

the annual comprehensive
financial report of the
City of Hudson Oaks, TX
for the fiscal year ending
September 30, 2023



CITY OF HUDSON OAKS, TEXAS

**ANNUAL COMPREHENSIVE
FINANCIAL REPORT**

FOR THE YEAR ENDED SEPTEMBER 30, 2023

Prepared by the Finance Department

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CITY OF HUDSON OAKS, TEXAS
Annual Comprehensive Financial Report
For the Year Ended September 30, 2023

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INTRODUCTORY SECTION

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March 21, 2024

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 Annual Comprehensive Financial Report for the City of Hudson Oaks, Texas, for the fiscal year ended September 30, 2023.

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 annual comprehensive 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 2,633 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

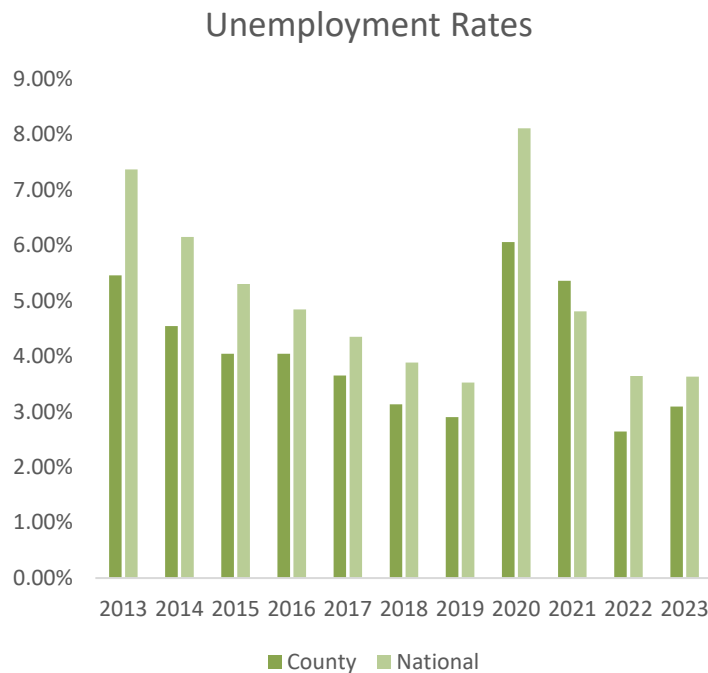
City Administrator, City Attorney, the City Secretary and the Municipal Judge. The City Administrator is responsible for the enforcement of laws and ordinances, the appointment and supervision of the directors and department heads, and the performance of functions within the municipal organization.

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.



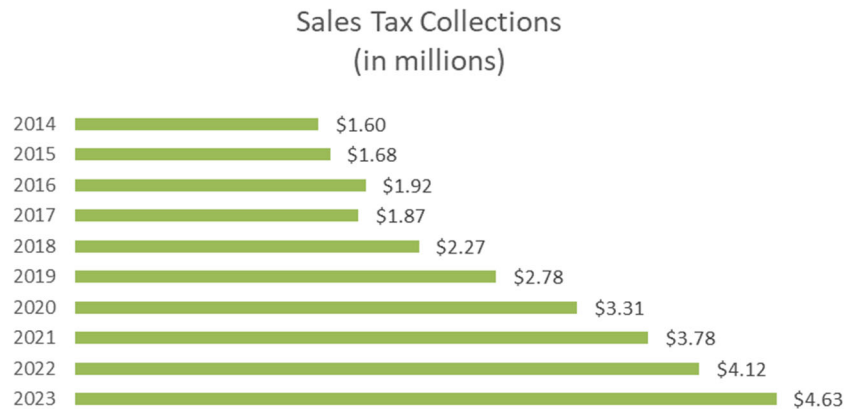
Regional Economy

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 and HEB Grocery store along with a variety of food establishments and large employers consistently brings consumers to the area. Sales tax has maintained consistent growth and is the pillar of the City's income. Sales tax revenue is conservatively budgeted again for 2023 and going forward for 2024. Community events continue to grow in Hudson Oaks. More multifamily and retail shops are expected soon.



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.

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 code 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, 2020, 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 2022-2023 was approximately \$6,272,295. The overall portfolio provided \$330,490 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 or 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 Annual Comprehensive Financial Report.

OTHER INFORMATION

Independent Audit

Section 7.13 of the City code 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, 2023, 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 annual comprehensive financial report for the fiscal year ended September 30, 2022. This was the sixth year that the government has achieved this prestigious award.

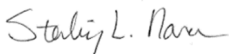
To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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,

A handwritten signature in cursive script that reads "Sterling L. Naron".

Sterling Naron
City Administrator

CITY OF HUDSON OAKS, TEXAS

MAYOR

Tom Fitzpatrick

MAYOR PRO-TEM

Daniel Cross

COUNCIL MEMBERS

Place 1 – Tom Marquardt

Place 2 – Brian Lixey

Place 3 – Marty Schrantz

Place 4 – Sean Cannon

CITY ADMINISTRATOR

Sterling Naron

DEPARTMENT DIRECTORS

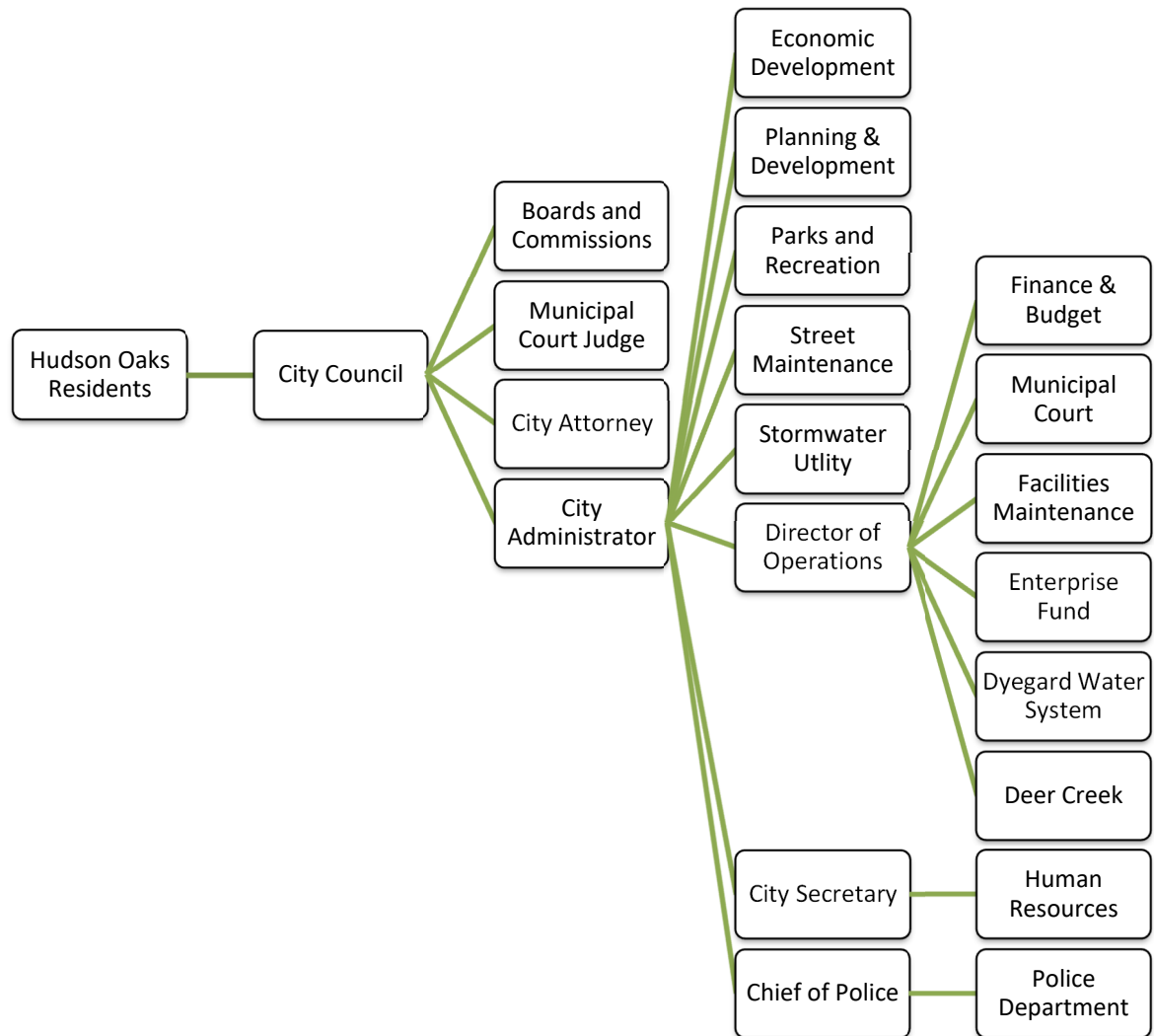
Ricky King – Public Works

Hayden Brodowsky - Assistant City Administrator

Shelley Scazzero – 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 Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2022

Christopher P. Morill

Executive Director/CEO

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FINANCIAL SECTION

Independent Auditor's Report

To the Honorable Mayor and City Council
City of Hudson Oaks, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of City of Hudson Oaks, Texas (the "City"), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2023, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Hudson Oaks, Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 – 14 and schedule of revenues, expenditures and changes in fund balances – budget and actual – general fund, schedule of changes in net pension liability and related ratios, schedule of employer contributions and related ratios, and schedule of changes in OPEB liability and related ratios on pages 62 - 67 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained

during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

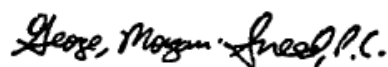
Other Information

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2024, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



George, Morgan & Sneed, P.C.
Weatherford, Texas
March 21, 2024

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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, 2023.

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 \$20,843,976 (*net position*) compared to \$19,197,944 for the prior year. Of this amount, \$5,596,019 (*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 \$1,706,033. The City's operations increased the governmental activities and increased business-type activities by \$1,125,543 and \$580,490 respectively.
- As of the close of the current fiscal year, the City of Hudson Oaks' governmental funds reported combined ending fund balances of \$5,846,057 compared to \$2,888,108 for the prior year. 72% 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 \$4,239,175, or 112% 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).

Both government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are 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 ten 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, Capital Projects Fund, PID No. 1 Fund, and the 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 27-61 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 \$20,843,976 as of September 30, 2023. Below is a summary of the City's Statement of Net Position.

Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 9,456,243	\$ 7,015,886	\$ 3,625,846	\$ 1,683,535	\$ 13,082,089	\$ 8,699,421
Capital assets	17,050,104	15,830,167	19,974,087	20,099,321	37,024,191	35,929,488
Total Assets	26,506,347	22,846,053	23,599,933	21,782,856	50,106,280	44,628,909
Deferred Outflow of Resources	641,434	262,927	98,572	57,809	740,006	320,736
Total Deferred Outflow of Resources	641,434	262,927	98,572	57,809	740,006	320,736
Current liabilities	1,317,874	1,650,726	581,597	233,507	1,899,471	1,884,233
Long-term liabilities	11,931,397	8,254,124	14,510,066	13,477,938	26,441,463	21,732,062
Total liabilities	13,249,271	9,904,850	15,091,663	13,711,445	28,340,934	23,616,295
Deferred Inflow of Resources	1,639,805	2,070,968	21,571	124,438	1,661,376	2,195,406
Total Deferred Inflow of Resources	1,639,805	2,070,968	21,571	124,438	1,661,376	2,195,406
Net Position:						
Net investment						
in capital assets	7,510,832	7,776,246	7,163,463	6,661,672	14,674,295	14,437,918
Restricted Net Position (expendable)	260,542	170,641	313,120	298,885	573,662	469,526
Unrestricted Net Position	4,487,331	3,186,275	1,108,688	1,044,225	5,596,019	4,230,500
Total Net Position	\$ 12,258,705	\$ 11,133,162	\$ 8,585,271	\$ 8,004,782	\$ 20,843,976	\$ 19,137,944

The largest portion of the City's net position (70%) 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

this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (\$573,662) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$5,596,019 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.

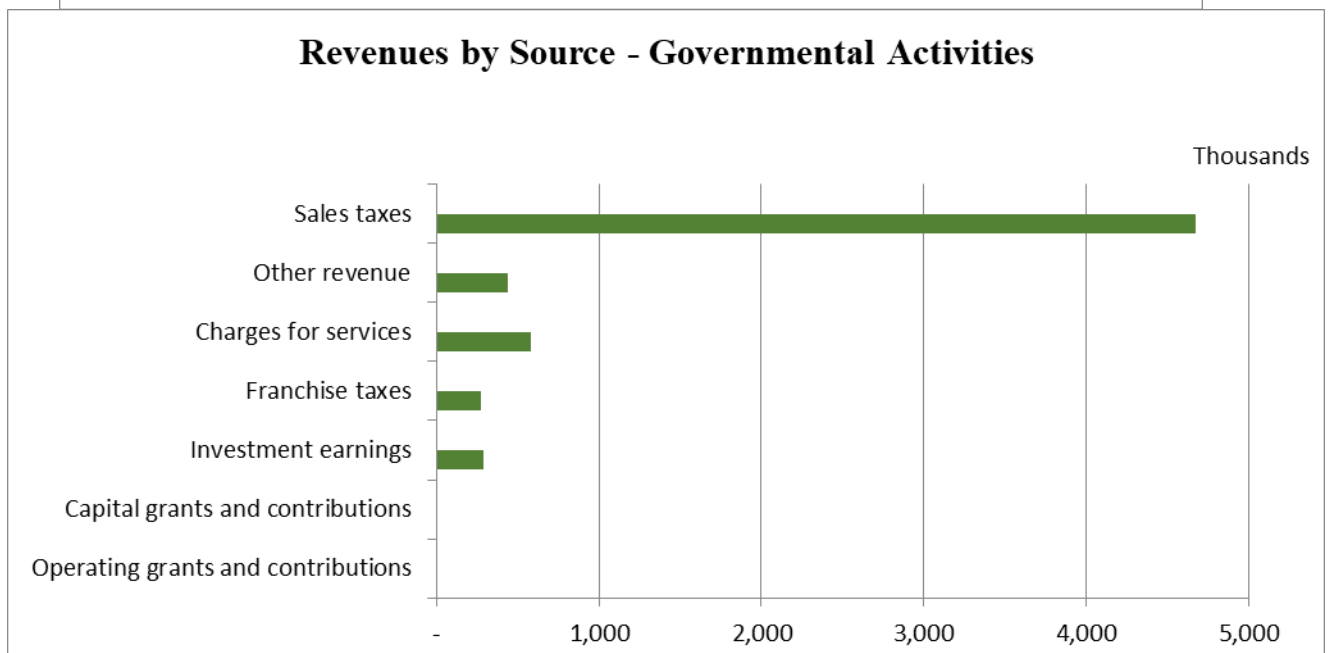
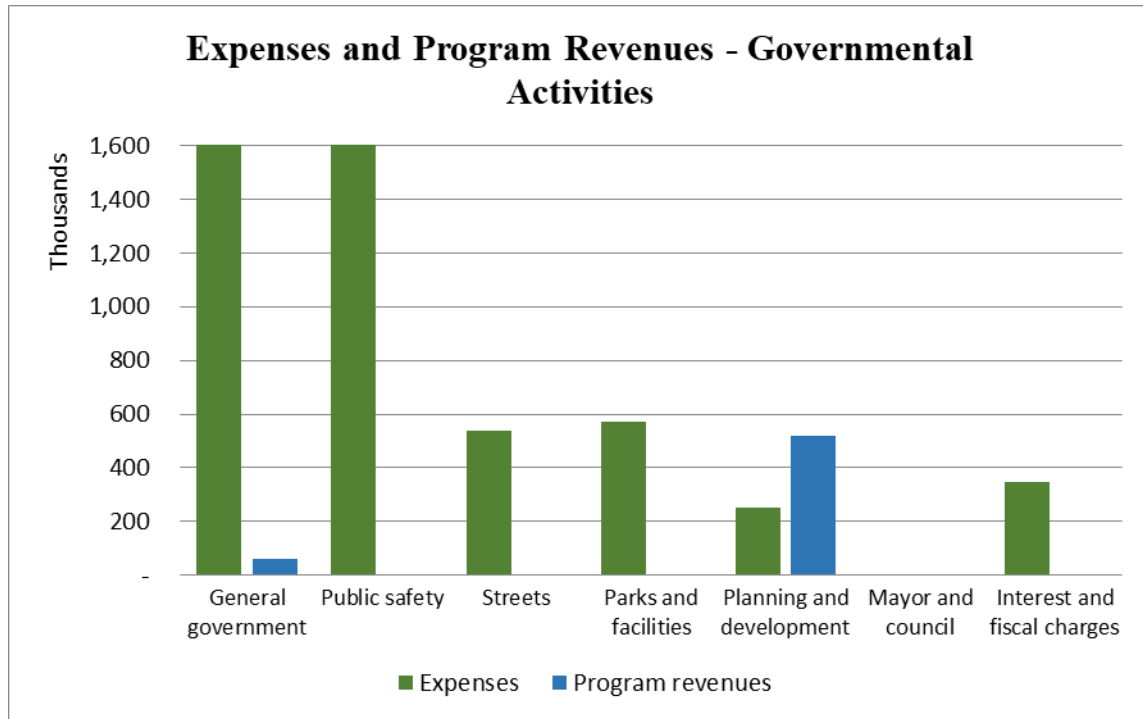
Condensed Statement of Activities

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues:						
Charges for services	\$ 579,521	\$ 940,041	\$ 2,975,204	\$ 3,144,775	\$ 3,554,725	\$ 4,084,816
Operating grants and contributions	-	25,303	-	-	-	25,303
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Sales taxes	4,671,021	4,113,485	-	-	4,671,021	4,113,485
Franchise taxes	274,220	196,346	-	-	274,220	196,346
Investment earnings	291,811	236,342	38,679	4,970	330,490	241,312
Other Revenue	436,170	137,848	-	-	436,170	137,848
Total revenues	6,252,743	5,649,365	3,013,883	3,149,745	9,266,626	8,799,110
Expenses						
General government	1,695,651	1,481,771	-	-	1,695,651	1,481,771
Public safety	1,721,203	1,505,214	-	-	1,721,203	1,505,214
Streets	539,108	612,629	-	-	539,108	612,629
Parks and facilities	571,019	187,880	-	-	571,019	187,880
Planning and development	252,934	310,768	-	-	252,934	310,768
Mayor and council	1,616	4,167	-	-	1,616	4,167
Interest and fiscal charges	345,669	218,301	-	-	345,669	218,301
Hudson Oaks water	-	-	1,867,322	1,566,712	1,867,322	1,566,712
Dyegard Water System	-	-	172,537	200,654	172,537	200,654
Deercreek Management	-	-	-	103,557	-	103,557
Wastewater	-	-	319,822	320,281	319,822	320,281
Stormwater	-	-	73,712	12,127	73,712	12,127
Total expenses	5,127,200	4,320,730	2,433,393	2,203,331	7,560,593	6,524,061
Increase (decrease) in net position before transfers	1,125,543	1,328,635	580,490	946,414	1,706,033	2,275,049
Transfers	-	588,802	-	(588,802)	-	-
Increase (decrease) in net position	1,125,543	1,917,437	580,490	357,612	1,706,033	2,275,049
Net Position, Beginning	11,133,162	9,215,725	8,004,781	7,647,170	19,137,943	16,862,895
Net Position, Ending	\$ 12,258,705	\$ 11,133,162	\$ 8,585,271	\$ 8,004,782	\$ 20,843,976	\$ 19,137,944

Governmental Activities. Governmental activities increased the City's net position by \$1,125,543. Key elements are as follows.

- Revenues increased \$603,378. Sales tax increased \$557,536 primarily due to growth, new businesses built in the city and inflation factors. Investment earnings increased due to an increase in interest rates and a market adjustment for investment property values the City owns.
- Expenses increased \$806,470. Public safety increased \$277,484 due to a fully staffed department. Parks and facilities increased due to an increase in depreciation and a project that was cancelled. Interest and fiscal charges increased due to the issuance of new bonds.

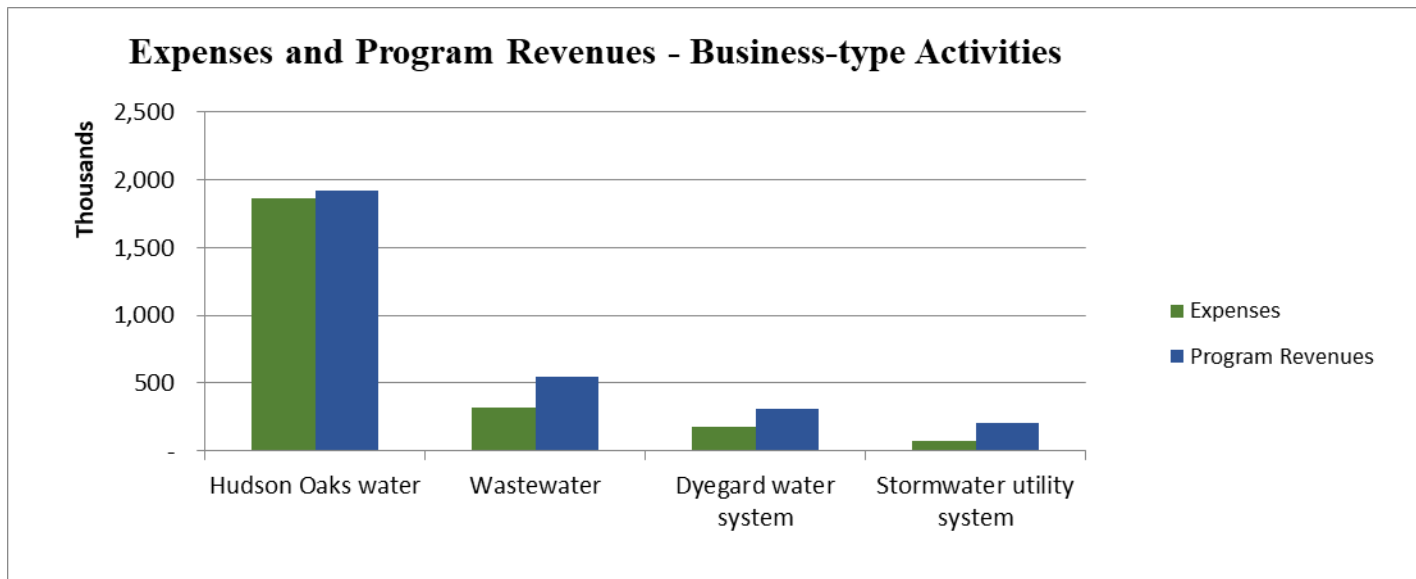
Below are two graphs summarizing governmental revenue and expense:

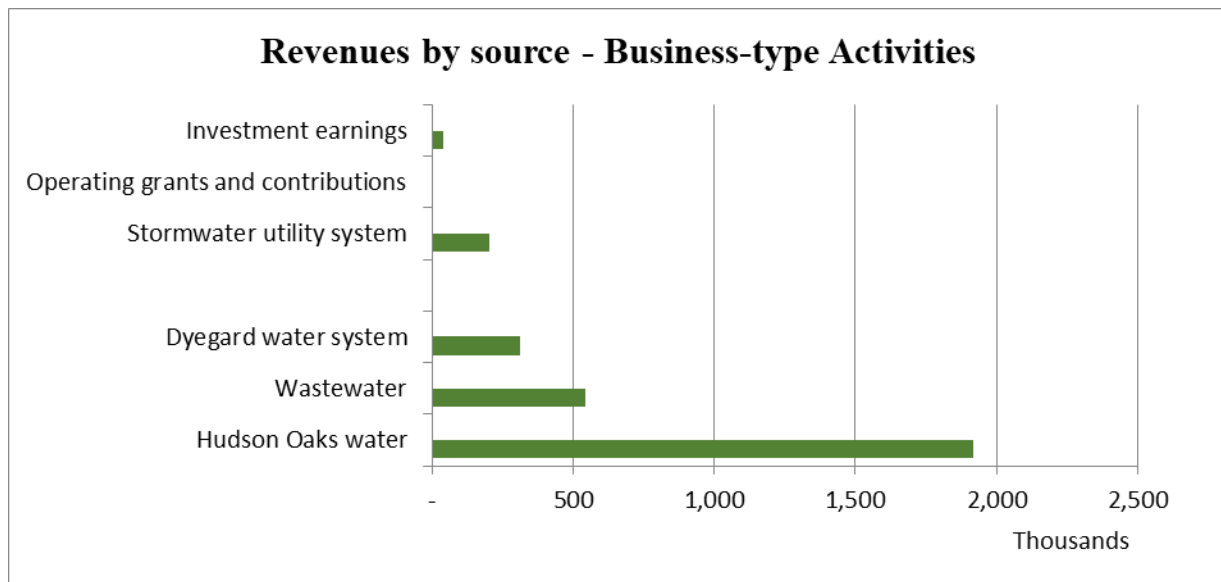


Business-type activities. Business-type activities increased the City's net position by \$580,490. Key elements are as follows.

- Revenues decreased \$135,862. Charges for service decreased \$169,571 due to the elimination of Deercreek and a sewer billing error. Water sales and gallons sold both increased. Investment earnings increased \$33,709 due to increasing interest rates.
- Expenses increased \$230,062. Waterworks expenses increased \$300,610 primarily due to increases in personnel, depreciation and bond issuance. Stormwater expenses increased due to increased drainage maintenance in the City. The contract with Deercreek expired, decreasing expenses \$103,557.

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 \$5,846,057. (72%) 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 \$4,239,175. During the current fiscal year, the fund balance of the City's general fund increased by \$951,150. Key factors in this increase are as follows:

- Revenues increased about 9% or \$518,183. The City's sales tax revenues increased significantly during the year due to additional business and increased spending. Interest revenue increased due to an increase in interest rates and valuation assessment of property held for investments.
- Expenditures increased about 7% or \$245,888. General government expenditures increased \$53,603 as employee salary increases. Public safety expenditures increased approximately 7% on increased police presence and overtime.

Below is a comparison of the general fund's net change in fund balance for the fiscal year ended September 30, 2023, and September 30, 2022.

	2023	2022	Increase (Decrease)	Percent Increase (Decrease)
Revenues:				
Taxes				
Sales and use	\$ 4,625,903	\$ 4,115,575	\$ 510,328	12%
Franchise	231,352	189,890	41,462	22%
Licenses and permits	504,180	665,042	(160,862)	-24%
Charges for services	16,560	25,341	(8,781)	-35%
Municipal court fines	7,753	8,004	(251)	-3%
Interest	261,332	235,493	25,839	11%
Intergovernmental	-	25,303	(25,303)	0%
Miscellaneous	457,584	321,833	135,751	42%
Total revenues	<u>6,104,664</u>	<u>5,586,481</u>	<u>518,183</u>	<u>9%</u>
Expenditures:				
Current:				
General government	1,190,059	1,136,456	53,603	5%
Public safety	1,609,216	1,498,739	110,477	7%
Streets	427,657	355,038	72,619	20%
Parks and facilities	159,271	189,714	(30,443)	-16%
Planning and development	252,934	310,768	(57,834)	-19%
Mayor and council	1,616	4,167	(2,551)	-61%
Capital outlay	68,487	-	68,487	0%
Debt service				
Principal	63,498	32,803	30,695	94%
Interest and fiscal charges	3,318	2,483	835	34%
Total expenditures	<u>3,776,056</u>	<u>3,530,168</u>	<u>245,888</u>	<u>7%</u>
Other financing sources (uses):				
Transfers In	-	565,955	(565,955)	0%
Transfers Out	(1,489,061)	(1,330,282)	(158,779)	12%
Proceeds from sale of capital assets	10,427	-	10,427	0%
Financed Purchases	32,688	25,193	7,495	30%
SBITA Financing	68,488	-	68,488	0%
Total other financing sources (uses):	<u>(1,377,458)</u>	<u>(739,134)</u>	<u>(638,324)</u>	
Net change in fund balance	<u>\$ 951,150</u>	<u>\$ 1,317,179</u>	<u>\$ (366,029)</u>	<u>-28%</u>

The general debt service fund is another major government fund. Changes in this fund include transfers in from other funds to pay debt service and debt service payment. Proceeds and payments to escrow agents also contributed to changes in this funds balance. General Capital Projects, which pay for the acquisition and construction of governmental projects, and the public improvement district are the other major funds.

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 \$1,108,688. The change in net position was a \$580,490 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 2023. Budgeted revenues were increased \$1,208,923. Budgeted expenditures were decreased \$264,300. The most significant changes to expenditures were to decrease the streets budget and the general government. General fund budget exceeded expenditures by \$145,887.

Capital Assets

The City's investment in capital assets for its governmental and business type activities as of September 30, 2023, amounts to \$37,024,191 (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:

- \$1,060,890 for additional infrastructure within the PID No. 1 and \$554,756 from general capital.
- \$320,854 for the purchase of new property
- \$49,400 for parking lot improvements

Business-type activities:

- \$143,546 towards a new AMI system.
- \$97,881 for engineering on a new wastewater plant.
- \$43,385 in stormwater improvements and repairs.
- \$284,313 water line to Fort Worth.

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

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 1,263,236	\$ 942,382	\$ 1,541,780	\$ 1,541,780	\$ 2,805,016	\$ 2,484,162
Buildings	1,878,976	1,967,040	26,441	27,628	1,905,417	1,994,668
Water plant	-	-	2,280,339	2,285,336	2,280,339	2,285,336
Distribution systems	-	-	13,493,967	2,734,930	13,493,967	2,734,930
Wastewater systems	-	-	1,990,825	2,120,147	1,990,825	2,120,147
Automobiles	76,477	115,863	14,667	28,209	91,144	144,072
Intangible Assets	-	-	377,039	405,587	377,039	405,587
Equipment	66,775	96,650	7,602	17,857	74,377	114,507
Improvements	97,077	63,176	-	-	97,077	63,176
Infrastructure	13,479,367	11,982,479	-	-	13,479,367	11,982,479
Leases	12,169	22,498	-	-	12,169	22,498
SBITA	66,876	-	-	-	66,876	-
Construction in progress	109,151	640,082	241,427	10,937,848	350,578	11,577,930
Total	<u>\$ 17,050,104</u>	<u>\$ 15,830,170</u>	<u>\$ 19,974,087</u>	<u>\$ 20,099,322</u>	<u>\$ 37,024,191</u>	<u>\$ 35,929,492</u>

Additional information on the City's capital assets can be found in note 4 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 \$23,49,488.

City of Hudson Oaks' Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Financed Purchases	\$ 58,144	\$ 59,290	\$ -	\$ 17,393	\$ 58,144	\$ 76,683
Lease financing	12,667	23,014	-	-	12,667	23,014
SBITA Financing	73,338	-	-	-	73,338	-
Certificates of Obligation	8,994,539	6,043,243	11,384,328	9,966,784	20,378,867	16,010,027
General Obligation bonds	1,708,750	1,881,500	2,961,250	3,443,500	4,670,000	5,325,000
Total	<u>\$ 10,847,438</u>	<u>\$ 8,007,047</u>	<u>\$ 14,345,578</u>	<u>\$ 13,427,677</u>	<u>\$ 25,193,016</u>	<u>\$ 21,434,724</u>

More detailed information about the City's debt is presented in note 7 to the financial statements.

Economic factors and the Next Year's Budgets and Rates

The City of Hudson Oaks commercial development again increased significantly in 2023. New restaurants were added to the City bringing in additional revenues. A new apartment complex is also close to completion which will bring in more residents to the City. As the City continues its mission for a no property tax City, the reliance on commercial development to produce sales tax is extremely important.

Looking ahead to 2024, inflation continues to impact sales tax. The sales tax base continues to grow over the inflation marks so far in fiscal year 2024. Infrastructure continues to improve in the City with additional access points, exits and other streets seeing improvements, paving the way for future development and more growth.

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 fiscal year 2024 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 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. While the City expects business to continue to increase, some events have led to a more conservative approach than normal for 2024.

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, 2023

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 1,410,492	\$ 1,975,452	\$ 3,385,944
Investments	5,149,957	276,188	5,426,145
Receivables (Net of allowances for uncollectibles)			
Accounts	-	462,645	462,645
Sales tax	762,179	-	762,179
Franchise taxes	116,897	-	116,897
Fines	33,990	-	33,990
Miscellaneous receivables	496,663	65,411	562,074
Leases	1,486,065	-	1,486,065
Restricted assets:			
Investments	-	846,150	846,150
Capital assets (net of accumulated depreciation):			
Nondepreciable	1,372,387	1,783,207	3,155,594
Depreciable, net of accumulated depreciation	15,677,717	18,190,880	33,868,597
Total Assets	26,506,347	23,599,933	50,106,280
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows on pensions	626,322	96,333	722,655
Deferred outflows on OPEB	15,112	2,239	17,351
Total Deferred Outflow of Resources	641,434	98,572	740,006
Total Assets and Deferred Outflows of Resources	\$ 27,147,781	\$ 23,698,505	\$ 50,846,286
LIABILITIES:			
Accounts Payable	598,298	530,345	1,128,643
Accrued payroll	46,760	11,638	58,398
Unearned grant revenue	615,475	-	615,475
Accrued interest payable	57,341	39,614	96,955
Noncurrent liabilities:			
Due within one year	957,477	891,950	1,849,427
Due in more than one year	10,973,920	13,618,116	24,592,036
Total Liabilities	13,249,271	15,091,663	28,340,934
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows on pensions	83,328	12,341	95,669
Deferred inflows on OPEB	28,658	4,244	32,902
Deferred inflows on refunding	41,754	4,986	46,740
Deferred inflows related to leases	1,486,065	-	1,486,065
Total Deferred Inflow of Resources	1,639,805	21,571	1,661,376
NET POSITION:			
Net Investments in Capital Assets	7,510,832	7,163,463	14,674,295
Restricted Net Position - Public Safety	18,771	-	18,771
Restricted Net Position - Debt Service	21,658	-	21,658
Restricted Net Position - Impact Fees	-	313,120	313,120
Restricted Net Position - Capital Projects	207,207	-	207,207
Restricted Net Position - Other	12,906	-	12,906
Unrestricted Net Position	4,487,331	1,108,688	5,596,019
Total Net Position	12,258,705	8,585,271	20,843,976
Total Liability, Deferred Inflows of Resources, and Net Position	\$ 27,147,781	\$ 23,698,505	\$ 50,846,286

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

CITY OF HUDSON OAKS, TEXAS
Statement of Activities
For the Year Ended September 30, 2023

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General government	\$ 1,695,651	\$ 58,781	\$ -	\$ -
Public safety	1,721,203	-	-	-
Streets	539,108	-	-	-
Parks and facilities	571,019	-	-	-
Planning and development	252,934	520,740	-	-
Mayor and council	1,616	-	-	-
Interest and fiscal charges	345,669	-	-	-
Total governmental activities	<u>5,127,200</u>	<u>579,521</u>	<u>-</u>	<u>-</u>
Business-type activities:				
Hudson Oaks water	1,867,322	1,918,316	-	-
Wastewater	319,822	543,538	-	-
Dyegard water system	172,537	311,688	-	-
Stormwater utility system	73,712	201,662	-	-
Total business-type activities	<u>2,433,393</u>	<u>2,975,204</u>	<u>-</u>	<u>-</u>
Total primary government	<u>7,560,593</u>	<u>3,554,725</u>	<u>-</u>	<u>-</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
\$ (1,636,870)	\$ -	\$ (1,636,870)
(1,721,203)	-	(1,721,203)
(539,108)	-	(539,108)
(571,019)	-	(571,019)
267,806	-	267,806
(1,616)	-	(1,616)
(345,669)	-	(345,669)
<u>(4,547,679)</u>	<u>-</u>	<u>(4,547,679)</u>
-	50,994	50,994
-	223,716	223,716
-	139,151	139,151
-	127,950	127,950
<u>-</u>	<u>541,811</u>	<u>541,811</u>
<u>(4,547,679)</u>	<u>541,811</u>	<u>(4,005,868)</u>
4,671,021	-	4,671,021
274,220	-	274,220
291,811	38,679	330,490
436,170	-	436,170
-	-	-
<u>5,673,222</u>	<u>38,679</u>	<u>5,711,901</u>
1,125,543	580,490	1,706,033
<u>11,133,162</u>	<u>8,004,781</u>	<u>19,137,943</u>
<u>\$ 12,258,705</u>	<u>\$ 8,585,271</u>	<u>\$ 20,843,976</u>

CITY OF HUDSON OAKS, TEXAS
Balance Sheet
Governmental Funds
September 30, 2023

	General Fund	General Debt Service Fund	General Capital Projects	PID No. 1 Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Assets:						
Cash	\$ 491,758	\$ 21,658	\$ 47,033	\$ 205,545	\$ 642,788	\$ 1,408,782
Investments	3,604,781	-	1,545,176	-	-	5,149,957
Receivables				-		
Sales Tax	762,179	-	-	-	-	762,179
Franchise Tax	116,897	-	-	-	-	116,897
Fines and fees	33,990	-	-	-	-	33,990
Miscellaneous	495,001	-	-	1,662	-	496,663
Leases	1,486,065	-	-	-	-	1,486,065
Total assets	<u>\$ 6,990,671</u>	<u>\$ 21,658</u>	<u>\$ 1,592,209</u>	<u>\$ 207,207</u>	<u>\$ 642,788</u>	<u>\$ 9,454,533</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts payable	346,811	-	241,457	-	10,030	598,298
Accrued payroll	46,760	-	-	-	-	46,760
Unearned grant revenue	-	-	-	-	615,475	615,475
Total liabilities	<u>393,571</u>	<u>-</u>	<u>241,457</u>	<u>-</u>	<u>625,505</u>	<u>1,260,533</u>
Deferred inflows of resources:						
Deferred revenue	861,878	-	-	-	-	861,878
Leases	1,486,065	-	-	-	-	1,486,065
Total deferred inflows of resources	<u>2,347,943</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,347,943</u>
Fund balances:						
Restricted fund balance						
Public, educational, and government access fees	9,982	-	-	-	-	9,982
Public Safety	-	-	-	-	18,771	18,771
Parks	-	-	-	-	2,924	2,924
Capital Projects	-	-	1,350,752	207,207	-	1,557,959
Debt Service	-	21,658	-	-	-	21,658
Assigned fund balance						
Unassigned fund balance	4,239,175	-	-	-	(4,412)	4,234,763
Total fund balances	<u>4,249,157</u>	<u>21,658</u>	<u>1,350,752</u>	<u>207,207</u>	<u>17,283</u>	<u>5,846,057</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 6,990,671</u>	<u>\$ 21,658</u>	<u>\$ 1,592,209</u>	<u>\$ 207,207</u>	<u>\$ 642,788</u>	<u>\$ 9,454,533</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, 2023

Total Fund Balances - Governmental Funds	\$ 5,846,057
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 \$23,651,130 and the accumulated depreciation was \$6,601,026.	17,050,104
Long-term liabilities, including \$10,703,289 bonds payable, \$58,144 of capital leases payable, \$86,009 of lease financing & SBITA, and \$212,316 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.	(11,059,758)
Interest payable is not expected to be liquidated with available financial resources and is not reported as a liability in the fund financial statements.	(57,341)
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.	861,878
Deferred inflows on refunding is not reported as a liability in the fund financial statements. This resulted in a decrease to net position.	(41,754)
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 \$829,565, a deferred resource inflow related to pensions of \$83,328 and a deferred resource outflow related to pensions in the amount of \$626,322. This resulted in a decrease to net position.	(286,571)
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 \$42,073, a deferred outflow related to OPEB of \$15,112, a deferred inflow to OPEB of \$28,658. This results in a decrease to net position.	(55,619)
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.	1,709
Net Position of Governmental Activities	<u><u>\$ 12,258,705</u></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, 2023

	General Fund	General Debt Service Fund	General Capital Projects Fund	PID No. 1 Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:						
Taxes						
Sales and Use	\$ 4,625,903	\$ -	\$ -	\$ -	\$ -	\$ 4,625,903
Franchise	231,352	-	-	-	-	231,352
Licenses and permits	504,180	-	-	-	-	504,180
Charges for services	16,560	-	-	-	-	16,560
Municipal court fines	7,753	-	-	-	274	8,027
Interest	261,332	1,566	27,752	664	497	291,811
Miscellaneous	457,584	-	45,668	68,217	58,781	630,250
Total revenues	<u>6,104,664</u>	<u>1,566</u>	<u>73,420</u>	<u>68,881</u>	<u>59,552</u>	<u>6,308,083</u>
EXPENDITURES:						
Current:						
General government	1,190,059	-	-	-	204,222	1,394,281
Public safety	1,609,216	-	-	-	-	1,609,216
Streets	427,657	-	-	-	-	427,657
Parks and facilities	159,271	-	-	-	-	159,271
Planning and development	252,934	-	-	-	-	252,934
Mayor and council	1,616	-	-	-	-	1,616
Capital outlay	68,487	-	872,110	1,060,890	-	2,001,487
Debt service:						
Principal	63,498	632,750	-	-	-	696,248
Interest and fiscal charges	3,318	249,552	-	-	-	252,870
Bond issuance costs	-	-	56,622	34,571	-	91,193
Total expenditures	<u>3,776,056</u>	<u>882,302</u>	<u>928,732</u>	<u>1,095,461</u>	<u>204,222</u>	<u>6,886,773</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,328,608</u>	<u>(880,736)</u>	<u>(855,312)</u>	<u>(1,026,580)</u>	<u>(144,670)</u>	<u>(578,690)</u>
OTHER FINANCING SOURCES (USES):						
Transfers in	-	807,061	650,000	-	100,000	1,557,061
Transfers out	(1,489,061)	-	-	(68,000)	-	(1,557,061)
Proceeds from sale of capital assets	10,427	-	-	-	-	10,427
Issuance of financed purchases	32,688	-	-	-	-	32,688
SBITA Financing	68,488	-	-	-	-	68,488
Proceeds of bonds	-	-	1,990,000	1,215,000	-	3,205,000
Premiums on bond proceeds	-	-	136,621	83,415	-	220,036
Total other financing sources (uses):	<u>(1,377,458)</u>	<u>807,061</u>	<u>2,776,621</u>	<u>1,230,415</u>	<u>100,000</u>	<u>3,536,639</u>
Net change in fund balance	951,150	(73,675)	1,921,309	203,835	(44,670)	2,957,949
Fund balance, October 1	<u>3,298,007</u>	<u>95,333</u>	<u>(570,557)</u>	<u>3,372</u>	<u>61,953</u>	<u>2,888,108</u>
Fund balance, September 30	<u>\$ 4,249,157</u>	<u>\$ 21,658</u>	<u>\$ 1,350,752</u>	<u>\$ 207,207</u>	<u>\$ 17,283</u>	<u>\$ 5,846,057</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, 2023

Total Net Change in Fund Balances - Governmental Funds	\$ 2,957,949
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 \$1,987,317 of capital outlays and \$696,248 of debt principal payments is to increase net position.	2,683,567
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.	(791,553)
Current year issuance of capital lease payables are other financing sources in the fund financial statements. The effect of \$32,688 increase in capital lease payable is a decrease to net position.	(32,688)
Current year issuance of bonds payable are other financing sources in the fund financial statements. The effect of \$3,425,036 increase in capital lease payable is a decrease to net position.	(3,425,036)
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 \$20,466 increase in interest payable, \$42,985 increase in compensated absences payable and \$18,860 amortization of deferred charges, premiums and discounts is to decrease net position.	(44,591)
Current year issuance of Subscription-Based Technology Arrangements (SBITA) payables are other financing sources in the fund financial statements. The effect of \$68,488 increase in SBITA payable is a decrease in net position.	(68,488)
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.	(35,419)
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.	(111,667)
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.	(7,971)
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 decrease net position.	1,440
Change in Net Position of Governmental Activities	<u><u>\$ 1,125,543</u></u>

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

CITY OF HUDSON OAKS, TEXAS

Statement of Net Position

Proprietary Fund

September 30, 2023

	Business-type Activities			Governmental Activities
	Water & Wastewater	Other Enterprise Funds	Total Enterprise Funds	Internal Service Fund
Assets				
Current Assets:				
Cash	\$ 871,928	\$ 1,103,524	\$ 1,975,452	\$ 1,709
Investments	276,188	-	276,188	-
Accounts receivable (net of allowance for doubtful accounts)	444,442	18,203	462,645	-
Miscellaneous receivables	65,411	-	65,411	-
Restricted investments	846,150	-	846,150	-
Total current assets	2,504,119	1,121,727	3,625,846	1,709
Noncurrent Assets:				
Capital Assets:				
Nondepreciable	1,783,207	-	1,783,207	-
Depreciable, net of accumulated depreciation	17,431,572	759,308	18,190,880	-
Total noncurrent assets	19,214,779	759,308	19,974,087	-
Total assets	21,718,898	1,881,035	23,599,933	1,709
Deferred Outflow of Resources				
Deferred Outflow Related to Pensions	96,333	-	96,333	-
Deferred Outflow Related to OPEB	2,239	-	2,239	-
Total deferred outflow of resources	98,572	-	98,572	-
Liabilities				
Current Liabilities:				
Accounts payable	530,345	-	530,345	-
Accrued payroll	11,638	-	11,638	-
Compensated absences payable	35,395	-	35,395	-
Current liabilities payable from restricted assets:				
Current portion of long-term debt	808,182	48,373	856,555	-
Accrued interest payable	33,093	6,521	39,614	-
Total current liabilities	1,418,653	54,894	1,473,547	-
Noncurrent Liabilities:				
Net pension liability	122,863	-	122,863	-
OPEB liability	6,231	-	6,231	-
Certificates of obligation	12,427,456	1,061,566	13,489,022	-
Total noncurrent liabilities	12,556,550	1,061,566	13,618,116	-
Total liabilities	13,975,203	1,116,460	15,091,663	-
Deferred Inflow of Resources				
Deferred Inflow Related to Pensions	12,341	-	12,341	-
Deferred Inflow Related to OPEB	4,244	-	4,244	-
Deferred Inflow on refunding	4,986	-	4,986	-
Total deferred outflow of resources	21,571	-	21,571	-
Net Position				
Net Investment in capital assets	6,806,757	356,706	7,163,463	-
Restricted for impact fees (expendable)	313,120	-	313,120	-
Unrestricted	700,819	407,869	1,108,688	1,709
Total net position	\$ 7,820,696	\$ 764,575	\$ 8,585,271	\$ 1,709

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, 2023

	Business-type Activities			Governmental Activities
	Water & Wastewater	Other Enterprise Funds	Total Enterprise Funds	Internal Service Fund
Operating revenues:				
Water, wastewater and Stormwater	\$ 2,595,455	\$ 201,662	\$ 2,797,117	\$ -
Management contract charges	56,595	-	56,595	-
Late payment charges	13,617	-	13,617	-
Tap Fees	11,217	-	11,217	-
Impact fees	24,146	-	24,146	-
Customer assessment fees	8,783	-	8,783	-
Miscellaneous fees & charges	63,729	-	63,729	15,000
Total operating revenues	<u>2,773,542</u>	<u>201,662</u>	<u>2,975,204</u>	<u>15,000</u>
Operating expenses:				
Personal services	338,541	-	338,541	-
Professional services	110,011	-	110,011	13,728
Supplies	139,861	-	139,861	-
Operations	652,604	-	652,604	-
Maintenance and repairs	111,761	-	111,761	-
Well utilities	143,855	-	143,855	-
Depreciation	660,402	33,957	694,359	-
Total operating expenses	<u>2,157,035</u>	<u>33,957</u>	<u>2,190,992</u>	<u>13,728</u>
Operating income (loss)	<u>616,507</u>	<u>167,705</u>	<u>784,212</u>	<u>1,272</u>
Nonoperating revenues (expenses)				
Interest	31,489	7,190	38,679	168
Interest expense	(176,327)	(20,407)	(196,734)	-
Debt issuance costs	(26,319)	(19,348)	(45,667)	-
Total nonoperating revenues (expenses)	<u>(171,157)</u>	<u>(32,565)</u>	<u>(203,722)</u>	<u>168</u>
Change in net position	445,350	135,140	580,490	1,440
Net Position, Beginning	<u>7,375,346</u>	<u>629,435</u>	<u>8,004,781</u>	<u>269</u>
Net Position, Ending	<u>\$ 7,820,696</u>	<u>\$ 764,575</u>	<u>\$ 8,585,271</u>	<u>\$ 1,709</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, 2023

	Business-type Activities			Governmental Activities
	Water & Wastewater	Other Enterprise Funds	Total Enterprise Funds	Internal Service Fund
Cash flows from operating activities:				
Cash received from customers and users	\$ 2,608,780	\$ 203,590	\$ 2,812,370	\$ 15,000
Cash paid to suppliers	(829,130)	-	(829,130)	(13,728)
Cash paid to employees	(351,319)	-	(351,319)	-
Net cash provided (used) by operating activities	1,428,331	203,590	1,631,921	1,272
Cash flow from noncapital financing activities:				
Due to other funds	7,738	(41,706)	(33,968)	-
Net cash provided (used) by noncapital financing activities	7,738	(41,706)	(33,968)	-
Cash flows from capital and related financing activities:				
Principal payments - certificates of obligation	(738,857)	(40,000)	(778,857)	-
Principal payments - financed purchases	(17,393)	-	(17,393)	-
Purchase of property, plant and equipment	(525,740)	(43,385)	(569,125)	-
Proceeds from bond issuance	962,186	707,337	1,669,523	-
Interest payments	(175,475)	(16,628)	(192,103)	-
Net cash flows provided by (used in) capital and related financing activities	(495,279)	607,324	112,045	-
Cash flows from investing activities:				
Interest received	31,487	7,190	38,677	168
(Purchase) sale of investments	(858,371)	-	(858,371)	-
Net cash provided by (used in) investing activities	(826,884)	7,190	(819,694)	168
Net increase (decrease) in cash	113,906	776,398	890,304	1,440
Cash, October 1	758,022	327,126	1,085,148	269
Cash, September 30	<u>\$ 871,928</u>	<u>\$ 1,103,524</u>	<u>\$ 1,975,452</u>	<u>\$ 1,709</u>
Reconciliation of income from operations to net cash provided by operating activities:				
Income (loss) from operations	\$ 616,507	167,705	784,212	1,272
Adjustments to reconcile income from operations to net cash provided by (used in) operating activities				
Depreciation	660,402	33,957	694,359	-
(Increase) decrease in accounts receivable	(164,762)	1,928	(162,834)	-
(Increase) decrease in prepaid expenses	3,166	-	3,166	-
(Increase) decrease in deferred outflow of resources	(40,763)	-	(40,763)	-
Increase (decrease) in accounts payable	325,796	-	325,796	-
Increase (decrease) in accrued payroll	11,638	-	11,638	-
Increase (decrease) in compensated absences	6,960	-	6,960	-
Increase (decrease) in net pension liability	116,769	-	116,769	-
Increase (decrease) in OPEB liability	(9,501)	-	(9,501)	-
Increase (decrease) in deferred inflow of resources	(97,881)	-	(97,881)	-
Net adjustments	811,824	35,885	847,709	
Net cash provided by operating activities	<u>\$ 1,428,331</u>	<u>\$ 203,590</u>	<u>\$ 1,631,921</u>	<u>\$ 1,272</u>

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

CITY OF HUDSON OAKS, TEXAS
Statement of Fiduciary Net Position
Fiduciary Fund
September 30, 2023

	<u>Trash Custodial Fund</u>
ASSETS	
Assets:	
Cash	<u>\$ 85,025</u>
Total assets	<u><u>\$ 85,025</u></u>
FIDUCIARY NET POSITION	
Fiduciary Net position	
Fiduciary net position - held for other cities	\$ 85,025
Total Fiduciary net Position	<u><u>\$ 85,025</u></u>

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

CITY OF HUDSON OAKS, TEXAS
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
September 30, 2023

	<u>Trash Custodial Fund</u>
ADDITIONS:	
Additions:	
Trash Fees	\$ 90,298
Interest Income	<u>1,560</u>
Total Additions	<u>\$ 91,858</u>
Deductions:	
Legal Fees	<u>\$ 6,833</u>
Total Deductions	<u>\$ 6,833</u>
Change in Net Position	85,025
Net Position Oct 1	<u>-</u>
Net Position Sept 30	<u><u>85,025</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, 2023

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, 2023

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.

The *capital projects 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.



CITY OF HUDSON OAKS, TEXAS
Notes to the Financial Statements
September 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The *PID No. 1 fund* is used to account for taxes collected within the Public Improvement District and expenditures associated with the district.

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 70 - 72 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.

The *trash custodial fund* is used to account for resources held in a purely custodial capacity for organizations outside the reporting government.

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, 2023

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 \$31,145. In the governmental activities the fines and fees receivable are reported net of an allowance of \$135,962 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. \$180,458 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, 2023

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 assets 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 assets 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	\$ 404,636
Franchise taxes	130,128
Court fines	28,248
Roadway assessments	298,866
	<u>\$ 861,878</u>



CITY OF HUDSON OAKS, TEXAS
Notes to the Financial Statements
September 30, 2023

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, 2023

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 18). 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.



CITY OF HUDSON OAKS, TEXAS
Notes to the Financial Statements
September 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

12) Deficit fund equity

On September 30, 2023, the special revenue fund, Special Events Fund, reported a deficit fund balance of \$4,412. The City will fund the general capital projects fund from the general fund for these deficits.

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.

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 fair 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



CITY OF HUDSON OAKS, TEXAS
Notes to the Financial Statements
September 30, 2023

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

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 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, 2023. 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 fair 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



CITY OF HUDSON OAKS, TEXAS
Notes to the Financial Statements
September 30, 2023

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

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.

The City has the following recurring fair value measurements as of September 30, 2023:

- Property acquisitions valued at \$304,000 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	\$ 384,639	\$ 384,639	6.13%	AAAm	28 days	Amortized Cost
TexStar	5,583,656	5,583,656	89.02%	AAAm	29 days	Amortized Cost
Land	96,526	304,000	4.85%			Level 3
	<u>\$ 6,064,821</u>	<u>\$ 6,272,295</u>	<u>100.00%</u>			



CITY OF HUDSON OAKS, TEXAS
Notes to the Financial Statements
September 30, 2023

NOTES 3 – LEASES RECEIVABLE

The city is reporting leases receivable of \$1,486,065 on September 30, 2023. For 2023, the City reported lease revenue of \$130,296 and interest revenue of \$68,490 related to lease payments received. The leases are summarized as follows:

Lease	Lease Receivable	Lease Revenue	Lease Interest Revenue
ESD No. 3 Lease	\$ 38,067	\$ 63,530	\$ 1,298
Nextlink Lease	1,211,801	54,349	55,651
Water Tower Lease	236,197	12,417	11,541
	<u>\$ 1,486,065</u>	<u>\$ 130,296</u>	<u>\$ 68,490</u>

Emergency Services District No. 3 (ESD NO. 3) Lease – On May 1, 2022, the City (lessor) entered into a lease agreement for building rent with ESD No. 3. The lease term is 2 years from the date of commencement. Based on the agreement, the City is receiving monthly payments through 2024.

Nextlink Lease – On October 1, 2018, the City (lessor) entered into an agreement with an internet provider (Nextlink) to provide Fiber internet services to the City and its residents. The lease term is 20 years from the date of commencement. Based on the agreement, the City is receiving quarterly payments through 2038.

Water Tower Lease – On January 27, 2005, the City (lessor) entered into a lease agreement for tower space to a wireless phone company. The lease term was 5 years with five available five year extensions with a 10% increase each extension period. Based on the agreement, the City is receiving monthly payments through 2030.

Future payments receivable are as follows:

	Principal	Interest
2024	\$ 107,905	\$ 64,553
2025	74,669	60,886
2026	78,938	57,416
2027	82,575	53,779
2028	86,382	49,972
2029-2033	505,962	185,471
2034-2038	522,438	66,214
2039-2043	27,196	304
	<u>\$ 1,486,065</u>	<u>\$ 538,595</u>



CITY OF HUDSON OAKS, TEXAS
Notes to the Financial Statements
September 30, 2023

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2023, was as follows:

Governmental Activities	Balance 9/30/2022	Additions	Retirements	Balance 9/30/2023
Non - Depreciable Assets:				
Land	\$ 942,382	\$ 320,854	\$ -	\$ 1,263,236
Construction in Progress	640,082	420,819	(951,750)	109,151
Total non-depreciable assets	<u>1,582,464</u>	<u>741,673</u>	<u>(951,750)</u>	<u>1,372,387</u>
Depreciable Assets:				
Equipment	538,989	-	-	538,989
Automobiles	397,353	-	(62,198)	335,155
Buildings	2,894,561	-	-	2,894,561
Improvements	267,429	49,400	-	316,829
Infrastructure	15,986,510	2,079,507	-	18,066,017
Right-to-use - Leased equipment	34,532	-	-	34,532
Right-to-use - SBITA	-	92,660	-	92,660
Total capital assets being depreciated	<u>20,119,374</u>	<u>2,221,567</u>	<u>(62,198)</u>	<u>22,278,743</u>
Accumulated Depreciation: and Amortization				
Equipment	(442,339)	(29,875)	-	(472,214)
Automobiles	(281,490)	(39,386)	62,198	(258,678)
Buildings	(927,521)	(88,064)	-	(1,015,585)
Improvements	(204,253)	(15,499)	-	(219,752)
Infrastructure	(4,004,031)	(582,619)	-	(4,586,650)
Right-to-use - Leased equipment	(12,037)	(10,326)	-	(22,363)
Right-to-use - SBITA	-	(25,784)	-	(25,784)
Total accumulated depreciation	<u>(5,871,671)</u>	<u>(791,553)</u>	<u>62,198</u>	<u>(6,601,026)</u>
Governmental activities capital assets, net	<u>\$ 15,830,167</u>	<u>\$ 2,171,687</u>	<u>\$ (951,750)</u>	<u>\$ 17,050,104</u>



CITY OF HUDSON OAKS, TEXAS
Notes to the Financial Statements
September 30, 2023

NOTE 4 - CAPITAL ASSETS (continued)

Business-type activities:	Balance 9/30/2022	Additions	Retirements	Balance 9/30/2023
Non-Depreciable Assets:				
Land	\$ 1,541,780	\$ -	\$ -	\$ 1,541,780
Construction in Progress	10,937,848	569,125	(11,265,546)	241,427
Total non-depreciable assets	<u>12,479,628</u>	<u>569,125</u>	<u>(11,265,546)</u>	<u>1,783,207</u>
 Buildings	 46,413	 -	 -	 46,413
Water plant	4,333,489	146,877	-	4,480,366
Water distribution	5,749,304	11,118,668	-	16,867,972
Wastewater systems	3,840,683	-	-	3,840,683
Automobiles	171,995	-	-	171,995
Equipment	173,636	-	-	173,636
Intangible assets	<u>787,886</u>	<u>-</u>	<u>-</u>	<u>787,886</u>
Total capital assets being depreciated	<u>15,103,406</u>	<u>11,265,545</u>	<u>-</u>	<u>26,368,951</u>
 Accumulated Depreciation:				
Buildings	(18,785)	(1,187)	-	(19,972)
Water plant	(2,048,153)	(151,874)	-	(2,200,027)
Water distribution	(3,014,374)	(359,631)	-	(3,374,005)
Wastewater lines	(1,720,536)	(129,322)	-	(1,849,858)
Automobiles	(143,786)	(13,542)	-	(157,328)
Equipment	(155,779)	(10,255)	-	(166,034)
Intangible assets	<u>(382,299)</u>	<u>(28,548)</u>	<u>-</u>	<u>(410,847)</u>
Total accumulated depreciation	<u>(7,483,712)</u>	<u>(694,359)</u>	<u>-</u>	<u>(8,178,071)</u>
Business-type activities capital assets, net	<u>\$ 20,099,322</u>	<u>\$ 11,140,311</u>	<u>\$ (11,265,546)</u>	<u>\$ 19,974,087</u>



CITY OF HUDSON OAKS, TEXAS
Notes to the Financial Statements
September 30, 2023

NOTE 4 - CAPITAL ASSETS (continued)

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

Governmental activities:	
General government	\$ 253,086
Public safety	98,451
Highways and streets and parks	440,016
Total depreciation expense - governmental activities	<u>\$ 791,553</u>
Business-type activities:	
Hudson Oaks water system	\$ 425,305
Wastewater	135,622
Dyegard water system	99,475
Stormwater	33,957
Total depreciation expense - business-type activities	<u>\$ 694,359</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, 2023

NOTE 4 - CAPITAL ASSETS (continued)

A summary of intangible assets as of September 30, 2023, follows:

	Term	Asset	Accumulated Depreciation	Net Asset
Depreciated intangible assets				
TRWD Raw Water Buy-in	28 years	\$ 134,839	\$ (93,620)	\$ 41,219
TRWD Raw Water Capacity	30 years	490,834	(208,645)	282,189
Legal Fees For Buy-ins	30 years	162,213	(108,582)	53,631
Total depreciated intangible assets		<u>\$ 787,886</u>	<u>\$ (410,847)</u>	<u>\$ 377,039</u>

Aggregate Intangible Depreciation Expense:

For the year ended September 30, 2022 \$ 28,548

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of the interfund transfers for the City's individual major funds and nonmajor funds as of September 30, 2023, is as follows:

Transfer In	Transfer Out	Amount	Purpose
General debt service	Other governmental	\$ 68,000	Debt service
Debt Service	General	739,061	Debt Service
General capital projects	General	650,000	Capital Projects
Other governmental funds	General	100,000	Special events
Total Governmental Funds Transfer In		<u>\$ 1,557,061</u>	



CITY OF HUDSON OAKS, TEXAS
Notes to the Financial Statements
September 30, 2023

NOTE 6 – LEASES

The City, as a lessee, has entered into lease agreements involving copiers and tasers. The total of the City's lease assets are recorded at a cost of \$34,532, less accumulated amortization of \$22,363. With the implementation of Governmental Accounting Standards Board Statement No. 87, *Leases*, a lease meeting the criteria of this statement requires the lessee to recognize a lease liability and an intangible right to use asset.

The lease agreements are summarized as follows:

Description	Date	Payment Terms	Interest Rate	Total Lease Liability	Balance 9/30/2023
Copier	10/12/2018	60 months	4.25%	\$ 2,023	\$ -
Tasers	4/1/2019	5 years	4.00%	23,977	8,308
Copier	8/4/2020	60 months	2.25%	8,532	4,359
Total				<u>\$ 34,532</u>	<u>\$ 12,667</u>

The future lease payments under lease agreements are as follows:

	Leases		
	Principal	Interest	Total
2023	\$ 10,558	\$ 407	\$ 10,965
2024	2,109	23	2,132
Total	<u>\$ 12,667</u>	<u>\$ 430</u>	<u>\$ 13,097</u>



CITY OF HUDSON OAKS, TEXAS
Notes to the Financial Statements
September 30, 2023

NOTE 7 – LONG-TERM DEBT

A. Financed Purchases

Governmental Activities:

On January 23, 2020, the general fund acquired a police vehicle with a financed purchase. The financed purchase required annual payments of \$8,944 beginning January 2021. The interest rate was 2.99%. The outstanding balance as of September 30, 2023, was \$0.

On August 10, 2020, the general fund acquired a police vehicle with a capital lease. The financed purchase required annual payments of \$8,944 beginning August 2021. The interest rate was 2.99%. The outstanding balance as of September 30, 2023, was \$0.

On May 19, 2021, the general fund acquired a police vehicle with a financed purchase. The financed purchase required annual payments of \$8,659 beginning May 2021. The interest rate was 2.25%. The outstanding balance as of September 30, 2023, was \$8,449.

On December 10, 2021, the general fund acquired a police vehicle with a financed purchase. The financed purchase required annual payments of \$8,819 beginning December 2022. The interest rate was 2.49%. The outstanding balance as of September 30, 2023, was \$17,001.

On October 10, 2022, the general fund acquired a police vehicle with a financed purchase. The financed purchase required annual payments of \$11,900 beginning October 2023. The interest rate was 4.54%. The outstanding balance as of September 30, 2023, was \$32,688.

Business-type Activities:

On March 1, 2020, the water fund acquired two vehicles with a financed purchase. The financed purchase requires three annual payments of \$17,970 beginning March 2021. The interest rate is 2.99%. The outstanding balance as of September 30, 2023, was \$0.



CITY OF HUDSON OAKS, TEXAS
Notes to the Financial Statements
September 30, 2023

NOTE 7 – LONG-TERM DEBT (continued)

Assets under finance purchase agreements and related accumulated depreciation as of September 30, 2023:

	Governmental Activities	Business-type Activities
Automobiles	\$ 287,550	\$ 67,703
Equipment	29,116	-
Less accumulated depreciation	(220,185)	(53,035)
	<u>\$ 96,481</u>	<u>\$ 14,668</u>

The following is a schedule of future minimum lease payments under the capital leases and the present value of the net minimum lease payments on September 30, 2023:

	Governmental Activities	Business-type Activities
2024	\$ 29,378	\$ -
2025	20,719	-
2026	11,900	-
Total minimum lease payments	61,997	-
Amount representing interest	(3,853)	-
Present value of future minimum payments	<u>\$ 58,144</u>	<u>\$ -</u>



CITY OF HUDSON OAKS, TEXAS
Notes to the Financial Statements
September 30, 2023

NOTE 7 – LONG-TERM DEBT (continued)

B. Bonds Payable

Bonds, certificates of obligation payable on September 30, 2023, 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%.	\$ 505,000
\$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%	2,995,000
\$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%	1,950,000
\$644,000 2021A General Obligation bonds, issued to refund the 2012 Certificates of Obligation, due in annual installments through February 1, 2036, 1.33%	533,750
\$1,330,000 2021B General Obligation bonds, issued to refund the 2016B Certificates of Obligation, due in annual installments through February 1, 2036, 1.97%	1,175,000
\$1,990,000 2023 Certificate of Obligation bonds, issued for construction of general capital projects, due in annual installments through August 1, 2042, 3.5% - 6%	1,950,000
\$1,215,000 2023 Certificate of Obligation bonds, issued for construction of PID No. 1 related projects, due in annual installments through August 1, 2042, 3.5% - 6%	<u>1,190,000</u>
Total Governmental Activities	<u><u>\$ 10,298,750</u></u>



CITY OF HUDSON OAKS, TEXAS
Notes to the Financial Statements
September 30, 2023

NOTE 7 – LONG-TERM DEBT (continued)

Business-type Activities

\$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%	385,000
\$2,370,000 2020 General Obligation Refunding, issued to refund the Dyegard 2010 bonds and the 2010 General Obligation refunding bonds, due in annual installments through February 1, 2035, 1.65%.	1,785,000
\$6,986,104 2019 Certificates of Obligation 48% share, issued to fund the Fort Worth water line project in conjunction with the City of Willow Park, due in annual installments through February 1, 2040, 0.95%	6,306,283
\$1,736,000 2021A General Obligation Refunding, issued to refund the 2012 CO and the 2014 CO bonds, due in annual installments through February 1, 2035, 1.33%.	1,176,250
\$3,009,600 2021 Certificates of Obligation 48% share, issued to fund the Fort Worth water line project in conjunction with the City of Willow Park, due in annual installments through February 1, 2051, 3.25%	3,009,600
\$925,000 2023 Certificates of Obligation, issued for water and sewer projects, due in annual installments through August 1, 2032, 3.5% - 6%.	895,000
\$680,000 2023 Certificates of Obligation, issued for stormwater projects, due in annual installments through August 1, 2042, 3.5% - 6%	<u>665,000</u>
Total Business-type activities	<u><u>\$ 14,222,133</u></u>



CITY OF HUDSON OAKS, TEXAS
Notes to the Financial Statements
September 30, 2023

NOTE 7 – LONG-TERM DEBT (continued)

The annual requirements to amortize all bonded debt outstanding as of September 30, 2023, are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2024	651,000	338,881	989,881	850,007	241,658	1,091,664
2025	676,000	320,028	996,028	677,407	223,411	900,818
2026	697,750	296,708	994,458	695,657	210,305	905,962
2027	719,500	271,985	991,485	706,265	196,528	902,793
2028	609,500	247,572	857,072	723,540	183,378	906,917
2029 - 2033	3,270,000	934,579	4,204,579	3,570,243	699,834	4,270,077
2034 - 2038	2,790,000	410,168	3,200,168	2,307,530	425,000	2,732,530
2039 - 2043	885,000	90,200	975,200	1,970,922	265,953	2,236,874
2044 - 2048	-	-	-	1,913,234	123,754	2,036,988
2049 - 2053	-	-	-	807,331	10,690	818,020
Debt service requirements	\$ 10,298,750	\$ 2,910,121	\$ 13,208,871	\$ 14,222,133	\$ 2,580,510	\$ 16,802,644
Add: Unamortized premium	404,539	-	404,539	123,445	-	123,445
Total	<u>\$ 10,703,289</u>	<u>\$ 2,910,121</u>	<u>\$ 13,613,410</u>	<u>\$ 14,345,578</u>	<u>\$ 2,580,510</u>	<u>\$ 16,926,089</u>



CITY OF HUDSON OAKS, TEXAS
Notes to the Financial Statements
September 30, 2023

NOTE 7 – LONG-TERM DEBT (continued)

The following is a summary of long-term debt transactions of the City for the year ended September 30, 2023:

	9/30/22	Additions	Retirements	9/30/23	Due within one year
Governmental Activities:					
Certificates of Obligation, 2007	\$ 615,000	\$ -	\$ 110,000	\$ 505,000	\$ 115,000
Certificates of Obligation, 2016A	3,190,000	-	195,000	2,995,000	200,000
2016A Premium on Bond	109,151	-	7,938	101,213	7,938
Certificates of Obligation, 2018	2,040,000	-	90,000	1,950,000	95,000
2018 Premium on Bond	89,092	-	5,802	83,290	5,802
2020 General Obligation Refunding	40,000	-	40,000	-	-
2021A General Obligation Bond	591,500	-	57,750	533,750	56,000
2021B General Obligation Refunding	1,250,000	-	75,000	1,175,000	80,000
2023 Certificates of Obligation	-	3,205,000	65,000	3,140,000	105,000
2023 Premiums on Bond	-	220,036	-	220,036	11,002
Financed Purchase	59,290	32,688	33,834	58,144	27,261
Intangible right-to-use equipment	23,014	-	10,347	12,667	10,558
Intangible right-to-use software	-	92,660	19,322	73,338	31,600
Net pension liability	21,706	829,565	21,706	829,565	-
OPEB liability	56,040	42,073	56,040	42,073	-
Compensated Absences	169,331	212,316	169,331	212,316	212,316
Total Governmental Activities	8,254,124	4,634,338	957,070	11,931,392	957,477
Business-type Activities:					
Certificates of Obligation, 2016A	410,000		25,000	385,000	25,000
2016A Premium on Bond	14,294		1,039	13,255	1,039
General Obligation Refunding, 2020	1,762,200	-	173,750	1,588,450	120,150
General Obligation Refunding, 2020	217,800	-	21,250	196,550	14,850
Fort Worth Water Line 2019 CO	6,532,890	-	226,607	6,306,283	226,607
Fort Worth Water Line 2021 CO	3,009,600	-	-	3,009,600	74,400
2021A General Obligation Refunding	1,463,500	-	287,250	1,176,250	289,000
2023 Certificates of Obligation	-	1,605,000	45,000	1,560,000	100,000
2023 Premiums on Bond	-	110,190	-	110,190	5,509
Financed Purchases	17,393	-	17,393	-	-
Net pension liability	6,094	122,863	6,094	122,863	-
OPEB liability	15,732	6,230	15,732	6,230	-
Compensated Absences	28,435	35,395	28,435	35,395	35,395
Total Business-type Activities	13,477,938	1,879,678	847,550	14,510,066	891,950
Total Long-Term Debt	\$ 21,732,062	\$ 6,514,016	\$ 1,804,620	\$ 26,441,458	\$ 1,849,427

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, 2023

NOTE 8 – 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 City evaluated the conduit debt agreement and determined a liability is not required to be recognized using GASB No. 91, Conduit Debt Obligations criteria. The amount of Hudson Oaks Education Finance Corporation conduit debt obligations outstanding on September 30, 2023, are as follows:

Lakehill Preparatory School Loan Agreement	\$ 695,000
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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, 2023, this corporation has not issued any debt.

NOTE 9 – DEFINED BENEFIT PENSION PLANS

A. PLAN DESCRIPTION

The City participates as one of 919 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the Texas Government Code, Title 8, Subtitle G (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.

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



CITY OF HUDSON OAKS, TEXAS
Notes to the Financial Statements
September 30, 2023

NOTE 9 – 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 member's benefit is calculated as if the sum of the member's contributions, with interest, and the city-financed monetary credits with interest, and their age at retirement and other actuarial factors. The retiring member may select one of seven monthly benefit payment options. Member may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the total member contributions and interest. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

The plan provisions for the City for the Plan Year 2022 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, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	16
Inactive employees entitled to but not receiving benefits	27
Active employees	<u>22</u>
	65

C. CONTRIBUTIONS

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



CITY OF HUDSON OAKS, TEXAS
Notes to the Financial Statements
September 30, 2023

NOTE 9 – 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 12.32% and 11.85% in calendar years 2023 and 2022, respectively. The city's contributions to TMRS for the year ended September 30, 2023, were \$221,659, and were equal to the required contributions.

D. NET PENSION LIABILITY

The city's Net Pension Liability (NPL) was measured as of December 31, 2022, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

The Total Pension Liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% 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 are based on the PUB(10) mortality tables with Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality rates. The rates for actives, health retirees and beneficiaries are projected on a full generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for health retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and a 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who became disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

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



CITY OF HUDSON OAKS, TEXAS
Notes to the Financial Statements
September 30, 2023

NOTE 9 – DEFINED BENEFIT PENSION PLANS (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. 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)
Global Equity	35.0%	7.70%
Core-Fixed Income	6.0%	4.90%
Non-Core Fixed Income	20.0%	8.70%
Other Public and Private Markets	12.0%	8.10%
Real Estate	12.0%	5.80%
Hedge Funds	5.0%	6.90%
Private Equity	<u>10.0%</u>	11.80%
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, 2023

NOTE 9 – 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 12/31/2021	\$ 5,886,638	\$ 5,858,838	\$ 27,800
Changes for the Year			
Service Cost	307,372		307,372
Interest	404,672		404,672
Change of benefit terms	-		-
Difference between expected and actual performance	117,340		117,340
Changes of assumptions	0		0
Contributions- employer		209,044	(209,044)
Contributions- employee		123,514	(123,514)
Net investment income		(428,517)	428,517
Benefit payments, including refunds of employee contributions	(90,360)	(90,360)	-
Administrative expense		(3,701)	3,701
Other changes		4,416	(4,416)
Net Changes	739,024	(185,604)	924,628
Balance at 12/31/2022	\$ 6,625,662	\$ 5,673,234	\$ 952,428

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:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$2,187,438	\$952,428	(16,756)

PENSION PLAN FIDUCIARY NET POSITION

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



CITY OF HUDSON OAKS, TEXAS
Notes to the Financial Statements
September 30, 2023

NOTE 9 – 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, 2023, the city recognized pension expense of \$307,043.

On September 30, 2023, 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	\$ 160,403	\$ 95,669
Changes in actuarial assumptions	6,239	-
Differences between projected and actual investment earnings	392,411	-
Contributions subsequent to the measurement date	163,602	-
Total	<u>\$ 722,655</u>	<u>\$ 95,669</u>

\$163,602 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 subsequent fiscal year. 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
2023	\$ 36,855
2024	133,799
2025	127,933
2026	164,797
2027	-
Thereafter	-
	<u>\$ 463,384</u>



CITY OF HUDSON OAKS, TEXAS
Notes to the Financial Statements
September 30, 2023

NOTE 10 – 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 single employer 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, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiveing benefits	9
Inactive employees entitled to but not receiving benefits	4
Active employees	<u>22</u>
	35

C. TOTAL OPEB LIABILITY

The City's total OPEB liability was measured as of December 31, 2022 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

The Total OPEB liability in the December 31, 2022, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.50% to 11.50% including inflation
Discount Rate*	4.05%
Retirees' share of benefit related costs	\$0

*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2022.



CITY OF HUDSON OAKS, TEXAS
Notes to the Financial Statements
September 30, 2023

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

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

Mortality rates for service retirees were based on the 2019 Municipal Retirees of Texas Mortality Tables. Their rates are projected on a fully generational basis with scale UMP.

Mortality rates for disabled retirees were based on 2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

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

Discount Rate

The discount rate used to measure the Total OPEB Liability was 4.05%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2022.

Changes in the Total OPEB Liability

Changes in the OPEB Liability

	<u>Total OPEB Liability</u>
Balance at 12/31/2021	\$ 71,772
Changes for the Year	
Service Cost	4,764
Interest	1,355
Change of benefit terms	-
Difference between expected and actual performance	1,191
Changes of assumptions	(29,719)
Benefit payments	(1,060)
Net Changes	<u>(23,469)</u>
Balance at 12/31/2022	<u>\$ 48,303</u>

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



CITY OF HUDSON OAKS, TEXAS
Notes to the Financial Statements
September 30, 2023

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

The following presents the total OPEB liability of the City, calculated using the discount rate of 4.05%, 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 (3.05%) or 1-percentage-point higher (5.05%) than the current rate:

	1% Decrease in Discount Rate (3.05%)	Current Discount Rate (4.05%)	1% Increase in Discount Rate (5.05%)
City's OPEB liability	\$59,418	\$48,304	\$39,965

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

For the year ended September 30, 2023, the City recognized OPEB expense of \$3,890.

On September 30, 2023, 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	\$ 3,337	\$ 6,684
Changes in assumptions and other inputs	13,249	26,218
Contributions subsequent to the measurement date	765	-
Total	<u>\$ 17,351</u>	<u>\$ 32,902</u>

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
2023	\$ (2,229)
2024	(2,229)
2025	(2,550)
2026	(2,712)
2027	(5,152)
Thereafter	(1,444)
	<u>\$ (16,316)</u>



CITY OF HUDSON OAKS, TEXAS
Notes to the Financial Statements
September 30, 2023

NOTE 11 – 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.

NOTE 12 – CONTINGENT LIABILITIES

A. Federal and State Programs

Federal and state funding received related to various grant programs are based upon periodic reports detailing reimbursable expenditures made, in compliance with program guidelines, to the grantor agency.

These programs are governed by various statutory rules and regulations of the grantors. Amounts received and receivable under these various funding programs are subject to periodic audit and adjustment by the funding agencies. To the extent, if any, the City has not complied with all the rules and regulations with respect to performance, financial or otherwise, adjustment to or return of fund monies may be required.

As it pertains to other matters of compliance, in the opinion of the City's administration, there are no significant contingent liabilities relating to matters of compliance and accordingly, no provision has been made in the accompanying financial statements for such contingencies.

NOTE 13 – 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.



CITY OF HUDSON OAKS, TEXAS
Notes to the Financial Statements
September 30, 2023

NOTE 14 – 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 1st of each year.

B. Wastewater Service

The City entered into a 3-year wastewater service contract with the option of a 2-year extension upon mutual agreement with the City of Weatherford on May 13, 2020 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.

C. Fort Worth Water Line Agreement with Willow Park

The City entered into an agreement with Willow park on November 15, 2018 for a 48% ownership in a shared water supply facility and transmission line from the City of Fort Worth. The subsequent debt issuance is shared between the two cities at the same percentage.

D. Fort Worth Water Purchases

The City entered into an agreement with Fort Worth for the purchase of wholesale water. The water is supplied through the shared agreement with Willow Park using the constructed water line from Fort Worth.

NOTE 15 – CONTRACTS AND COMMITMENTS

- A. 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. The City issued additional bonds in 2023 as part of a larger issuing to fund \$1,060,890 of further construction improvements to this project.



CITY OF HUDSON OAKS, TEXAS
Notes to the Financial Statements
September 30, 2023

NOTE 15 – CONTRACTS AND COMMITMENTS continued)

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 2023. 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.

NOTE 16 – 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 21, 2019, 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 \$300,000, whichever occurs first. The City accrued \$70,194 on September 30, 2023 and previously paid \$75,260 in 2022 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 \$109,020 for the year September 30, 2023.

The City entered into an economic development agreement dated November 18, 2021, with a developer to construct a new restaurant. The agreement requires the City to rebate the developer 50% of the City's sales tax collected from the issuance of the certificate of occupancy for a period of five (5) years. The City paid \$15,511 for a sales tax rebate for this economic development as of year end September 30, 2023.

NOTE 17 – CORONAVIRUS LOCAL FISCAL RECOVERY FUND

Under the American Rescue Plan Act of 2021, the Coronavirus Local Fiscal Recovery Fund (CLFRF) provides emergency funding for eligible local governments. The City received \$615,475 that will be used for water and wastewater improvements. The \$615,475 is reported as unearned revenue in the ARPA Fund and will be recognized as revenue in the future when funds are spent on the projects.



CITY OF HUDSON OAKS, TEXAS
Notes to the Financial Statements
September 30, 2023

NOTE 18 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT

GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITA) was effective for the fiscal year ended September 30, 2023. The city has entered into subscription-based information technology arrangements that require recognition under GASB No. 96:

Body camera software provided by Axon Enterprises is a 5-year agreement, initiated in the fiscal year 2019 with a total cost of \$24,172 and a discount rate of 4.00%.

In car camera software provided by Axon Enterprises is a 5-year agreement, initiated in fiscal year 22023 with a total cost of \$37,082 and a discount rate of 4.54%.

Open Cities software provided by Granicus is a 5-year agreement, initiated in fiscal year 2023 with a total cost of \$31,406 and a discount rate of 4.54%.

The total cost of the City's subscription assets is recorded as \$92,660, less accumulated amortization of \$25,784.

The future subscription payments under SBITA agreements are as follows:

Year	Principal		Interest		Total	
2024	\$	31,600	\$	3,333	\$	34,933
2025		12,822		1,895		14,717
2026		13,885		1,313		15,198
2027		15,031		681		15,712
Total Subscriptions	\$	73,338	\$	7,222	\$	80,560

NOTE 19 – SUBSEQUENT EVENTS

Subsequent events were evaluated through March 21, 2024, which is the date the financial statements were available to be issued.

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REQUIRED SUPPLEMENTARY INFORMATION

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Exhibit A-1

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, 2023

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 4,293,500	\$ 4,880,034	\$ 4,857,255	\$ (22,779)
Licenses and permits	222,700	664,400	504,180	(160,220)
Charges for services	-	-	16,560	16,560
Municipal court fines	7,400	7,400	7,753	353
Interest	5,000	153,682	261,332	107,650
Intergovernmental	-	-	-	-
Miscellaneous	377,050	409,057	457,584	48,527
Total revenues	4,905,650	6,114,573	6,104,664	(9,909)
Expenditures:				
Current:				
General government	1,279,580	1,179,580	1,190,059	(10,479)
Public safety	1,758,190	1,789,890	1,609,216	180,674
Streets	736,164	526,164	427,657	98,507
Parks and facilities	165,209	169,209	159,271	9,938
Planning and development	154,000	164,000	252,934	(88,934)
Mayor and council	46,500	46,500	1,616	44,884
Capital outlay	-	-	68,487	(68,487)
Debt service:				
Principal	37,600	37,600	63,498	(25,898)
Interest and fiscal charges	9,000	9,000	3,318	5,682
Total expenditures	4,186,243	3,921,943	3,776,056	145,887
Excess (deficiency) of revenues over (under) expenditures	719,407	2,192,630	2,328,608	135,978
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	(718,681)	(1,501,686)	(1,489,061)	12,625
Proceeds from sale of capital assets	-	-	10,427	10,427
Issuance of financed purchases	-	-	32,688	32,688
SBITA Financing	-	-	68,488	68,488
Total other financing sources (uses):	(718,681)	(1,501,686)	(1,377,458)	124,228
Net change in fund balance	726	690,944	951,150	260,206
Fund balance, October 1	3,298,007	3,298,007	3,298,007	-
Fund balance, September 30	\$ 3,298,733	\$ 3,988,951	\$ 4,249,157	\$ 260,206

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, 2023

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability									
Service Cost	\$ 307,372	\$ 288,820	\$ 282,323	\$ 283,930	\$ 252,831	\$ 248,257	\$ 224,824	\$ 208,249	\$ 199,076
Interest (on the Total Pension Liability)	404,672	358,917	343,534	299,378	261,963	246,144	233,278	214,601	195,208
Changes of benefit terms	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	117,340	118,397	(319,892)	83,445	66,530	(156,684)	(160,582)	36,888	(78,250)
Change of assumptions	-	-	-	39,975	-	-	-	(26,499)	-
Benefit payments, including refunds of employee contributions	(90,360)	(104,764)	(57,844)	(45,677)	(39,488)	(171,826)	(65,411)	(37,169)	(49,985)
Net Change in Total Pension Liability	739,024	661,370	248,121	661,051	541,836	165,891	232,109	396,070	266,049
Total Pension Liability-Beginning	<u>\$ 5,886,638</u>	<u>\$ 5,225,268</u>	<u>\$ 4,977,147</u>	<u>\$ 4,316,096</u>	<u>\$ 3,774,260</u>	<u>\$ 3,608,369</u>	<u>\$ 3,376,260</u>	<u>\$ 2,980,190</u>	<u>\$ 2,714,141</u>
Total Pension Liability-Ending (a)	<u>\$ 6,625,662</u>	<u>\$ 5,886,638</u>	<u>\$ 5,225,268</u>	<u>\$ 4,977,147</u>	<u>\$ 4,316,096</u>	<u>\$ 3,774,260</u>	<u>\$ 3,608,369</u>	<u>\$ 3,376,260</u>	<u>\$ 2,980,190</u>
Plan Fiduciary Net Position									
Contributions-Employer	209,044	199,929	210,447	201,522	190,898	196,686	173,428	152,320	134,567
Contributions-Employee	123,514	115,859	120,284	118,023	104,971	103,564	94,181	88,724	82,097
Net Investment Income	(428,517)	652,868	334,227	552,930	(102,492)	400,904	170,372	3,416	116,357
Benefit payments, including refunds of employee contributions	(90,360)	(104,764)	(57,844)	(45,677)	(39,488)	(171,826)	(65,411)	(37,169)	(49,985)
Administrative Expense	(3,701)	(3,015)	(2,158)	(3,118)	(1,979)	(2,076)	(1,923)	(2,081)	(1,214)
Other	4,416	21	(83)	(94)	(103)	(105)	(103)	(103)	(100)
Net Change in Plan Fiduciary Net Position	(185,604)	860,898	604,873	823,586	151,807	527,147	370,544	205,107	281,722
Plan Fiduciary Net Position-Beginning	<u>5,858,838</u>	<u>4,997,940</u>	<u>4,393,067</u>	<u>3,569,481</u>	<u>3,417,674</u>	<u>2,890,527</u>	<u>2,519,983</u>	<u>2,314,876</u>	<u>2,033,154</u>
Plan Fiduciary Net Position-Ending (b)	<u>\$ 5,673,234</u>	<u>\$ 5,858,838</u>	<u>\$ 4,997,940</u>	<u>\$ 4,393,067</u>	<u>\$ 3,569,481</u>	<u>\$ 3,417,674</u>	<u>\$ 2,890,527</u>	<u>\$ 2,519,983</u>	<u>\$ 2,314,876</u>
Net Pension Liability-Ending (a) - (b)	<u>\$ 952,428</u>	<u>\$ 27,800</u>	<u>\$ 227,328</u>	<u>\$ 584,080</u>	<u>\$ 746,615</u>	<u>\$ 356,586</u>	<u>\$ 717,842</u>	<u>\$ 856,277</u>	<u>\$ 665,314</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	85.63%	99.53%	95.65%	88.26%	82.70%	90.55%	80.11%	74.64%	77.68%
Covered Payroll	\$ 1,764,480	\$ 1,655,127	\$ 1,718,338	\$ 1,686,044	\$ 1,499,592	\$ 1,479,480	\$ 1,345,443	\$ 1,267,491	\$ 1,172,812
Net Pension Liability as a Percentage of Covered Payroll	53.98%	1.68%	13.23%	34.64%	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, 2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially Determined Contribution	\$ 221,659	\$ 206,729	\$ 205,883	\$ 201,662	\$ 192,399	\$ 195,378	\$ 190,996	\$ 167,446	\$ 146,854	\$ 136,130
Contributions in relation to the actuarially determined contribution	<u>\$ 221,659</u>	<u>\$ 206,729</u>	<u>\$ 205,883</u>	<u>\$ 201,662</u>	<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	\$ 1,827,371	\$ 1,732,947	\$ 1,694,100	\$ 1,662,931	\$ 1,596,310	\$ 1,507,121	\$ 1,446,119	\$ 1,325,824	\$ 1,237,245	\$ 1,204,317
Contributions as a percentage of covered payroll	12.13%	11.93%	12.15%	12.13%	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)

	2022	2021	2020	2019	2018	2017
Total Pension Liability						
Service Cost	\$ 4,764	\$ 3,972	\$ 3,093	\$ 2,698	\$ 2,849	\$ 2,367
Interest (on the Total OPEB liability)	1,355	1,499	1,558	1,561	1,408	1,338
Changes of benefit terms						-
Difference between expected and actual experience	1,191	(8,810)	10,991	1,555	(1,312)	-
Changes of assumptions	(29,719)	2,568	2,793	8,896	(3,067)	3,396
Benefit payments	(1,059)	(828)	(344)	(337)	(150)	(296)
Net Change in Total OPEB Liability	(23,468)	(1,599)	18,091	14,373	(272)	6,805
Total OPEB liability - Beginning	71,772	73,371	55,280	40,907	41,179	34,374
Total OPEB liability - Ending	<u>\$ 48,304</u>	<u>\$ 71,772</u>	<u>\$ 73,371</u>	<u>\$ 55,280</u>	<u>\$ 40,907</u>	<u>\$ 41,179</u>
 Covered Employee Payroll	 \$ 1,764,480	 \$ 1,655,127	 \$ 1,718,338	 \$ 1,686,044	 \$ 1,499,592	 \$ 1,479,480
 Total OPEB Liability as a Percentage of Covered Payroll	 2.74%	 4.34%	 4.27%	 3.28%	 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, 2023

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 department had expenditures in excess of appropriations greater than \$5,000. The planning and development also had expenditures in excess of appropriations. All expenditures were covered by increases in budgeted and actual revenues as well as savings from other departments.

CITY OF HUDSON OAKS, TEXAS
Notes to Required Supplementary Information
September 30, 2023

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

22 years (longest amortization ladder)

Asset Valuation Method

10 Year smoothed market; 12% soft corridor

Inflation

2.50%

Salary Increases

3.50% to 11.50% including inflation

Investment Rate of Return

6.75%

Retirement Age

Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018

Mortality

Post-retirement: 2019 Municipal Retirees of Texas Mortality Table. The rates are projected on a fully generational basis with scale UMP.
Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes

There were no benefit 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

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.

ARPA Fund – This fund is used to account for the grant received from the American Rescue Plan Act and subsequent expenditures.

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CITY OF HUDSON OAKS, TEXAS
Nonmajor Funds
Combining Balance Sheet Schedule
September 30, 2023

	Police Seizure Forfeiture Fund	Municipal Court Technology Fund	Court Building Security Fund	Park Dedication Fund	Special Events Fund	ARPA Fund	Total Special Revenue Funds	Total Nonmajor Governmental Funds
Assets								
Cash	\$ 3,587	\$ 2,079	\$ 13,105	\$ 2,924	\$ 5,618	\$ 615,475	\$ 642,788	\$ 642,788
Total assets	<u>3,587</u>	<u>2,079</u>	<u>13,105</u>	<u>2,924</u>	<u>5,618</u>	<u>615,475</u>	<u>642,788</u>	<u>642,788</u>
Liabilities, Deferred Inflows of Resources and Fund Balances								
Liabilities:								
Accounts payable	-	-	-	-	10,030	-	10,030	10,030
Unearned grant revenue	-	-	-	-	-	615,475	615,475	615,475
Total Liabilities	-	-	-	-	10,030	615,475	625,505	625,505
Fund Balance:								
Restricted fund balance	3,587	2,079	13,105	2,924	-	-	21,695	21,695
Unassigned fund balance	-	-	-	-	(4,412)	-	(4,412)	(4,412)
Total Fund Balance	<u>3,587</u>	<u>2,079</u>	<u>13,105</u>	<u>2,924</u>	<u>(4,412)</u>	<u>-</u>	<u>17,283</u>	<u>17,283</u>
Total Liabilities, deferred inflows and Fund Balance	<u>\$ 3,587</u>	<u>\$ 2,079</u>	<u>\$ 13,105</u>	<u>\$ 2,924</u>	<u>\$ 5,618</u>	<u>\$ 615,475</u>	<u>\$ 642,788</u>	<u>\$ 642,788</u>

CITY OF HUDSON OAKS, TEXAS

Nonmajor Funds

Combining Schedule of Revenues, Expenditures and Changes

In Fund Balance

For the Year Ended September 30, 2023

	Police Seizure Forfeiture Fund	Municipal Court Technology Fund	Court Building Security Fund	Park Dedication Fund	Special Events Fund	ARPA Fund	Total Special Revenue Funds	Total Nonmajor Governmental Funds
Revenue:								
Municipal court fines	\$ -	\$ 135	\$ 139	\$ -	\$ -	\$ -	\$ 274	\$ 274
Interest	-	-	-	-	497	-	497	497
Miscellaneous	-	-	-	-	58,781	-	58,781	58,781
Total Revenues	-	135	139	-	59,278	-	59,552	59,552
Expenditures:								
Current								
General Government	-	-	-	-	204,222	-	204,222	204,222
Total Expenditures	-	-	-	-	204,222	-	204,222	204,222
Excess (deficiency) of revenues over (under) expenditures	-	135	139	-	(144,944)	-	(144,670)	(144,670)
Other Financing Sources (Uses):								
Transfers In	-	-	-	-	100,000	-	100,000	100,000
Total other financing sources (uses):	-	-	-	-	100,000	-	100,000	100,000
Net change in fund balance	-	135	139	-	(44,944)	-	(44,670)	(44,670)
Fund balance, October 1	3,587	1,944	12,966	2,924	40,532	-	61,953	61,953
Fund balance, September 30	<u>\$ 3,587</u>	<u>\$ 2,079</u>	<u>\$ 13,105</u>	<u>\$ 2,924</u>	<u>\$ (4,412)</u>	<u>\$ -</u>	<u>\$ 17,283</u>	<u>\$ 17,283</u>

ENTERPRISE FUND SUPPLEMENTARY INFORMATION

CITY OF HUDSON OAKS, TEXAS
Water and Wastewater Fund
Department Combining Schedule of Net Position
September 30, 2023
With Comparative Totals for the Year Ended September 30, 2022

	Hudson Oaks Water	Wastewater	Dyegard Water System	Utility Capital Projects	Totals	
					2023	2022
Assets						
Current Assets:						
Cash	\$ 289,649	\$ 281,521	\$ 246,851	\$ 53,907	\$ 871,928	\$ 755,027
Investments	97,801	178,387	-	-	276,188	263,967
Accounts receivable (net of allowance for doubtful accounts)	350,421	40,495	53,526	-	444,442	279,680
Miscellaneous	-	65,411	-	-	65,411	65,411
Due from other funds	-	-	-	-	-	7,738
Prepaid items	-	-	-	-	-	3,166
Restricted Investments	846,150	-	-	-	846,150	2,995
Total current assets	1,584,021	565,814	300,377	53,907	2,504,119	1,377,984
Noncurrent Assets:						
Capital Assets:						
Nondepreciable	-	-	-	1,783,207	1,783,207	12,286,221
Depreciable, net of accumulated depreciation	-	-	-	17,431,572	17,431,572	7,063,219
Total assets	1,584,021	565,814	300,377	19,268,686	21,718,898	20,727,424
Deferred Outflow of Resources						
Deferred Outflow Related to Pensions	96,333	-	-	-	96,333	53,318
Deferred Outflow Related to OPEB	2,239	-	-	-	2,239	4,491
Total deferred outflow of resources	98,572	-	-	-	98,572	57,809
Liabilities						
Current Liabilities:						
Accounts payable	467,153	60,796	612	1,784	530,345	204,549
Accrued payroll	11,638	-	-	-	11,638	-
Compensated absences payable	35,395	-	-	-	35,395	28,435
Due to other funds	-	-	-	-	-	-
Current liabilities payable from restricted assets:						
Current portion of long-term debt	-	-	-	808,182	808,182	726,250
Accrued interest payable	-	-	-	33,093	33,093	27,254
Total current liabilities	514,186	60,796	612	843,059	1,418,653	986,488
Noncurrent Liabilities:						
Net pension liability	122,863	-	-	-	122,863	6,094
OPEB liability	6,231	-	-	-	6,231	15,732
Certificates of obligation	-	-	-	12,427,456	12,427,456	12,277,134
Total liabilities	643,280	60,796	612	13,270,515	13,975,203	13,285,448
Deferred Inflow of Resources						
Deferred Inflow Related to Pensions	12,341	-	-	-	12,341	112,331
Deferred Inflow Related to OPEB	4,244	-	-	-	4,244	2,135
Deferred amount of refunding	-	-	-	4,986	4,986	9,972
Total deferred outflow of resources	16,585	-	-	4,986	21,571	124,438
Net Position						
Net Investment in capital assets	-	-	-	6,806,757	6,806,757	6,346,056
Restricted for debt service (expendable)	-	-	-	-	-	2,995
Restricted for impact fees	313,120	-	-	-	313,120	288,974
Unrestricted	709,608	505,018	299,765	(813,572)	700,819	737,322
Total net position	\$ 1,022,728	\$ 505,018	\$ 299,765	\$ 5,993,185	\$ 7,820,696	\$ 7,375,347

CITY OF HUDSON OAKS, TEXAS
Water and Wastewater Fund
Department Combining Schedule of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended September 30, 2023
With Comparative Totals for the Year Ended September 30, 2022

	Hudson Oaks		Dyegard	Utility		Totals	
	Water	Wastewater	Water	Capital Projects	Elimination	2023	2022
Operating revenues:							
Water & Wastewater sales	\$ 1,803,002	\$ 483,943	\$ 308,510	\$ -	\$ -	\$ 2,595,455	\$ 2,545,462
Management contract charges	-	56,595	-	-	-	56,595	190,898
Late payment charges	11,156	-	2,461	-	-	13,617	13,725
Tap Fees	7,500	3,000	717	-	-	11,217	26,000
Impact fees	24,146	-	-	-	-	24,146	62,577
Customer assessment fees	8,783	-	-	-	-	8,783	20,920
Miscellaneous fees & Charges	63,729	-	-	-	-	63,729	88,463
Total operating revenues	<u>1,918,316</u>	<u>543,538</u>	<u>311,688</u>	<u>-</u>	<u>-</u>	<u>2,773,542</u>	<u>2,948,045</u>
Operating expenses:							
Personal services	338,541	-	-	-	-	338,541	281,071
Professional services	101,597	3,577	4,837	-	-	110,011	128,653
Supplies	133,962	215	5,684	-	-	139,861	109,785
Operations	487,794	160,066	4,744	-	-	652,604	643,297
Maintenance and repairs	99,816	480	11,465	-	-	111,761	191,551
Well utilities	121,067	5,602	17,186	-	-	143,855	148,091
Depreciation	-	-	-	660,402	-	660,402	512,691
Total operating expenses	<u>1,282,777</u>	<u>169,940</u>	<u>43,916</u>	<u>660,402</u>	<u>-</u>	<u>2,157,035</u>	<u>2,015,139</u>
Operating income (loss)	<u>635,539</u>	<u>373,598</u>	<u>267,772</u>	<u>(660,402)</u>	<u>-</u>	<u>616,507</u>	<u>932,906</u>
Nonoperating revenues (expenses)							
Interest	20,073	11,416	-	-	-	31,489	4,909
Interest expense	-	-	-	(176,327)	-	(176,327)	(176,065)
Debt issuance costs	-	-	-	(26,319)	-	(26,319)	-
Total nonoperating revenues (expenses)	<u>20,073</u>	<u>11,416</u>	<u>-</u>	<u>(202,646)</u>	<u>-</u>	<u>(171,157)</u>	<u>(171,156)</u>
Income (loss) before transfers	<u>655,612</u>	<u>385,014</u>	<u>267,772</u>	<u>(863,048)</u>	<u>-</u>	<u>445,350</u>	<u>761,750</u>
Contributions and transfers:							
Transfers In	832,602	-	-	1,424,677	(2,257,279)	-	-
Transfers out	<u>(922,959)</u>	<u>(299,092)</u>	<u>(202,626)</u>	<u>(832,602)</u>	<u>2,257,279</u>	<u>-</u>	<u>(588,802)</u>
Change in net position	565,255	85,922	65,146	(270,973)	-	445,350	172,948
Net Position, Beginning	<u>457,473</u>	<u>419,096</u>	<u>234,619</u>	<u>6,264,158</u>	<u>-</u>	<u>7,375,346</u>	<u>7,202,399</u>
Net Position, Ending	<u>\$ 1,022,728</u>	<u>\$ 505,018</u>	<u>\$ 299,765</u>	<u>\$ 5,993,185</u>	<u>\$ -</u>	<u>\$ 7,820,696</u>	<u>\$ 7,375,347</u>

CITY OF HUDSON OAKS, TEXAS
Water and Wastewater Fund
Department Combining Schedule of Cash Flows
For the Year Ended September 30, 2023
With Comparative Totals for the Year Ended September 30, 2022

	Hudson Oaks Water	Wastewater	Dyegard Water System	Utility Capital Projects	Total	
					2023	2022
Cash flows from operating activities:						
Cash received from customers and users	\$ 1,751,306	\$ 558,657	\$ 298,817	\$ -	\$ 2,608,780	\$ 3,024,627
Cash paid to suppliers	(608,991)	(140,991)	(43,496)	(35,652)	(829,130)	(1,153,281)
Cash paid to employees	(351,319)	-	-	-	(351,319)	(322,530)
Net cash provided (used) by operating activities	790,996	417,666	255,321	(35,652)	1,428,331	1,548,816
Cash flow from noncapital financing activities:						
Due to other funds	17,970	-	-	(10,232)	7,738	-
Transfers in (out)	(90,357)	(299,092)	(202,626)	592,075	-	(588,802)
Net cash provided (used) by noncapital financing activities	(72,387)	(299,092)	(202,626)	581,843	7,738	(588,802)
Cash flows from capital and related financing activities:						
Principal payments - certificates of obligation	-	-	-	(738,857)	(738,857)	(694,307)
Principal payments - financed purchases	-	-	-	(17,393)	(17,393)	(16,947)
Purchase of property, plant and equipment	-	-	-	(525,740)	(525,740)	(1,730,650)
Proceeds from bonds	-	-	-	962,186	962,186	-
Interest payments	-	-	-	(175,475)	(175,475)	(226,438)
Net cash flows provided by (used in) capital and related financing activities	-	-	-	(495,279)	(495,279)	(2,668,342)
Cash flows from investing activities:						
Interest received	20,071	11,416	-	-	31,487	4,909
(Purchase) sale of investments	(850,482)	(7,889)	-	-	(858,371)	247,014
Net cash provided by (used in) investing activities	(830,411)	3,527	-	-	(826,884)	251,923
Net increase (decrease) in cash	(111,802)	122,101	52,695	50,912	113,906	(1,456,405)
Cash, October 1	401,451	159,420	194,156	2,995	758,022	2,214,427
Cash, September 30	<u>\$ 289,649</u>	<u>\$ 281,521</u>	<u>\$ 246,851</u>	<u>\$ 53,907</u>	<u>\$ 871,928</u>	<u>\$ 758,022</u>
Reconciliation of income from operations to net cash provided by operating activities:						
Income (loss) from operations	\$ 635,539	\$ 373,598	\$ 267,772	\$ (660,402)	\$ 616,507	\$ 932,906
Adjustments to reconcile income from operations to net cash provided by (used in) operating activities						
Depreciation	-	-	-	660,402	660,402	512,691
Disposal of capital assets	-	-	-	-	-	-
(Increase) decrease in accounts receivable	(167,010)	15,119	(12,871)	-	(164,762)	76,582
(Increase) decrease in prepaid expenses	3,166	-	-	-	3,166	6,849
(Increase) decrease in deferred outflow of resources	(40,763)	-	-	-	(40,763)	3,558
Increase (decrease) in accounts payable	332,079	28,949	420	(35,652)	325,796	61,247
Increase (decrease) in accrued payroll	11,638	-	-	-	11,638	(8,936)
Increase (decrease) in compensated absences	6,960	-	-	-	6,960	3,136
Increase (decrease) in net pension liability	116,769	-	-	-	116,769	(48,373)
Increase (decrease) in net OPEB liability	(9,501)	-	-	-	(9,501)	(1,848)
Increase (decrease) in deferred inflow of resources	(97,881)	-	-	-	(97,881)	11,004
Net adjustments	155,457	44,068	(12,451)	624,750	811,824	615,910
Net cash provided by operating activities	<u>\$ 790,996</u>	<u>\$ 417,666</u>	<u>\$ 255,321</u>	<u>\$ (35,652)</u>	<u>\$ 1,428,331</u>	<u>\$ 1,548,816</u>

STATISTICAL SECTION (Unaudited)

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STATISTICAL SECTION (Unaudited)

This part of the City of Hudson Oaks Annual Comprehensive 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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Debt 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 Annual Comprehensive 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)

	2023	2022	2021	2020	2019	2018
Governmental Activities						
Net investment in capital assets	\$ 7,510,832	\$ 7,776,246	\$ 7,623,997	\$ 6,444,911	\$ 6,126,451	\$ 5,941,949
Restricted	260,542	170,641	99,247	30,618	114,555	137,208
Unrestricted	4,487,331	3,186,275	1,492,481	1,843,375	1,882,630	1,104,308
Total governmental activities net position	<u>\$ 12,258,705</u>	<u>\$ 11,133,162</u>	<u>\$ 9,215,725</u>	<u>\$ 8,318,904</u>	<u>\$ 8,123,636</u>	<u>\$ 7,183,465</u>
Business-type activities						
Net investment in capital assets	\$ 7,163,463	\$ 6,661,672	\$ 4,525,560	\$ 4,294,233	\$ 4,307,311	\$ 4,349,604
Restricted	313,120	298,885	233,675	368,387	224,914	234,001
Unrestricted	1,108,688	1,044,225	2,887,935	2,389,935	1,992,189	1,504,320
Total business-type activities net position	<u>\$ 8,585,271</u>	<u>\$ 8,004,782</u>	<u>\$ 7,647,170</u>	<u>\$ 7,052,555</u>	<u>\$ 6,524,414</u>	<u>\$ 6,087,925</u>
Primary government						
Net investment in capital assets	\$ 14,674,295	\$ 14,437,918	\$ 12,149,557	\$ 10,739,144	\$ 10,433,762	\$ 10,291,553
Restricted	573,662	469,526	332,922	399,005	339,469	371,209
Unrestricted	5,596,019	4,230,500	4,380,416	4,233,310	3,874,819	2,608,628
Total primary government net position	<u>\$ 20,843,976</u>	<u>\$ 19,137,944</u>	<u>\$ 16,862,895</u>	<u>\$ 15,371,459</u>	<u>\$ 14,648,050</u>	<u>\$ 13,271,390</u>

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

2017	2016	2015	2014
\$ 5,531,794	\$ 4,788,636	\$ 4,525,800	\$ 4,153,576
69,903	50,298	44,541	693,884
1,121,028	1,532,330	1,208,501	737,230
<u>\$ 6,722,725</u>	<u>\$ 6,371,264</u>	<u>\$ 5,778,842</u>	<u>\$ 5,584,690</u>
\$ 4,426,001	\$ 3,371,107	\$ 4,087,015	\$ 3,819,660
187,735	751,048	138,725	115,489
1,340,693	2,038,621	1,762,069	1,932,239
<u>\$ 5,954,429</u>	<u>\$ 6,160,776</u>	<u>\$ 5,987,809</u>	<u>\$ 5,867,388</u>
\$ 9,957,795	\$ 8,159,743	\$ 8,612,815	\$ 7,973,236
257,638	801,346	183,266	809,373
2,461,721	3,570,951	2,970,570	2,669,469
<u>\$ 12,677,154</u>	<u>\$ 12,532,040</u>	<u>\$ 11,766,651</u>	<u>\$ 11,452,078</u>

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

	2023	2022	2021	2020	2019	2018
Expenses						
Governmental Activities						
General government	\$ 1,695,651	\$ 1,481,771	\$ 1,166,363	\$ 1,334,749	\$ 1,479,708	\$ 768,763
Public safety	1,721,203	1,505,214	1,432,360	1,496,194	1,462,412	1,331,101
Streets	539,108	612,629	689,805	602,786	700,498	241,549
Parks and facilities	571,019	187,880	191,756	122,729	119,793	71,203
Planning and development	252,934	310,768	181,560	253,688	222,846	134,253
Mayor and council	1,616	4,167	5,468	8,679	4,530	15,666
Interest and fiscal charges	345,669	218,301	300,899	290,930	323,999	288,326
Bond issuance costs	-	-	-	-	-	91,036
Total governmental activities expenses	<u>\$ 5,127,200</u>	<u>\$ 4,320,730</u>	<u>\$ 3,968,211</u>	<u>\$ 4,109,755</u>	<u>\$ 4,313,786</u>	<u>\$ 2,941,897</u>
Business-type activities						
Water	\$ 1,867,322	\$ 1,566,712	\$ 1,595,883	\$ 1,621,068	\$ 1,323,132	\$ 1,435,879
Wastewater	319,822	320,281	388,516	327,188	343,883	325,990
Dyegard water system	172,537	200,654	173,989	172,839	216,573	210,994
Deercreek management	-	103,557	138,290	122,961	140,208	135,674
Stormwater	73,712	12,127	14,094	20,982	157,909	56,181
Total business-type activities net position	<u>2,433,393</u>	<u>2,203,331</u>	<u>2,310,772</u>	<u>2,265,038</u>	<u>2,181,705</u>	<u>2,164,718</u>
Total primary government expenses	<u>\$ 7,560,593</u>	<u>\$ 6,524,061</u>	<u>\$ 6,278,983</u>	<u>\$ 6,374,793</u>	<u>\$ 6,495,491</u>	<u>\$ 5,106,615</u>
Program Revenues						
Governmental Activities						
Charges for services	\$ 579,521	\$ 940,041	\$ 471,390	\$ 314,028	\$ 673,812	\$ 368,067
Operating grants and contributions	-	25,303	50,658	68,152	70,936	69,261
Capital grants and contributions	-	-	-	59,900	1,132,776	78,922
Total governmental activities	<u>\$ 579,521</u>	<u>\$ 965,344</u>	<u>\$ 522,048</u>	<u>\$ 442,080</u>	<u>\$ 1,877,524</u>	<u>\$ 516,250</u>
Business-type activities						
Water and sewer sales	\$ 2,975,204	\$ 3,144,775	\$ 2,930,853	\$ 2,787,318	\$ 2,687,013	\$ 2,585,563
Operating grants and contributions	-	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-	-
Total business-type activities	<u>2,975,204</u>	<u>3,144,775</u>	<u>2,930,853</u>	<u>2,787,318</u>	<u>2,687,013</u>	<u>2,585,563</u>
Total primary government revenues	<u>\$ 3,554,725</u>	<u>\$ 4,110,119</u>	<u>\$ 3,452,901</u>	<u>\$ 3,229,398</u>	<u>\$ 4,564,537</u>	<u>\$ 3,101,813</u>
Net (Expense) Revenue						
Governmental Activities	\$ (4,547,679)	\$ (3,355,386)	\$ (3,446,163)	\$ (3,667,675)	\$ (2,436,262)	\$ (2,425,647)
Business-type Activities	541,811	941,444	620,081	522,280	505,308	420,845
Total primary government net expense	<u>\$ (4,005,868)</u>	<u>\$ (2,413,942)</u>	<u>\$ (2,826,082)</u>	<u>\$ (3,145,395)</u>	<u>\$ (1,930,954)</u>	<u>\$ (2,004,802)</u>
General Revenues and Other Changes in Net Position						
Governmental Activities						
Sales tax	\$ 4,671,021	\$ 4,113,485	\$ 3,844,619	\$ 3,380,340	\$ 2,844,353	\$ 2,300,050
Franchise tax	274,220	196,346	173,610	185,197	194,412	192,368
Investment earnings	291,811	236,342	5,595	33,143	72,907	60,797
Other revenue	436,170	137,848	293,236	264,263	178,071	65,560
Transfers	-	588,802	25,924	-	86,690	291,523
Gain on sale of capital assets	-	-	-	-	-	-
Total governmental activities	<u>\$ 5,673,222</u>	<u>\$ 5,272,823</u>	<u>\$ 4,342,984</u>	<u>\$ 3,862,943</u>	<u>\$ 3,376,433</u>	<u>\$ 2,910,298</u>
Business-type activities						
Investment earnings	\$ 38,679	\$ 4,970	\$ 458	\$ 5,860	\$ 17,871	\$ 14,637
Transfers	-	(588,802)	(25,924)	-	(86,690)	(291,523)
Total business-type activities	<u>\$ 38,679</u>	<u>\$ (583,832)</u>	<u>\$ (25,466)</u>	<u>\$ 5,860</u>	<u>\$ (68,819)</u>	<u>\$ (276,886)</u>
Total primary government	<u>\$ 5,711,901</u>	<u>\$ 4,688,991</u>	<u>\$ 4,317,518</u>	<u>\$ 3,868,803</u>	<u>\$ 3,307,614</u>	<u>\$ 2,633,412</u>
Change in Net Position						
Governmental Activities	\$ 1,125,543	\$ 1,917,437	\$ 896,821	\$ 195,268	\$ 940,171	\$ 484,651
Business-type Activities	580,490	357,612	594,615	528,140	436,489	143,959
Total primary government	<u>\$ 1,706,033</u>	<u>\$ 2,275,049</u>	<u>\$ 1,491,436</u>	<u>\$ 723,408</u>	<u>\$ 1,376,660</u>	<u>\$ 628,610</u>

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

2017	2016	2015	2014
\$ 673,893	\$ 666,538	\$ 705,554	\$ 695,185
1,324,595	1,277,695	1,140,082	1,127,251
262,374	368,670	292,149	296,496
71,223			
144,939	146,778	165,319	-
8,244			
277,803	122,302	91,412	117,554
-	184,986	-	-
<u>\$ 2,763,071</u>	<u>\$ 2,766,969</u>	<u>\$ 2,394,516</u>	<u>\$ 2,236,486</u>
\$ 1,384,187	\$ 1,547,911	\$ 1,054,715	\$ 999,905
333,288	306,680	-	-
208,995	215,052	297,909	292,818
119,280	117,217	111,352	121,835
90,027	223,515	258,116	288,412
<u>2,135,777</u>	<u>2,410,375</u>	<u>1,722,092</u>	<u>1,702,970</u>
<u>\$ 4,898,848</u>	<u>\$ 5,177,344</u>	<u>\$ 4,116,608</u>	<u>\$ 3,939,456</u>
\$ 398,530	\$ 441,274	\$ 423,587	\$ 537,689
70,000	12,242	-	-
125,000	149,528	375,567	-
<u>\$ 593,530</u>	<u>\$ 603,044</u>	<u>\$ 799,154</u>	<u>\$ 537,689</u>
\$ 2,211,119	\$ 2,035,354	\$ 2,016,359	\$ 1,866,868
31,029	116,571		
-	640,475	188,161	113,440
<u>2,242,148</u>	<u>2,792,400</u>	<u>2,204,520</u>	<u>1,980,308</u>
<u>\$ 2,835,678</u>	<u>\$ 3,395,444</u>	<u>\$ 3,003,674</u>	<u>\$ 2,517,997</u>
\$ (2,169,541)	\$ (2,163,925)	\$ (1,595,362)	\$ (1,698,797)
106,371	382,025	482,428	277,338
<u>\$ (2,063,170)</u>	<u>\$ (1,781,900)</u>	<u>\$ (1,112,934)</u>	<u>\$ (1,421,459)</u>
\$ 1,902,946	\$ 1,940,291	\$ 1,703,568	\$ 1,615,229
170,423	177,958	193,272	169,518
48,843	63,084	3,478	4,464
80,745	438,764	96,822	57,541
318,045	136,250	187,536	115,556
-	-	8,200	-
<u>\$ 2,521,002</u>	<u>\$ 2,756,347</u>	<u>\$ 2,192,876</u>	<u>\$ 1,962,308</u>
\$ 5,327	\$ 2,192	\$ 898	\$ 814
(318,045)	(136,250)	(187,536)	(115,556)
<u>\$ (312,718)</u>	<u>\$ (134,058)</u>	<u>\$ (186,638)</u>	<u>\$ (114,742)</u>
<u>\$ 2,208,284</u>	<u>\$ 2,622,289</u>	<u>\$ 2,006,238</u>	<u>\$ 1,847,566</u>
\$ 351,461	\$ 592,422	\$ 597,514	\$ 263,511
(206,347)	247,967	295,790	162,596
<u>\$ 145,114</u>	<u>\$ 840,389</u>	<u>\$ 893,304</u>	<u>\$ 426,107</u>

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

	2023	2022	2021	2020	2019	2018
General Fund						
Nonspendable	\$ -	\$ 15,995	\$ 16,520	\$ 25,721	\$ 30,486	\$ 15,254
Restricted	9,982	9,982	9,982	9,972	9,972	8,540
Assigned	-	-	-	-	-	185,000
Unassigned	4,239,175	3,272,030	1,954,326	1,508,882	1,346,488	1,169,993
Total general fund	<u>\$ 4,249,157</u>	<u>\$ 3,298,007</u>	<u>\$ 1,980,828</u>	<u>\$ 1,544,575</u>	<u>\$ 1,386,946</u>	<u>\$ 1,378,787</u>
All Other Governmental funds						
Unreserved, Designated	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Nonspendable	-	-	-	-	-	2,198
Restricted	1,601,312	160,659	89,265	20,646	104,583	128,668
Assigned	-	-	-	-	-	-
Unassigned	(4,412)	(570,558)	(908,870)	(122,063)	(55,832)	(4,256)
Total other governmental funds	<u>\$ 1,596,900</u>	<u>\$ (409,899)</u>	<u>\$ (819,605)</u>	<u>\$ (101,417)</u>	<u>\$ 48,751</u>	<u>\$ 126,610</u>

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

2017	2016	2015	2014
\$ 19,586	\$ 12,196	\$ 34,170	\$ -
6,830	4,990	2,740	1,732
185,000	335,000	235,000	-
1,162,257	1,273,229	1,132,955	1,115,147
<u>\$ 1,373,673</u>	<u>\$ 1,625,415</u>	<u>\$ 1,404,865</u>	<u>\$ 1,116,879</u>
\$ -	\$ -	\$ -	\$ -
1,848	2,533	-	-
2,854,524	5,288,947	191,057	692,152
-	-	-	43,231
(43,465)	(28,961)	(9,441)	-
<u>\$ 2,812,907</u>	<u>\$ 5,262,519</u>	<u>\$ 181,616</u>	<u>\$ 735,383</u>

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

	2023	2022	2021	2020	2019	2018
Revenues						
Taxes	\$ 4,857,255	\$ 4,305,465	\$ 3,955,958	\$ 3,531,827	\$ 2,970,830	\$ 2,452,121
Licenses, fees, permits	504,180	665,042	376,812	296,401	600,157	280,676
Fines and penalties	8,027	8,285	16,098	12,665	21,371	39,209
Charges for services	16,560	25,341	11,419	4,962	5,927	3,155
Intergovernmental	-	25,303	49,523	25,201	-	80,183
Investment earnings	291,811	236,342	5,595	33,143	72,907	60,797
Other revenues	630,250	493,804	476,269	451,802	680,940	453,334
Total revenues	\$ 6,308,083	\$ 5,759,582	\$ 4,891,674	\$ 4,356,001	\$ 4,352,132	\$ 3,369,475
Expenditures						
General government	\$ 1,394,281	\$ 1,248,102	\$ 1,040,689	\$ 1,234,403	\$ 1,351,181	\$ 757,333
Public safety	1,609,216	1,498,739	1,462,237	1,450,893	1,370,287	1,441,122
Streets	427,657	355,038	319,270	426,391	444,480	64,319
Parks and facilities	159,271	189,714	521,863	155,843	119,238	72,159
Planning and development	252,934	310,768	181,560	253,688	222,846	134,253
Mayor and council	1,616	4,167	5,468	8,679	4,530	15,666
Capital outlay	2,001,487	213,095	831,540	14,784	146,045	5,510,941
Other	-	-	-	-	-	-
Debt service:						
Principal	696,248	590,303	565,407	537,012	505,919	476,881
Interest	252,870	236,766	264,364	320,537	372,584	260,553
Bond issuance costs	91,193	-	59,794	-	-	91,036
Total expenditures	\$ 6,886,773	\$ 4,646,692	\$ 5,252,192	\$ 4,402,230	\$ 4,537,110	\$ 8,824,263
Other financing sources (uses)						
Proceeds from sale of capital assets	\$ 10,427	\$ -	\$ -	\$ -	\$ -	\$ -
Proceeds from borrowings	3,425,036	-	1,974,000	50,606	28,588	2,482,082
Issuance of Financed purchases	32,688	25,193				
SBITA Financing	68,488					
Other resources	-	-	(1,921,341)	3,084	-	-
Transfers in	1,557,061	2,051,084	856,422	924,562	871,455	1,017,378
Transfers out	(1,557,061)	(1,462,282)	(830,498)	(924,562)	(784,765)	(725,855)
Total other financing sources (uses)	\$ 3,536,639	\$ 613,995	\$ 78,583	\$ 53,690	\$ 115,278	\$ 2,773,605
Net change in fund balances	\$ 2,957,949	\$ 1,726,885	\$ (281,935)	\$ 7,461	\$ (69,700)	\$ (2,681,183)
Debt service as a percentage of noncapital expenditures	19.43%	19.38%	20.51%	20.28%	20.12%	23.68%

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

2017	2016	2015	2014
\$ 2,067,663	\$ 2,107,714	\$ 1,871,133	\$ 1,773,967
278,502	2,014	339,196	414,691
73,611	84,302	113,374	103,801
7,975	755	751	15,146
139,572	12,242	129,280	-
48,843	63,031	3,478	4,464
291,336	186,156	96,822	57,541
<u>\$ 2,907,502</u>	<u>\$ 2,456,214</u>	<u>\$ 2,554,034</u>	<u>\$ 2,369,610</u>
\$ 617,406	\$ 607,996	\$ 729,223	\$ 653,351
1,261,075	1,264,984	1,074,111	1,111,307
83,678	309,874	176,048	299,554
70,589	-	-	-
144,939	146,778	165,319	-
8,244	-	-	-
3,064,538	758,915	659,038	174,276
-	-	-	-
404,828	282,548	282,577	266,232
300,720	91,354	106,034	110,874
-	184,986	-	-
<u>\$ 5,956,017</u>	<u>\$ 3,647,435</u>	<u>\$ 3,192,350</u>	<u>\$ 2,615,594</u>
\$ -	\$ -	\$ 185,000	\$ -
29,116	6,002,633	-	34,220
-	-	-	-
1,012,065	431,630	544,003	406,378
(694,020)	(295,380)	(356,467)	(290,822)
<u>\$ 347,161</u>	<u>\$ 6,138,883</u>	<u>\$ 372,536</u>	<u>\$ 149,776</u>
<u>\$ (2,701,354)</u>	<u>\$ 4,947,662</u>	<u>\$ (265,780)</u>	<u>\$ (96,208)</u>
14.05%	13.78%	16.88%	16.93%

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

Revenue Source	2023	2022	2021	2020	2019
Principal General Government Revenue Sources					
Sales tax	\$ 4,625,903	\$ 4,115,575	\$ 3,777,991	\$ 3,347,576	\$ 2,777,646
Franchise tax	231,352	189,890	177,967	184,251	193,184
Licenses and Permits	504,180	665,042	376,812	296,401	600,157
All Other Sources	946,648	789,075	558,904	527,773	781,145
	<u>\$ 6,308,083</u>	<u>\$ 5,759,582</u>	<u>\$ 4,891,674</u>	<u>\$ 4,356,001</u>	<u>\$ 4,352,132</u>

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	\$ 1,803,002	\$ 1,673,810	\$ 1,651,299	\$ 1,573,015	\$ 1,485,472
Wastewater Sales	483,943	564,250	446,026	431,579	401,672
All Other Sources	688,259	709,985	640,008	602,725	630,285
Total Enterprise Fund Revenue	<u>\$ 2,975,204</u>	<u>\$ 2,948,045</u>	<u>\$ 2,737,333</u>	<u>\$ 2,607,319</u>	<u>\$ 2,517,429</u>

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

					Change:
2018	2017	2016	2015	2014	2014-2023
\$ 2,268,003	\$ 1,892,655	\$ 1,927,350	\$ 1,687,718	\$ 1,608,529	187.59%
184,118	175,008	180,364	183,415	165,438	39.84%
280,676	278,502	355,804	339,196	414,691	21.58%
636,678	561,337	346,786	343,705	180,952	423.15%
<u>\$ 3,369,475</u>	<u>\$ 2,907,502</u>	<u>\$ 2,810,304</u>	<u>\$ 2,554,034</u>	<u>\$ 2,369,610</u>	
\$ 1,431,124	\$ 1,124,593	\$ 1,126,216	\$ 1,133,462	\$ 1,011,033	78.33%
386,507	353,223	323,193	323,332	333,576	45.08%
601,455	560,456	585,945	559,565	522,259	31.78%
<u>\$ 2,419,086</u>	<u>\$ 2,038,272</u>	<u>\$ 2,035,354</u>	<u>\$ 2,016,359</u>	<u>\$ 1,866,868</u>	

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

Sales Tax by Category	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Retail:										
Motor Vehicle & Parts	\$ 702,684	\$ 869,940	\$ 672,456	\$ 513,317	\$ 424,339	\$ 383,315	\$ 378,243	\$ 2,014	\$ 266,845	\$ 268,017
Furniture & Home furnishings	6,452	7,987	6,174	4,713	3,896	3,178	4,047	3,163	986	1,538
Electronics & Appliance	72,433	89,674	69,317	52,913	43,741	40,832	30,377	2,771	1,235	2,078
Building materials	4,574	5,662	4,377	3,341	2,762	1,961	4,285	3,816	6,028	3,861
Apparel stores	9,436	11,682	9,030	6,893	5,698	6,647	332	6,423	5,798	5,637
General merchandise	1,023,012	1,266,514	979,005	1,087,215	898,757	649,684	642,848	641,719	617,950	612,194
All other Retail	172,142	213,116	164,737	125,751	103,954	255,699	249,280	636,479	208,466	191,840
Total Retail	\$ 1,990,732	\$ 2,464,574	\$ 1,905,096	\$ 1,794,144	\$ 1,483,147	\$ 1,341,316	\$ 1,309,412	\$ 1,296,385	\$ 1,107,308	\$ 1,085,165
Agriculture/Manufacturing/Mining										
Agriculture/Manufacturing/Mining	193,255	103,440	144,565	78,240	35,353	32,393	42,581	18,513	21,636	21,044
Services	643,566	401,895	725,875	980,429	710,202	277,468	230,017	260,724	245,024	276,562
Wholesalers	132,969	166,787	137,107	88,808	99,286	37,060	14,913	10,980	17,030	21,639
Accommodation & Food	453,870	461,738	436,886	338,607	342,369	279,805	237,838	224,249	191,829	164,350
All Other	1,211,511	517,141	428,462	67,348	107,290	299,961	57,894	116,499	104,891	39,769
Total Sales Tax Received	\$ 4,625,903	\$ 4,115,575	\$ 3,777,991	\$ 3,347,576	\$ 2,777,646	\$ 2,268,003	\$ 1,892,655	\$ 1,927,350	\$ 1,687,718	\$ 1,608,529
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:
Zactax Sales Tax Analysis

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

WATER SALES

Type of Customer	2023	2022	2021	2020
Residential (Hudson Oaks & Dyegard)	\$ 1,352,956	\$ 1,273,499	\$ 1,188,997	\$ 1,242,496
Commercial	\$ 738,539	\$ 683,317	\$ 730,824	\$ 584,390
Other	\$ 20,017	\$ 24,396	\$ 11,155	\$ 29,499
Total	<u>\$ 2,111,512</u>	<u>\$ 1,981,212</u>	<u>\$ 1,930,976</u>	<u>\$ 1,856,385</u>

WASTEWATER SALES

Type of Customer	2023	2022	2021	2020
Residential	\$ 68,866	\$ 73,036	\$ 66,563	\$ 61,664
Commercial	\$ 412,363	\$ 479,407	\$ 377,956	\$ 364,082
Other	\$ 62,309	\$ 11,807	\$ 1,507	\$ 5,833
Total	<u>\$ 543,538</u>	<u>\$ 564,250</u>	<u>\$ 446,026</u>	<u>\$ 431,579</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

2019	2018	2017	2016	2015	2014
\$ 1,134,600 [#]	\$ 1,258,970	\$ 991,231	\$ 942,041	\$ 1,021,365	\$ 933,875
\$ 581,591	\$ 424,169	\$ 362,011	\$ 397,720	\$ 356,589	\$ 307,777
\$ 30,358	\$ 28,679	\$ 11,552	\$ 33,012	\$ 91,573	\$ 112,740
<u>\$ 1,746,549</u>	<u>\$ 1,711,818</u>	<u>\$ 1,364,794</u>	<u>\$ 1,372,773</u>	<u>\$ 1,469,527</u>	<u>\$ 1,354,392</u>

WASTEWATER SALES

2019	2018	2017	2016	2015	2014
\$ 66,852	\$ 64,574	\$ 54,554	\$ 37,447	\$ 41,515	\$ 40,257
\$ 331,288	\$ 320,038	\$ 297,021	\$ 276,746	\$ 281,817	\$ 293,219
\$ 3,532	\$ 1,895	\$ 1,648	\$ 9,000	\$ 10,500	\$ 7,000
<u>\$ 401,672</u>	<u>\$ 386,507</u>	<u>\$ 353,223</u>	<u>\$ 323,193</u>	<u>\$ 333,832</u>	<u>\$ 340,476</u>

CITY OF HUDSON OAKS
Top Ten Utility Rate Payers
by Rate Type
Compared to Five Years Ago
(Unaudited)
September 30, 2023

Ten Largest Water Customers

Annual Gallons Consumed
(in hundreds of gallons)

Customers	Rank	2023	Rank	2018
HEB Grocery	1	463,290		
Whitewater Express Carwash	2	313,920		
Jerry's Hyundai	3	268,880		
Olympus Hudson Oaks Investors	4	257,530		
Shottenkirk Toyota	5	237,140		
Splash Kingdom	6	22,180	3	190,580
Durant, Jerry	7	208,570		
GS Hudson Oaks JV, LLC	8	191,610		
RLS II Property Management	9	184,180		
Olympus Hudson Oaks Investors	10	174,490		
Jerry's Chev Main Building			1	259,980
Southwest Nissan			2	211,670
Cantrell Development West			4	165,190
Jerry's Hyundai			5	159,170
Jerry's Hyundai			6	146,510
Jerry's Buick, Pontiac, GMC			7	142,220
Wal-Mart Stores			8	140,340
Jerry's Collision Center			9	133,430
Boo Rays Restaurant			10	132,880

CITY OF HUDSON OAKS
Utility Service Rates
Water, Dyegard Water and Wastewater
September 30, 2023
(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, 2023

Fiscal Year	Governmental Activities				Business-type Activities		
	General Obligation Bonds	Combined Tax & Revenue Certificates of Obligations	Financed Purchases Right-to-use equip Right-to-use SBITA		General Obligation Bonds	Combined Tax & Revenue Certificates of Obligation	Notes and Lease/ Purchases
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
2020	\$ 125,000	\$ 8,917,220	\$ 82,507		\$ 2,370,000	\$ 9,458,568	\$ 59,306
2021	\$ 2,059,000	\$ 6,436,983	\$ 55,382		\$ 3,911,200	\$ 10,219,430	\$ 34,341
2022	\$ 1,881,500	\$ 6,043,243	\$ 82,304		\$ 3,443,500	\$ 9,966,784	\$ 17,393
2023	\$ 1,708,750	\$ 8,994,539	\$ 144,149		\$ 2,961,250	\$ 11,384,328	\$ -

Total Government-wide Indebtedness

Total Government-wide Indebtedness	Estimated Population	Total Debt per Capita	Per Capita Income	Debt as Percent of Personal Income
\$ 8,337,099	1966	4,240.64	\$ 45,999	9%
\$ 8,931,922	2115	4,223.13	\$ 43,821	10%
\$ 15,016,041	2225	6,748.78	\$ 44,841	15%
\$ 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%
\$ 21,012,601	2174	9,665.41	\$ 48,909	20%
\$ 22,716,336	2478	9,167.21	\$ 48,909	19%
\$ 21,434,724	2478	8,650.01	\$ 53,464	16%
\$ 25,193,016	2478	10,166.67	\$ 55,350	18%

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
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%
2020	\$ 510,000	\$ 314,680	\$ 824,680	\$ 3,331,021	24.76%
2021	\$ 512,250	\$ 261,872	\$ 774,122	\$ 3,458,437	22.38%
2022	\$ 557,500	\$ 234,283	\$ 791,783	\$ 3,530,168	22.43%
2023	\$ 632,750	\$ 249,552	\$ 882,302	\$ 4,885,286	18.06%

CITY OF HUDSON OAKS
Estimated Direct and Overlapping Supported Gross Debt Schedule
as of September 30, 2023
(unaudited)

<u>Government Subdivision</u>	<u>Gross Debt</u>	<u>Estimated Percent Applicable (1)</u>	<u>Direct and Estimated Overlapping Bonded Debt</u>
Direct:			
City of Hudson Oaks	\$ 10,847,438	100%	<u>\$ 10,847,438</u>
Total direct debt			<u><u>\$ 10,847,438</u></u>
Overlapping:			
Weatherford Independent School District	91,012,155	8.25%	7,508,503
Parker County	133,013,540	2.71%	3,604,667
Parker County Junior College District	1,400,000	2.71%	<u>37,940</u>
Total gross overlapping debt			<u>\$ 11,151,110</u>
Total gross overlapping debt and direct debt			<u><u>\$ 21,998,548</u></u>
Direct and overlapping gross debt per capita A.			<u><u>\$ 8,878</u></u>

A. Based on population estimate of 2,478 as of 9/30/23.

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)

Year Ended September 30	Estimated Population	Unemployment Rate for Parker County	School Enrollment	Per Capita Income
2014	1966	4.6%	368	\$ 45,999
2015	2115	4.2%	431	\$ 43,821
2016	2225	4.3%	453	\$ 44,841
2017	2335	3.7%	509	\$ 46,146
2018	2407	3.1%	527	\$ 45,511
2019	2479	3.0%	541	\$ 49,170
2020	2174	6.1%	N/A	\$ 48,909
2021	2478	5.4%	N/A	\$ 48,909
2022	2478	3.0%	N/A	\$ 53,464
2023	2478	3.1%	N/A	\$ 55,350

Sources:

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

Unemployment rates from Texas Workforce Commission Web site

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

Count of Employees by Year

Job Classification	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Waterworkers	6	6	7	7	7	6	6	7	7	8
Police Officers	13	12	11	12	12	12	11	11	11	11
Clerical-Office	9	8	8	7	6	7	6	6	7	8
Total	28	26	26	26	25	25	23	24	25	27

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 2023</u>	<u>FY 2022</u>	<u>FY 2021</u>	<u>FY 2020</u>	<u>FY 2019</u>
City-owned Equipment					
Vehicles	20	19	18	17	15
Mobile equipment	5	5	5	5	5
Street Department					
Miles of roadway	21.86 miles	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	4 acres
Water Department					
Water lines (in miles)	26.57	26.57	26.57	26.57	26.57
Wells	28	28	28	28	28
Water plant	8	8	8	8	8
Wastewater Department					
Lift Stations	6	6	6	6	6
Sewer Lines (in miles)	11.75	11.75	11.75	11.75	11.75

Source: City of Hudson Oaks records

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

<u>FY 2018</u>	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2015</u>	<u>FY 2014</u>
14	13	12	14	14
5	5	5	4	4
21.86 miles	21.86 miles	21.86 miles	21.46 miles	21.46 miles
4 acres	4 acres	4 acres	4 acres	4 acres
26.57	26.23	25.73	25.53	24.46
27	27	27	27	27
8	8	8	8	8
6	6	5	5	5
11.75	11.51	10.71	10.51	9.7

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

	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019
Municipal Court					
Citations issued	37	35	67	56	110
Police Department					
Calls for Service	4110	4421	*2793	6063	6968
Arrests	53	52	73	35	61
Accidents	264	213	226	185	187
Community Services					
Building Permits Issued	386	274	137	224	203
Building Permits Value	\$ 80,369,832	\$ 57,050,032	\$ 20,996,390	\$ 17,528,870	\$ 31,268,397
Utility Department					
Water connections	1,208	1,186	1,180	1,187	1,170
Sewer connections	233	213	207	202	194
Water Department, in gallons (000)					
Water purchased or pumped	255,322,912	236,920,800	198,447,000	195,112,374	196,400,499
Water sold to customers	199,249,565	190,269,300	181,686,091	177,888,997	179,456,650

Source: City of Hudson Oaks records from these departments.

* Some data not available

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

<u>FY 2018</u>	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2015</u>	<u>FY 2014</u>
141	470	634	739	931
5,683	4,123	6,679	7,791	9,361
75	151	123	156	197
200	227	170	167	160
148	142	241	175	185
\$ 12,254,451	\$ 15,089,718	\$ 22,081,434	\$ 21,121,918	\$ 27,702,865
1,153	1,143	1,124	1,123	1,099
182	172	163	147	126
213,704,600	188,959,200	191,223,700	195,881,380	187,782,000
187,197,147	172,927,000	180,189,000	176,945,792	173,770,113

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COMPLIANCE AND INTERNAL CONTROL

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**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, 2023, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated March 21, 2024.

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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying schedule of findings as item 2023-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

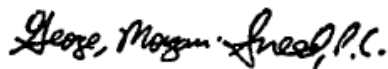
As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect 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*.

City of Hudson Oaks, Texas's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Hudson Oaks, Texas's response to the finding identified in our audit and described in the accompany schedule of findings. City of Hudson Oaks, Texas's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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



Weatherford, Texas
March 21, 2024

CITY OF HUDSON OAKS, TEXAS
Schedule of Findings
For the Year Ended September 30, 2023

Financial Statement Findings

2023-001 Sewer Billings

Criteria:

Sewer charges should be billed in accordance with approved rates.

Condition:

The sewer rate table was changed in error before the August 2023 sewer bills were calculated. The August and September 2023 sewer bills were \$12,899 and \$12,857 respectively however the average for the preceding 10 months was \$45,543 per month. This was discovered before the October sewer bills were calculated.

Effect:

The City did not issue corrected bills and accepted a loss of approximately \$65,330 sewer revenue.

Cause:

The sewer rate was changed in error.

Recommendation:

We recommend that the City consider adding controls within the billing software to limit who can change the billing rate tables, require a 2nd approval for rate changes or have the software notify upper management when rate tables are changed.

We also recommend that the monthly billing reports be reviewed by someone in upper management before they are finalized.

Management's Response:

Once the error was discovered the recommended controls were implemented. Currently all recommendations from the audit are in effect.

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