751</b>
<b>Noncurrent Assets:</b>							
<b>Capital Assets:</b>							
Nondepreciable	-	-	-	-	559,867	559,867	777,841
Depreciable, net of accumulated depreciation	-	-	-	-	8,476,084	8,476,084	8,600,584
<b>Total assets</b>	<b>1,396,510</b>	<b>1,114,782</b>	<b>104,185</b>	<b>174,712</b>	<b>9,063,317</b>	<b>11,853,506</b>	<b>11,599,176</b>
<b>Deferred Outflow of Resources</b>							
Deferred Outflow Related to Pensions	86,927	-	-	22,980	-	109,907	48,984
Deferred Outflow Related to OPEB	610	-	-	152	-	762	908
<b>Total deferred outflow of resources</b>	<b>87,537</b>	<b>-</b>	<b>-</b>	<b>23,132</b>	<b>-</b>	<b>110,669</b>	<b>49,892</b>
<b>Liabilities</b>							
<b>Current Liabilities:</b>							
Accounts payable	375,112	24,246	3,427	13,822	-	416,607	129,915
Accrued payroll	4,193	-	-	1,581	-	5,774	6,359
Compensated absences payable	22,720	-	-	6,089	-	28,809	38,755
Due to other funds	-	-	-	-	549	549	-
<b>Current liabilities payable from restricted assets:</b>							
Current portion of long-term debt	-	-	-	15,713	438,569	454,282	443,873
Accrued interest payable	-	-	-	365	26,835	27,200	29,175
<b>Total current liabilities</b>	<b>402,025</b>	<b>24,246</b>	<b>3,427</b>	<b>37,570</b>	<b>465,953</b>	<b>933,221</b>	<b>648,077</b>
<b>Noncurrent Liabilities:</b>							
Capital lease payable	-	-	-	8,467	-	8,467	24,180
Net pension liability	177,172	-	-	44,274	-	221,446	108,545
OPEB liability	9,707	-	-	2,426	-	12,133	12,534
Certificates of obligation	-	-	-	-	4,310,025	4,310,025	4,748,591
<b>Total liabilities</b>	<b>588,904</b>	<b>24,246</b>	<b>3,427</b>	<b>92,737</b>	<b>4,775,978</b>	<b>5,485,292</b>	<b>5,541,927</b>
<b>Deferred Inflow of Resources</b>							
Deferred Inflow Related to Pensions	45,343	-	-	11,331	-	56,674	110,596
Deferred Inflow Related to OPEB	913	-	-	228	-	1,141	-
<b>Total deferred outflow of resources</b>	<b>46,256</b>	<b>-</b>	<b>-</b>	<b>11,559</b>	<b>-</b>	<b>57,815</b>	<b>110,596</b>
<b>Net Position</b>							
Net Investment in capital assets	-	-	-	-	4,263,176	4,263,176	4,307,265
Restricted for capital projects (expendable)	-	-	-	-	-	-	18,782
Restricted for impact fees	207,590	-	-	-	-	207,590	194,661
Unrestricted	641,297	1,090,536	100,758	93,548	24,163	1,950,302	1,475,837
<b>Total net position</b>	<b>\$ 848,887</b>	<b>\$ 1,090,536</b>	<b>\$ 100,758</b>	<b>\$ 93,548</b>	<b>\$ 4,287,339</b>	<b>\$ 6,421,068</b>	<b>\$ 5,996,545</b>



**CITY OF HUDSON OAKS, TEXAS**  
Water and Wastewater Fund  
Department Combining Statement of Revenues, Expenses and Changes in Fund Net Position  
For the Year Ended September 30, 2019  
With Comparative Totals for the Year Ended September 30, 2018

	Hudson Oaks		Dyegard	Deer Creek	Utility	Elimination	Totals	
	Water	Wastewater	Water	Management	Capital Projects		2019	2018
<b>Operating revenues:</b>								
Water & Wastewater sales	\$ 1,485,472	\$ 401,672	\$ 261,077	\$ -	\$ -	\$ -	\$ 2,148,221	\$ 2,098,325
Management contract charges	-	-	-	239,734	-	-	239,734	232,751
Late payment charges	11,232	-	1,649	-	-	-	12,881	13,136
Tap Fees	12,500	4,500	-	-	-	-	17,000	11,000
Impact fees	49,306	-	-	-	-	-	49,306	16,034
Customer assessment fees	13,905	-	-	-	-	-	13,905	5,179
Miscellaneous fees & Charges	36,202	-	180	-	-	-	36,382	42,661
<b>Total operating revenues</b>	<b>1,608,617</b>	<b>406,172</b>	<b>262,906</b>	<b>239,734</b>	<b>-</b>	<b>-</b>	<b>2,517,429</b>	<b>2,419,086</b>
<b>Operating expenses:</b>								
Personal services	393,764	-	-	112,133	-	-	505,897	556,265
Professional services	53,140	5,000	2,720	8,285	-	-	69,145	100,692
Supplies	88,390	-	727	4,082	-	-	93,199	98,805
Operations	336,175	175,293	2,058	4,563	24,334	-	542,423	537,104
Maintenance and repairs	27,507	2,129	11,669	10,112	-	-	51,417	55,364
Well utilities	112,020	1,166	5,359	-	-	-	118,545	88,115
Depreciation	-	-	-	-	480,353	-	480,353	500,472
<b>Total operating expenses</b>	<b>1,010,996</b>	<b>183,588</b>	<b>22,533</b>	<b>139,175</b>	<b>504,687</b>	<b>-</b>	<b>1,860,979</b>	<b>1,936,817</b>
<b>Operating income (loss)</b>	<b>597,621</b>	<b>222,584</b>	<b>240,373</b>	<b>100,559</b>	<b>(504,687)</b>	<b>-</b>	<b>656,450</b>	<b>482,269</b>
<b>Nonoperating revenues (expenses)</b>								
Interest	2,101	9,451	-	1,304	4,724	-	17,580	14,459
Interest expense	-	-	-	(1,031)	(161,786)	-	(162,817)	(171,720)
<b>Total nonoperating revenues (expenses)</b>	<b>2,101</b>	<b>9,451</b>	<b>-</b>	<b>273</b>	<b>(157,062)</b>	<b>-</b>	<b>(145,237)</b>	<b>(157,261)</b>
<b>Income (loss) before transfers</b>	<b>599,722</b>	<b>232,035</b>	<b>240,373</b>	<b>100,832</b>	<b>(661,749)</b>	<b>-</b>	<b>511,213</b>	<b>325,008</b>
<b>Contributions and transfers:</b>								
Transfers In	2,406	-	-	-	612,338	(614,744)	-	-
Transfers out	(241,538)	(177,600)	(193,200)	(86,690)	(2,406)	614,744	(86,690)	(265,487)
<b>Change in net position</b>	<b>360,590</b>	<b>54,435</b>	<b>47,173</b>	<b>14,142</b>	<b>(51,817)</b>	<b>-</b>	<b>424,523</b>	<b>59,521</b>
<b>Net Position, Beginning</b>	<b>488,297</b>	<b>1,036,101</b>	<b>53,585</b>	<b>79,406</b>	<b>4,339,156</b>	<b>-</b>	<b>5,996,545</b>	<b>5,947,487</b>
<b>Prior Period Adjustment</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(10,463)</b>
<b>Net Position, Ending</b>	<b>\$ 848,887</b>	<b>\$ 1,090,536</b>	<b>\$ 100,758</b>	<b>\$ 93,548</b>	<b>\$ 4,287,339</b>	<b>\$ -</b>	<b>\$ 6,421,068</b>	<b>\$ 5,996,545</b>

**CITY OF HUDSON OAKS, TEXAS**  
Water and Wastewater Fund  
Department Combining Statement of Cash Flows  
For the Year Ended September 30, 2019  
With Comparative Totals for the Year Ended September 30, 2018

	Hudson Oaks		Dyegard	Deer Creek	Utility	Total	
	Water	Wastewater	Water System	Management	Capital Projects	2019	2018
<b>Cash flows from operating activities:</b>							
Cash received from customers and users	\$ 1,545,273	\$ 415,508	\$ 257,181	\$ 248,563	\$ -	\$ 2,466,525	\$ 2,487,579
Cash paid to suppliers	(355,405)	(175,413)	(19,440)	(13,927)	-	(564,185)	(876,573)
Cash paid to employees	(405,096)	-	-	(112,390)	-	(517,486)	(568,725)
Net cash provided (used) by operating activities	784,772	240,095	237,741	122,246	-	1,384,854	1,042,281
<b>Cash flow from noncapital financing activities:</b>							
Due to other funds	-	-	-	549	-	549	-
Due from other funds	-	-	-	-	(549)	(549)	57,200
Transfers in (out)	(239,132)	(177,600)	(193,200)	(86,690)	609,932	(86,690)	(265,487)
Net cash provided (used) by noncapital financing activities	(239,132)	(177,600)	(193,200)	(86,141)	609,383	(86,690)	(208,287)
<b>Cash flows from capital and related financing activities:</b>							
Principal payments - certificates of obligation	-	-	-	-	(420,000)	(420,000)	(556,300)
Principal payments - capital leases	-	-	-	(15,304)	-	(15,304)	(7,162)
Purchase of property, plant and equipment	-	-	-	-	(162,215)	(162,215)	(269,614)
Special assessments	-	80,361	-	-	-	80,361	111,182
Interest payments	-	-	-	(1,764)	(171,592)	(173,356)	(181,557)
Net cash flows provided by (used in) capital and related financing activities	-	80,361	-	(17,068)	(753,807)	(690,514)	(903,451)
<b>Cash flows from investing activities:</b>							
Interest received	2,101	9,451	-	1,304	4,724	17,580	14,459
(Purchase) sale of investments	(2,101)	(9,451)	-	-	-	(11,552)	(406,281)
Net cash provided by (used in) investing activities	-	-	-	1,304	4,724	6,028	(391,822)
<b>Net increase (decrease) in cash</b>	545,640	142,856	44,541	20,341	(139,700)	613,678	(461,279)
<b>Cash, October 1</b>	470,086	332,297	19,111	95,696	164,266	1,081,456	1,542,735
<b>Cash, September 30</b>	<u>\$ 1,015,726</u>	<u>\$ 475,153</u>	<u>\$ 63,652</u>	<u>\$ 116,037</u>	<u>\$ 24,566</u>	<u>\$ 1,695,134</u>	<u>\$ 1,081,456</u>
<b>Reconciliation of income from operations to net cash provided by operating activities:</b>							
Income (loss) from operations	\$ 597,621	\$ 222,584	\$ 240,373	\$ 100,559	\$ (504,687)	\$ 656,450	\$ 482,269
Adjustments to reconcile income from operations to net cash provided by (used in) operating activities							
Depreciation	-	-	-	-	480,353	480,353	500,472
Disposal of capital assets	-	-	-	-	24,334	24,334	-
(Increase) decrease in accounts receivable	(62,214)	9,336	(5,725)	8,829	-	(49,774)	11,576
(Increase) decrease in miscellaneous receivables	(1,130)	-	-	-	-	(1,130)	56,917
(Increase) decrease in prepaid expenses	(482)	-	-	-	-	(482)	887
(Increase) decrease in deferred outflow of resources	(47,282)	-	-	(13,495)	-	(60,777)	35,136
Increase (decrease) in accounts payable	262,309	8,175	3,093	13,115	-	286,692	2,620
Increase (decrease) in accrued payroll	(784)	-	-	199	-	(585)	(2)
Increase (decrease) in compensated absences	(8,945)	-	-	(1,001)	-	(9,946)	4,784
Increase (decrease) in net pension liability	89,345	-	-	23,556	-	112,901	(107,884)
Increase (decrease) in net OPEB liability	(435)	-	-	34	-	(401)	1,163
Increase (decrease) in deferred inflow of resources	(43,231)	-	-	(9,550)	-	(52,781)	54,343
Net adjustments	187,151	17,511	(2,632)	21,687	504,687	728,404	560,012
Net cash provided by operating activities	<u>\$ 784,772</u>	<u>\$ 240,095</u>	<u>\$ 237,741</u>	<u>\$ 122,246</u>	<u>\$ -</u>	<u>\$ 1,384,854</u>	<u>\$ 1,042,281</u>
Noncash Investing, Capital and Financing Activities							
Capital lease	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,571

**STATISTICAL SECTION (Unaudited)**

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## STATISTICAL SECTION (Unaudited)

This part of the City of Hudson Oaks Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosure, and required supplementary information says about the City's overall financial health.

### Contents

#### **Financial Trends**

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

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#### **Revenue Capacity**

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#### **Demographic and Economic Information**

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Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. There is no statistical analysis for property tax as the City of Hudson Oaks does not levy an ad valorem tax to its residents or businesses.

**CITY OF HUDSON OAKS**  
**Government-wide Net Position by Component**  
**Last Ten Fiscal Years**  
**(Unaudited)**

	2019	2018	2017	2016
Governmental Activities				
Net investment in capital assets	\$ 6,126,451	\$ 5,941,949	\$ 5,531,794	\$ 4,788,636
Restricted	114,555	137,208	69,903	50,298
Unrestricted	1,882,630	1,104,308	1,121,028	1,532,330
Total governmental activities net position	<u>\$ 8,123,636</u>	<u>\$ 7,183,465</u>	<u>\$ 6,722,725</u>	<u>\$ 6,371,264</u>
Business-type activities				
Net investment in capital assets	\$ 4,307,311	\$ 4,349,604	\$ 4,426,001	\$ 3,371,107
Restricted	224,914	234,001	187,735	751,048
Unrestricted	1,992,189	1,504,320	1,340,693	2,038,621
Total business-type activities net position	<u>\$ 6,524,414</u>	<u>\$ 6,087,925</u>	<u>\$ 5,954,429</u>	<u>\$ 6,160,776</u>
Primary government				
Net investment in capital assets	\$ 10,433,762	\$ 10,291,553	\$ 9,957,795	\$ 8,159,743
Restricted	339,469	371,209	257,638	801,346
Unrestricted	3,874,819	2,608,628	2,461,721	3,570,951
Total primary government net position	<u>\$ 14,648,050</u>	<u>\$ 13,271,390</u>	<u>\$ 12,677,154</u>	<u>\$ 12,532,040</u>

**CITY OF HUDSON OAKS**  
**Government-wide Net Position by Component**  
**Last Ten Fiscal Years**  
**(Unaudited)**

2015	2014	2013	2012	2011	2010
\$ 4,525,800	\$ 4,153,576	\$ 3,945,645	\$ 3,572,025	\$ 3,457,023	\$ 3,116,516
44,541	693,884	26,372	12,764	14,228	-
1,208,501	737,230	1,349,162	1,442,408	1,546,941	2,023,326
<u>\$ 5,778,842</u>	<u>\$ 5,584,690</u>	<u>\$ 5,321,179</u>	<u>\$ 5,027,197</u>	<u>\$ 5,018,192</u>	<u>\$ 5,139,842</u>
\$ 4,087,015	\$ 3,819,660	\$ 4,845,486	\$ 4,743,012	\$ 4,977,526	\$ 4,921,044
138,725	115,489	132,025	197,820	53,565	31,056
1,762,069	1,932,239	727,281	881,405	747,361	749,107
<u>\$ 5,987,809</u>	<u>\$ 5,867,388</u>	<u>\$ 5,704,792</u>	<u>\$ 5,822,237</u>	<u>\$ 5,778,452</u>	<u>\$ 5,701,207</u>
\$ 8,612,815	\$ 7,973,236	\$ 8,791,131	\$ 8,315,037	\$ 8,434,549	\$ 8,037,560
183,266	809,373	158,397	210,584	67,793	31,056
2,970,570	2,669,469	2,076,443	2,323,813	2,294,302	2,772,433
<u>\$ 11,766,651</u>	<u>\$ 11,452,078</u>	<u>\$ 11,025,971</u>	<u>\$ 10,849,434</u>	<u>\$ 10,796,644</u>	<u>\$ 10,841,049</u>

**CITY OF HUDSON OAKS**  
**Government-wide Changes in Net Position**  
**Last Ten Fiscal Years**  
**(Unaudited)**

	2019	2018	2017	2016
<b>Expenses</b>				
<b>Governmental Activities</b>				
General government	\$ 1,479,708	\$ 768,763	\$ 673,893	\$ 666,538
Public safety	1,462,412	1,331,101	1,324,595	1,277,695
Streets	700,498	241,549	262,374	368,670
Parks and facilities	119,793	71,203	71,223	
Planning and development	222,846	134,253	144,939	146,778
Mayor and council	4,530	15,666	8,244	
Economic development grants	-	-	-	-
Interest and fiscal charges	323,999	288,326	277,803	122,302
Bond issuance costs	-	91,036	-	184,986
Total governmental activities expenses	<u>\$ 4,313,786</u>	<u>\$ 2,941,897</u>	<u>\$ 2,763,071</u>	<u>\$ 2,766,969</u>
<b>Business-type activities</b>				
Water	\$ 1,323,132	\$ 1,435,879	\$ 1,384,187	\$ 1,547,911
Economic development grants	-	-	-	
Wastewater	343,883	325,990	333,288	306,680
Dyegard water system	216,573	210,994	208,995	215,052
Deercreek management	140,208	135,674	119,280	117,217
Stormwater	157,909	56,181	90,027	223,515
Total business-type activities net position	<u>2,181,705</u>	<u>2,164,718</u>	<u>2,135,777</u>	<u>2,410,375</u>
Total primary government expenses	<u>\$ 6,495,491</u>	<u>\$ 5,106,615</u>	<u>\$ 4,898,848</u>	<u>\$ 5,177,344</u>
<b>Program Revenues</b>				
<b>Governmental Activities</b>				
Charges for services	\$ 673,812	\$ 368,067	\$ 398,530	\$ 441,274
Operating grants and contributions	70,936	69,261	70,000	12,242
Capital grants and contributions	1,132,776	78,922	125,000	149,528
Total governmental activities	<u>\$ 1,877,524</u>	<u>\$ 516,250</u>	<u>\$ 593,530</u>	<u>\$ 603,044</u>
<b>Business-type activities</b>				
Water and sewer sales	\$ 2,687,013	\$ 2,585,563	\$ 2,211,119	\$ 2,035,354
Operating grants and contributions	-	-	31,029	116,571
Capital grants and contributions	-	-	-	640,475
Total business-type activities	<u>2,687,013</u>	<u>2,585,563</u>	<u>2,242,148</u>	<u>2,792,400</u>
Total primary government revenues	<u>\$ 4,564,537</u>	<u>\$ 3,101,813</u>	<u>\$ 2,835,678</u>	<u>\$ 3,395,444</u>
<b>Net (Expense) Revenue</b>				
Governmental Activities	\$ (2,436,262)	\$ (2,425,647)	\$ (2,169,541)	\$ (2,163,925)
Business-type Activities	505,308	420,845	106,371	382,025
Total primary government net expense	<u>\$ (1,930,954)</u>	<u>\$ (2,004,802)</u>	<u>\$ (2,063,170)</u>	<u>\$ (1,781,900)</u>
<b>General Revenues and Other Changes in Net Position</b>				
<b>Governmental Activities</b>				
Sales tax	\$ 2,844,353	\$ 2,300,050	\$ 1,902,946	\$ 1,940,291
Franchise tax	194,412	192,368	170,423	177,958
Investment earnings	72,907	60,797	48,843	63,084
Other revenue	178,071	65,560	80,745	438,764
Transfers	86,690	291,523	318,045	136,250
Gain on sale of capital assets	-	-	-	-
Total governmental activities	<u>\$ 3,376,433</u>	<u>\$ 2,910,298</u>	<u>\$ 2,521,002</u>	<u>\$ 2,756,347</u>
<b>Business-type activities</b>				
Investment earnings	\$ 17,871	\$ 14,637	\$ 5,327	\$ 2,192
Transfers	(86,690)	(291,523)	(318,045)	(136,250)
Total business-type activities	<u>\$ (68,819)</u>	<u>\$ (276,886)</u>	<u>\$ (312,718)</u>	<u>\$ (134,058)</u>
Total primary government	<u>\$ 3,307,614</u>	<u>\$ 2,633,412</u>	<u>\$ 2,208,284</u>	<u>\$ 2,622,289</u>
<b>Change in Net Position</b>				
Governmental Activities	\$ 940,171	\$ 484,651	\$ 351,461	\$ 592,422
Business-type Activities	436,489	143,959	(206,347)	247,967
Total primary government	<u>\$ 1,376,660</u>	<u>\$ 628,610</u>	<u>\$ 145,114</u>	<u>\$ 840,389</u>



**CITY OF HUDSON OAKS**  
**Government-wide Changes in Net Position**  
**Last Ten Fiscal Years**  
**(Unaudited)**

2015	2014	2013	2012	2011	2010
\$ 705,554	\$ 695,185	\$ 622,322	\$ 611,863	\$ 555,859	\$ 572,233
1,140,082	1,127,251	1,032,743	1,004,471	971,556	852,514
292,149	296,496	248,484	316,225	338,921	292,173
165,319	-	-	-	-	-
-	-	150,000	-	-	-
91,412	117,554	111,547	106,219	106,873	114,881
-	-	-	-	-	-
<u>\$ 2,394,516</u>	<u>\$ 2,236,486</u>	<u>\$ 2,165,096</u>	<u>\$ 2,038,778</u>	<u>\$ 1,973,209</u>	<u>\$ 1,831,801</u>
\$ 1,054,715	\$ 999,905	\$ 1,151,086	\$ 1,069,189	\$ 1,065,916	\$ 900,658
-	-	150,000	-	-	-
-	-	-	-	-	-
297,909	292,818	256,581	249,488	291,458	-
111,352	121,835	132,622	135,193	114,719	-
258,116	288,412	240,266	242,478	239,880	189,660
1,722,092	1,702,970	1,930,555	1,696,348	1,711,973	1,090,318
<u>\$ 4,116,608</u>	<u>\$ 3,939,456</u>	<u>\$ 4,095,651</u>	<u>\$ 3,735,126</u>	<u>\$ 3,685,182</u>	<u>\$ 2,922,119</u>
\$ 423,587	\$ 537,689	\$ 460,030	\$ 352,724	\$ 277,133	\$ 430,174
-	-	-	-	35,760	34,959
375,567	-	301,627	-	-	41,407
<u>\$ 799,154</u>	<u>\$ 537,689</u>	<u>\$ 761,657</u>	<u>\$ 352,724</u>	<u>\$ 312,893</u>	<u>\$ 506,540</u>
\$ 2,016,359	\$ 1,866,868	\$ 1,831,601	\$ 1,730,715	\$ 1,781,677	\$ 990,090
188,161	113,440	82,450	-	-	-
2,204,520	1,980,308	1,914,051	1,730,715	1,781,677	990,090
<u>\$ 3,003,674</u>	<u>\$ 2,517,997</u>	<u>\$ 2,675,708</u>	<u>\$ 2,083,439</u>	<u>\$ 2,094,570</u>	<u>\$ 1,496,630</u>
\$ (1,595,362)	\$ (1,698,797)	\$ (1,403,439)	\$ (1,686,054)	\$ (1,660,316)	\$ (1,325,261)
482,428	277,338	(16,504)	34,367	69,704	(100,228)
<u>\$ (1,112,934)</u>	<u>\$ (1,421,459)</u>	<u>\$ (1,419,943)</u>	<u>\$ (1,651,687)</u>	<u>\$ (1,590,612)</u>	<u>\$ (1,425,489)</u>
\$ 1,703,568	\$ 1,615,229	\$ 1,527,473	\$ 1,443,331	\$ 1,364,008	\$ 1,349,689
193,272	169,518	137,113	161,210	150,734	124,812
3,478	4,464	7,004	7,519	12,639	20,613
96,822	57,541	71,699	82,999	11,285	36,545
187,536	115,556	(93)	-	-	-
8,200	-	-	-	-	-
<u>\$ 2,192,876</u>	<u>\$ 1,962,308</u>	<u>\$ 1,743,196</u>	<u>\$ 1,695,059</u>	<u>\$ 1,538,666</u>	<u>\$ 1,531,659</u>
\$ 898	\$ 814	\$ 182	\$ 9,418	\$ 7,541	\$ 177
(187,536)	(115,556)	93	-	-	-
<u>\$ (186,638)</u>	<u>\$ (114,742)</u>	<u>\$ 275</u>	<u>\$ 9,418</u>	<u>\$ 7,541</u>	<u>\$ 177</u>
<u>\$ 2,006,238</u>	<u>\$ 1,847,566</u>	<u>\$ 1,743,471</u>	<u>\$ 1,704,477</u>	<u>\$ 1,546,207</u>	<u>\$ 1,531,836</u>
\$ 597,514	\$ 263,511	\$ 339,757	\$ 9,005	\$ (121,650)	\$ 206,398
295,790	162,596	(16,229)	43,785	77,245	(100,051)
<u>\$ 893,304</u>	<u>\$ 426,107</u>	<u>\$ 323,528</u>	<u>\$ 52,790</u>	<u>\$ (44,405)</u>	<u>\$ 106,347</u>

**CITY OF HUDSON OAKS**  
**Fund Balances, Governmental Fund**  
**Last Ten Fiscal Years**  
**(Unaudited)**

	2019	2018	2017	2016	2015
General Fund					
Unreserved, Designated	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, Undesignated	-	-	-	-	-
Nonspendable	30,486	15,254	19,586	12,196	34,170
Restricted	9,972	8,540	6,830	4,990	2,740
Assigned	-	185,000	185,000	335,000	235,000
Unassigned	1,346,488	1,169,993	1,162,257	1,273,229	1,132,955
<b>Total general fund</b>	<b><u>\$ 1,386,946</u></b>	<b><u>\$ 1,378,787</u></b>	<b><u>\$ 1,373,673</u></b>	<b><u>\$ 1,625,415</u></b>	<b><u>\$ 1,404,865</u></b>
All Other Governmental funds					
Unreserved, Designated	\$ -	\$ -	\$ -	\$ -	\$ -
Nonspendable	-	2,198	1,848	2,533	-
Restricted	104,583	128,668	2,854,524	5,288,947	191,057
Assigned	-	-	-	-	-
Unassigned	(55,832)	(4,256)	(43,465)	(28,961)	(9,441)
<b>Total other governmental funds</b>	<b><u>\$ 48,751</u></b>	<b><u>\$ 126,610</u></b>	<b><u>\$ 2,812,907</u></b>	<b><u>\$ 5,262,519</u></b>	<b><u>\$ 181,616</u></b>

Notes: The City implemented GASB 54, Fund Balance Reporting and Governmental Fund Type Definitions in fiscal year 2011. The following definitions relate to the pre-GASB 54 fund balance categories. Definitions of GASB 54 fund balance categories can be found on pages 28-29 of the notes to the financial statements.

Reserved - Amounts that are not available for appropriation or are legally restricted by an outside party for a specific use.

Designated - Represents management's tentative plans that are subject to change.

Unreserved, undesignated - Fund balance that is not reserved or designated.

**CITY OF HUDSON OAKS**  
**Fund Balances, Governmental Fund**  
**Last Ten Fiscal Years**  
**(Unaudited)**

2014	2013	2012	2011	2010
\$ -	\$ -	\$ -	\$ -	\$ 333,792
-	-	-	-	769,543
-	8,396	-	-	-
1,732	1,732	886	-	-
-	-	27,745	-	-
<u>1,115,147</u>	<u>1,025,655</u>	<u>1,014,467</u>	<u>1,174,811</u>	<u>-</u>
<u>\$ 1,116,879</u>	<u>\$ 1,035,783</u>	<u>\$ 1,043,098</u>	<u>\$ 1,174,811</u>	<u>\$ 1,103,335</u>
\$ -	\$ -	\$ -	\$ -	\$ 1,844,808
-	-	-	-	-
692,152	859,124	1,775,663	1,085,857	-
43,231	53,563	70,855	57,773	-
-	-	-	-	-
<u>\$ 735,383</u>	<u>\$ 912,687</u>	<u>\$ 1,846,518</u>	<u>\$ 1,143,630</u>	<u>\$ 1,844,808</u>

**CITY OF HUDSON OAKS**  
**Changes in Fund Balances, Governmental Fund**  
**Last Ten Fiscal Years**  
**(Unaudited)**

	2019	2018	2017	2016
<b>Revenues</b>				
Taxes	\$ 2,970,830	\$ 2,452,121	\$ 2,067,663	\$ 2,107,714
Licenses, fees, permits	600,157	280,676	278,502	2,014
Fines and penalties	21,371	39,209	73,611	84,302
Charges for services	5,927	3,155	7,975	755
Intergovernmental	-	80,183	139,572	12,242
Investment earnings	72,907	60,797	48,843	63,031
Other revenues	680,940	453,334	291,336	186,156
<b>Total revenues</b>	<b>\$ 4,352,132</b>	<b>\$ 3,369,475</b>	<b>\$ 2,907,502</b>	<b>\$ 2,456,214</b>
<b>Expenditures</b>				
General government	\$ 1,351,181	\$ 757,333	\$ 617,406	\$ 607,996
Public safety	1,370,287	1,441,122	1,261,075	1,264,984
Streets	444,480	64,319	83,678	309,874
Parks and facilities	119,238	72,159	70,589	-
Planning and development	222,846	134,253	144,939	146,778
Mayor and council	4,530	15,666	8,244	-
Capital outlay	146,045	5,510,941	3,064,538	758,915
Other	-	-	-	-
Debt service:				
Principal	505,919	476,881	404,828	282,548
Interest	372,584	260,553	300,720	91,354
Bond issuance costs	-	91,036	-	184,986
<b>Total expenditures</b>	<b>\$ 4,537,110</b>	<b>\$ 8,824,263</b>	<b>\$ 5,956,017</b>	<b>\$ 3,647,435</b>
<b>Other financing sources (uses)</b>				
Proceeds from sale of capital assets	\$ -	\$ -	\$ -	\$ -
Proceeds from borrowings	28,588	2,482,082	29,116	6,002,633
Other resources	-	-	-	-
Transfers in	871,455	1,017,378	1,012,065	431,630
Transfers out	(784,765)	(725,855)	(694,020)	(295,380)
<b>Total other financing sources (uses)</b>	<b>\$ 115,278</b>	<b>\$ 2,773,605</b>	<b>\$ 347,161</b>	<b>\$ 6,138,883</b>
<b>Net change in fund balances</b>	<b>\$ (69,700)</b>	<b>\$ (2,681,183)</b>	<b>\$ (2,701,354)</b>	<b>\$ 4,947,662</b>
<b>Debt service as a percentage of noncapital expenditures</b>	20.12%	23.68%	24.65%	13.78%

**CITY OF HUDSON OAKS**  
**Changes in Fund Balances, Governmental Fund**  
**Last Ten Fiscal Years**  
**(Unaudited)**

2015	2014	2013	2012	2011	2010
\$ 1,871,133	\$ 1,773,967	\$ 1,669,995	\$ 1,598,179	\$ 1,518,938	\$ 1,459,645
339,196	414,691	322,735	240,289	162,110	200,229
113,374	103,801	121,207	103,065	137,495	166,567
751	15,146	7,390	4,084	1,288	3,515
129,280	-	216,000	-	-	-
3,478	4,464	7,004	7,519	12,639	20,613
96,822	57,541	78,965	69,055	48,443	73,065
<u>\$ 2,554,034</u>	<u>\$ 2,369,610</u>	<u>\$ 2,423,296</u>	<u>\$ 2,022,191</u>	<u>\$ 1,880,913</u>	<u>\$ 1,923,634</u>
\$ 729,223	\$ 653,351	\$ 584,677	\$ 598,326	\$ 513,843	\$ 505,215
1,074,111	1,111,307	964,123	1,004,933	952,699	796,753
176,048	299,554	496,790	207,942	229,355	308,554
-	-	-	-	-	-
165,319	-	-	-	-	-
-	-	-	-	-	-
659,038	174,276	1,149,639	289,173	190,273	411,807
-	-	150,000	-	210,000	-
282,577	266,232	110,797	80,846	320,806	305,446
106,034	110,874	114,572	100,590	93,638	115,926
-	-	-	21,280	25,903	-
<u>\$ 3,192,350</u>	<u>\$ 2,615,594</u>	<u>\$ 3,570,598</u>	<u>\$ 2,303,090</u>	<u>\$ 2,536,517</u>	<u>\$ 2,443,701</u>
\$ 185,000	\$ -	\$ -	\$ -	\$ -	\$ -
-	34,220	206,250	852,074	25,902	-
-	-	-	-	-	-
544,003	406,378	197,279	194,423	120,771	131,750
(356,467)	(290,822)	(197,372)	(194,423)	(120,771)	(131,750)
<u>\$ 372,536</u>	<u>\$ 149,776</u>	<u>\$ 206,157</u>	<u>\$ 852,074</u>	<u>\$ 25,902</u>	<u>\$ -</u>
<u>\$ (265,780)</u>	<u>\$ (96,208)</u>	<u>\$ (941,145)</u>	<u>\$ 571,175</u>	<u>\$ (629,702)</u>	<u>\$ (520,067)</u>
16.88%	16.93%	9.31%	9.01%	17.66%	20.74%

**CITY OF HUDSON OAKS**  
Principal Sources of Revenue  
Government-Wide  
Last Ten Fiscal Years  
(Unaudited)

Revenue Source	2019	2018	2017	2016
<b>Principal General Government Revenue Sources</b>				
Sales Tax	\$ 2,777,646	\$ 2,268,003	\$ 1,892,655	\$ 1,927,350
Franchise Tax	193,184	184,118	175,008	180,364
Licenses and Permits	600,157	280,676	278,502	355,804
All Other Sources	781,145	636,678	561,337	346,486
<b>Total General Government Revenue</b>	<b>\$ 4,352,132</b>	<b>\$ 3,369,475</b>	<b>\$ 2,907,502</b>	<b>\$ 2,810,004</b>

Sales Tax is collected at point of purchase in the City of Hudson Oaks at a total rate of 8.25%. Of that total, 6.25% is State tax, .50% is County tax, and 1.5% is City tax.

Franchise taxes are charged for business conducted in the City but for which no location is available for ad valorem tax. The tax as a percentage of revenue is set by contractual agreements.

Licenses and Permits are charged to business performing various construction projects throughout the City. The revenue is collected before a permit is issued and follows an Ordinance passed by City Council.

**Principal Water and Wastewater Funds Revenue Sources**

Water Sales - Hudson Oaks	\$ 1,485,472	\$ 1,431,124	\$ 1,124,593	\$ 1,126,216
Wastewater Sales	401,672	386,507	353,223	323,193
All Other Sources	630,285	601,455	560,456	585,945
<b>Total Enterprise Fund Revenue</b>	<b>\$ 2,517,429</b>	<b>\$ 2,419,086</b>	<b>\$ 2,038,272</b>	<b>\$ 2,035,354</b>

**CITY OF HUDSON OAKS**  
Principal Sources of Revenue  
Government-Wide  
Last Ten Fiscal Years  
(Unaudited)

2015	2014	2013	2012	2011	2010	Change: 2010-2019
\$ 1,687,718	\$ 1,608,529	\$ 1,524,171	\$ 1,439,506	\$ 1,375,636	\$ 1,328,584	109.07%
183,415	165,438	145,824	158,673	143,302	131,061	47.40%
339,196	414,691	322,735	240,289	162,110	200,229	199.74%
343,705	180,952	430,566	183,723	199,865	263,760	196.16%
<u>\$ 2,554,034</u>	<u>\$ 2,369,610</u>	<u>\$ 2,423,296</u>	<u>\$ 2,022,191</u>	<u>\$ 1,880,913</u>	<u>\$ 1,923,634</u>	

s

\$ 1,133,462	\$ 1,011,033	\$ 980,713	\$ 927,508	\$ 930,997	\$ 748,413	98.48%
323,332	333,576	334,771	271,811	222,902	183,420	118.99%
559,565	522,259	516,117	531,396	627,778	58,257	981.90%
<u>\$ 2,016,359</u>	<u>\$ 1,866,868</u>	<u>\$ 1,831,601</u>	<u>\$ 1,730,715</u>	<u>\$ 1,781,677</u>	<u>\$ 990,090</u>	

**CITY OF HUDSON OAKS**  
**Sales tax by Business Type**  
**Last Ten Fiscal Years**  
**(Unaudited)**

Sales Tax by Category	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>Retail:</b>										
Motor Vehicle & Parts	\$ 424,339	\$ 383,315	\$ 378,243	\$ 400,780	\$ 266,845	\$ 268,017	\$ 255,229	\$ 209,362	\$ 194,096	\$ 162,868
Furniture & Home Furnishings	3,896	3,178	4,047	3,163	986	1,538	271	318	770	488
Electronics & Appliance	43,741	40,832	30,377	2,771	1,235	2,078	16,314	12,725	10,908	10,812
Building Materials	2,762	1,961	4,285	3,816	6,028	3,861	5,010	2,541	7,863	9,489
Apparel Stores	5,698	6,647	332	6,423	5,798	5,637	5,822	2,386	1,445	1,598
General Merchandise	898,757	649,684	642,848	641,719	617,950	612,194	615,866	595,896	562,376	575,871
All other Retail	103,954	255,699	249,280	237,713	208,466	191,840	144,591	148,558	189,883	177,188
<b>Total Retail</b>	<b>\$ 1,483,147</b>	<b>\$ 1,341,316</b>	<b>\$ 1,309,412</b>	<b>\$ 1,296,385</b>	<b>\$ 1,107,308</b>	<b>\$ 1,085,165</b>	<b>\$ 1,043,103</b>	<b>\$ 971,786</b>	<b>\$ 967,341</b>	<b>\$ 938,314</b>
Agriculture/Manufacturing/Mining	35,353	32,393	42,581	18,513	21,636	21,044	22,199	22,013	12,151	7,891
Services	710,202	277,468	230,017	260,724	245,024	276,562	256,082	229,122	200,475	202,190
Wholesalers	99,286	37,060	14,913	10,980	17,030	21,639	22,745	27,359	26,469	22,054
Accommodation & Food	342,369	279,805	237,838	224,249	191,829	164,350	167,072	158,141	145,369	131,543
All Other	107,290	299,961	57,894	116,499	104,891	39,769	12,970	31,085	23,831	26,592
<b>Total Sales Tax Received</b>	<b>\$ 2,777,646</b>	<b>\$ 2,268,003</b>	<b>\$ 1,892,655</b>	<b>\$ 1,927,350</b>	<b>\$ 1,687,718</b>	<b>\$ 1,608,529</b>	<b>\$ 1,524,171</b>	<b>\$ 1,439,506</b>	<b>\$ 1,375,636</b>	<b>\$ 1,328,584</b>
City Sales Tax Rate	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%

**Source:**

2014 - 2019 - Zactax Sales tax analysis  
2010 - 2013 - MuniServices Sales Tax Analysis and Reporting Service



**CITY OF HUDSON OAKS**  
**Water Sales and Wastewater Sales**  
**By Type of Customer**  
**Last Ten Years**

**WATER SALES**

Type of Customer	2019	2018	2017	2016
Residential	\$ 1,134,600	\$ 1,258,970	\$ 991,231	\$ 942,041
Commercial	\$ 581,591	\$ 424,169	\$ 362,011	\$ 397,720
Other	\$ 30,358	\$ 28,679	\$ 11,552	\$ 33,012
Total	<u>\$ 1,746,549</u>	<u>\$ 1,711,818</u>	<u>\$ 1,364,794</u>	<u>\$ 1,372,773</u>

**WASTEWATER SALES**

Type of Customer	2019	2018	2017	2016
Residential	\$ 66,852	\$ 64,574	\$ 54,554	\$ 37,447
Commercial	\$ 331,288	\$ 320,038	\$ 297,021	\$ 276,746
Other	\$ 3,532	\$ 1,895	\$ 1,648	\$ 9,000
Total	<u>\$ 401,672</u>	<u>\$ 386,507</u>	<u>\$ 353,223</u>	<u>\$ 323,193</u>

Note: Source data from monthly billing registers including adjustments.

**CITY OF HUDSON OAKS**  
**Water Sales and Wastewater Sales**  
**By Type of Customer**  
**Last Ten Years**

**WATER SALES**

2015	2014	2013	2012	2011	2010
\$ 1,021,365	\$ 933,875	\$ 897,228	\$ 930,683	\$ 963,707	\$ 578,745
\$ 356,589	\$ 307,777	\$ 311,011	\$ 236,309	\$ 218,917	\$ 169,668
\$ 91,573	\$ 112,740	\$ 107,591	\$ 94,162	\$ 157,651	\$ 40,217
<u>\$ 1,469,527</u>	<u>\$ 1,354,392</u>	<u>\$ 1,315,830</u>	<u>\$ 1,261,154</u>	<u>\$ 1,340,275</u>	<u>\$ 788,630</u>

**WASTEWATER SALES**

2015	2014	2013	2012	2011	2010
\$ 41,515	\$ 40,257	\$ 50,308	\$ 40,969	\$ 31,040	\$ 14,655
\$ 281,817	\$ 293,219	\$ 284,463	\$ 230,842	\$ 191,862	\$ 168,765
\$ 10,500	\$ 7,000	\$ 9,000	\$ 7,000	\$ 1,500	\$ 18,040
<u>\$ 333,832</u>	<u>\$ 340,476</u>	<u>\$ 343,771</u>	<u>\$ 278,811</u>	<u>\$ 224,402</u>	<u>\$ 201,460</u>

**CITY OF HUDSON OAKS**  
 Top Ten Utility Rate Payers  
 by Rate Type  
 Compared to Five Years Ago  
 (Unaudited)  
 September 30, 2019

**Ten Largest Water Customers**

Annual Gallons Consumed  
 (in hundreds of gallons)

Customers	Rank	2019	Rank	2014
Jerry's Express Car Wash	1	605,300	1	355,670
Splash Kingdom	2	294,680	3	261,890
Jerry's Fleet	3	253,920	10	104,620
Jerry's Main Building	4	233,490	4	246,430
Southwest Ford	5	208,330		
Wal-Mart Stores	6	203,280	5	164,960
Cantrell Development	7	180,710		
Jerry's Hyundai	8	162,940	2	270,020
Nextlink	9	147,540		
Boo Rays Restaurant	10	141,880		
Wal-Mart Stores			6	160,070
Wal-Mart Stores			7	146,550
Jerry's Hyundai			8	125,040
New River Fellowship Church			9	109,610

**CITY OF HUDSON OAKS**  
 Utility Service Rates  
 Water, Dyegard Water and Wastewater  
 September 30, 2019  
 (Unaudited)

**Hudson Oaks Water Rate Structure**

**Residential**

Base Rate - Meter Charge		Usage Charges - Consumption	
0.75 inch meter	41.00	Monthly Consumption	Monthly Rate
1.00 inch meter	78.00	0 to 5,000	\$4.29 per 1,000 gallons
1.50 inch meter	115.00	5,001 to 10,000	\$4.95 per 1,000 gallons
2.00 inch meter	245.00	10,001 to 30,000	\$6.33 per 1,000 gallons
3.00 inch meter	300.00	30,001 to above	\$7.57 per 1,000 gallons

**Commercial**

Base Rate - Meter Charge		Usage Charges - Consumption	
0.75 inch meter	41.00	Monthly Consumption	Monthly Rate
1.00 inch meter	78.00	0 to 15,000	\$5.49 per 1,000 gallons
1.50 inch meter	115.00	15,001 to 35,000	\$7.23 per 1,000 gallons
2.00 inch meter	245.00	35,001 to 65,000	\$8.49 per 1,000 gallons
3.00 inch meter	300.00	65,001 and above	\$9.99 per 1,000 gallons

**Dyegard Water Rate Structure**

Base Rate - Meter Charge		Usage Charges - Consumption	
0.75 inch meter	59.50	Monthly Consumption	Monthly Rate
1.00 inch meter	82.00	0 to 5,000	\$4.29 per 1,000 gallons
1.50 inch meter	119.00	5,001 to 10,000	\$4.95 per 1,000 gallons
2.00 inch meter	215.00	10,001 to 30,000	\$6.33 per 1,000 gallons
		30,001 to above	\$7.57 per 1,000 gallons

**Wastewater charge: Based on winter averaged gallons of water use.**

**Residential: \$18.00 base rate + \$4.78 per 1,000 gallons used upon winter averaging.**

**Commercial: \$18.00 base rate + \$11.40 per 1,000 gallons used upon winter averaging.**

**CITY OF HUDSON OAKS**  
Government Wide Outstanding Debt  
Last Ten Years  
September 30, 2019

Fiscal Year	Governmental Activities			Business-type Activities		
	General Obligation Bonds	Combined Tax & Revenue Certificates of Obligation	Notes and Lease/Purchases	General Obligation Bonds	Combined Tax & Revenue Certificates of Obligation	Notes and Lease/Purchases
2010	\$ -	\$ 2,955,000	\$ 5,806	\$ -	\$ 4,065,000	\$ 490,834
2011	\$ 890,000	\$ 1,565,000	\$ -	\$ 1,050,000	\$ 2,915,000	\$ 490,834
2012	\$ 890,000	\$ 2,280,700	\$ 30,198	\$ 925,000	\$ 4,954,300	\$ 65,745
2013	\$ 890,000	\$ 2,179,650	\$ 226,701	\$ 795,000	\$ 4,785,350	\$ 31,773
2014	\$ 810,000	\$ 2,072,250	\$ 182,099	\$ 665,000	\$ 4,607,750	\$ -
2015	\$ 730,000	\$ 1,959,850	\$ 91,922	\$ 530,000	\$ 5,620,150	\$ -
2016	\$ 444,412	\$ 7,829,045	\$ 50,211	\$ 612,519	\$ 6,079,854	\$ -
2017	\$ 348,236	\$ 7,532,570	\$ 53,248	\$ 480,640	\$ 5,810,875	\$ 22,075
2018	\$ 247,060	\$ 9,804,278	\$ 76,296	\$ 343,761	\$ 5,361,850	\$ 39,484
2019	\$ 185,884	\$ 9,388,650	\$ 58,965	\$ 261,882	\$ 4,989,124	\$ 24,180

Total Government-wide Indebtedness

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Total Government-wide Indebtedness	Estimated Population	Total Debt per Capita	Per Capita Income	Debt as Percent of Personal Income
\$ 7,516,640	1684	4,463.56	\$ 40,717	11%
\$ 6,910,834	1741	3,969.46	\$ 42,605	9%
\$ 9,145,943	1870	4,890.88	\$ 44,847	11%
\$ 8,908,474	1659	5,369.79	\$ 47,645	11%
\$ 8,337,099	1871	4,455.96	\$ 45,999	10%
\$ 8,931,922	1952	4,575.78	\$ 43,821	10%
\$ 15,016,041	2160	6,951.87	\$ 44,841	16%
\$ 14,247,644	2160	6,596.13	\$ 46,146	14%
\$ 15,872,729	2345	6,768.75	\$ 45,511	15%
\$ 14,908,685	2407	6,193.89	\$ 49,170	13%

**CITY OF HUDSON OAKS**  
Ratio of Annual Debt Service  
For General Bonded Debt to  
Total General Expenditures  
Last Ten Years  
(Unaudited)

Fiscal Year	Principal	Interest and Charges	Total Debt Service	Total General Expenditures	Ratio of Debt Service to Total General Expenditures
2010	\$ 315,000	\$ 104,942	\$ 419,942	\$ 1,614,073	26.02%
2011	\$ 70,000	\$ 94,065	\$ 164,065	\$ 1,670,016	9.82%
2012	\$ 101,050	\$ 113,322	\$ 214,372	\$ 1,991,797	10.76%
2013	\$ 187,400	\$ 109,831	\$ 297,231	\$ 2,205,826	13.47%
2014	\$ 192,400	\$ 104,508	\$ 296,908	\$ 2,142,755	13.86%
2015	\$ 192,400	\$ 98,980	\$ 291,380	\$ 2,215,816	13.15%
2016	\$ 202,400	\$ 90,430	\$ 292,830	\$ 2,274,478	12.87%
2017	\$ 378,750	\$ 298,872	\$ 677,622	\$ 2,087,659	32.46%
2018	\$ 445,000	\$ 256,955	\$ 701,955	\$ 2,317,438	30.29%
2019	\$ 460,000	\$ 368,774	\$ 828,774	\$ 3,392,413	24.43%

**CITY OF HUDSON OAKS**

Estimated Direct and Overlapping Supported Gross Debt Schedule  
as of September 30, 2019  
(unaudited)

Government Subdivision	Gross Debt	Estimated Percent Applicable (1)	Direct and Estimated Overlapping Bonded Debt
Direct:			
City of Hudson Oaks	\$ 9,633,499	100%	\$ 9,633,499
Total direct debt			<u>\$ 9,633,499</u>
Overlapping:			
Weatherford Independent School District	119,030,803	10.33%	12,295,882
Parker County	116,835,000	3.16%	3,691,986
Parker County Junior College District	3,720,000	3.18%	<u>118,296</u>
Total gross overlapping debt			<u>\$ 16,106,164</u>
Total gross overlapping debt and direct debt			<u>\$ 25,739,663</u>
Direct and overlapping gross debt per capita A.			<u>\$ 10,694</u>

A. Based on population estimate of 2,407 as of 9/30/18.

Note 1: The "Estimated Percentage Overlapping" is determined by dividing the City's certified taxable value by the County and related other County entities certified taxable values. The share of market value for Weatherford Independent School District, Parker County and Parker County Junior College District are calculated by the Parker County appraisal district.



**CITY OF HUDSON OAKS**  
Demographic Statistics  
Last Ten Years  
(Unaudited)

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Year Ended September 30	Estimated Population	Unemployment Rate for Parker County	School Enrollment	Per Capita Income
2010	1684	7.6%	365	\$ 40,717
2011	1741	6.9%	416	\$ 42,605
2012	1870	5.9%	488	\$ 44,847
2013	1659	5.5%	355	\$ 47,645
2014	1871	4.6%	368	\$ 45,999
2015	1952	4.2%	431	\$ 43,821
2016	2160	4.3%	453	\$ 44,841
2017	2160	3.7%	509	\$ 46,146
2018	2345	3.1%	527	\$ 45,511
2019	2407	3.0%	541	\$ 49,170

Sources:

Population, school enrollment and Per capita income from <http://factfinder2.census.gov>  
and <http://data.census.gov>

Unemployment rates from Texas Workforce Commission Web site ([www.tracer2.com](http://www.tracer2.com))

**CITY OF HUDSON OAKS**  
City Employees by Job Type  
Last Ten Fiscal Years  
(Unaudited)

**Count of Employees by Year**

<b>Job Classification</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Waterworkers	7	6	6	7	7	8	6	7	7	4
Police Officers	12	12	11	11	11	11	11	11	12	11
Clerical-Office	6	7	6	6	7	8	9	7	7	8
<b>Total</b>	<b>25</b>	<b>25</b>	<b>23</b>	<b>24</b>	<b>25</b>	<b>27</b>	<b>26</b>	<b>25</b>	<b>26</b>	<b>23</b>

Source: Texas Municipal League Workers Compensation audit figures and current year approved, budgeted positions.

**CITY OF HUDSON OAKS**  
**Capital Assets Information**  
**Last Ten Fiscal Years**  
**(Unaudited)**

	<u>FY 2019</u>	<u>FY 2018</u>	<u>FY 2017</u>	<u>FY 2016</u>
City-owned Equipment				
Vehicles	15	14	13	12
Mobile Equipment	5	5	5	5
Street Department				
Miles of Roadway	21.86 miles	21.86 miles	21.86 miles	21.86 miles
City Parks				
Maintained Public Parks	4 acres	4 acres	4 acres	4 acres
Water Department				
Water Lines (in miles)	26.57	26.57	26.23	25.73
Wells	28	27	27	27
Water Plant	8	8	8	8
Wastewater Department				
Lift Stations	6	6	6	5
Sewer Lines (in miles)	11.75	11.75	11.51	10.71

Source: City of Hudson Oaks records

**CITY OF HUDSON OAKS**  
**Capital Assets Information**  
**Last Ten Fiscal Years**  
**(Unaudited)**

<u>FY 2015</u>	<u>FY 2014</u>	<u>FY 2013</u>	<u>FY 2012</u>	<u>FY 2011</u>	<u>FY 2010</u>
14	14	14	14	14	12
4	4	4	3	3	2
21.46 miles	21.46 miles	21.46 miles	21.46 miles	21.31 miles	21.31 miles
4 acres	4 acres	4 acres	4 acres	4 acres	4 acres
25.53	24.46	21.22	21.22	21.22	21.22
27	27	27	27	27	19
8	8	8	8	8	5
5	5	5	5	4	4
10.51	9.7	9.7	9.7	8.9	8.9

**CITY OF HUDSON OAKS**  
**Operating Indicators**  
**Last Ten Fiscal Years**  
**(Unaudited)**

	FY 2019	FY 2018	FY 2017	FY 2016
<b>Municipal Court</b>				
Citations issued	110	141	470	634
<b>Police Department</b>				
Calls for Service	6,968	5,683	4,123	6,679
Arrests	61	75	151	123
Accidents	187	200	227	170
<b>Community Services</b>				
Building Permits Issued	203	148	142	241
Building Permits Value	\$ 31,268,397	\$ 12,254,451	\$ 15,089,718	\$ 22,081,434
<b>Utility Department</b>				
Water Connections	1,170	1,153	1,143	1,124
Sewer Connections	194	182	172	163
<b>Water Department, in gallons (000)</b>				
Water purchased or pumped	196,400,499	213,704,600	188,959,200	191,223,700
Water sold to customers	179,456,650	187,197,147	172,927,000	180,189,000

Source: City of Hudson Oaks records from these departments.  
In 2011, the City began servicing the Dyegard water system customers.

**CITY OF HUDSON OAKS**  
**Operating Indicators**  
**Last Ten Fiscal Years**  
**(Unaudited)**

FY 2015	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010
739	931	1,023	808	1,073	1,297
7,791	9,361	11,218	12,214	12,841	11,720
156	197	252	407	328	326
167	160	131	87	77	73
175	185	218	124	148	127
\$ 21,121,918	\$ 27,702,865	\$ 16,627,435	\$ 15,778,748	\$ 15,513,979	\$ 20,977,889
1,123	1,099	1,063	1,019	987	734
147	126	110	97	84	76
195,881,380	187,782,000	303,751,900	178,441,100	184,669,900	152,864,468
176,945,792	173,770,113	175,366,617	175,470,230	178,692,200	128,961,390

**COMPLIANCE AND INTERNAL CONTROL**

**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 Hudson Oaks, Texas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Hudson Oaks, Texas (the “City”), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated April 14, 2020.

**Internal Control over Financial Reporting**

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

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

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



## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*George Morgan Sneed, P.C.*

Weatherford, Texas  
April 14, 2020