

**CITY OF HUBBARD, TEXAS
BASIC FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
SEPTEMBER 30, 2021**

WILLIAMGRIMSLEY
Certified Public Accountant

CITY OF HUBBARD, TEXAS

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WILLIAM GRIMSLEY
CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hubbard, Texas (the City) as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my 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, 2021, and the respective changes in financial position and where applicable, cash flows thereof, for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-7, the budgetary comparison information on page 38, and pension and OPEB schedules on pages 39 through 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated April 29, 2022, on my consideration of the City's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.



William A. Grimsley, CPA
Gatesville, Texas
April 29, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF HUBBARD, TEXAS MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Hubbard, Texas's (the City) financial performance provides an overview and analysis of the City's financial activities for the year ended September 30, 2021. Please read it in conjunction with the accompanying basic financial statements and the notes to the financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the year by \$4,672,481 (net position).
- For the fiscal year the City had total revenues of \$2,651,007 compared to expenses of \$1,886,840, resulting in an increase in its net position by \$764,167.
 - \$687,287 in grant income.
- The City's investment in capital assets totaled \$6,796,921, net of accumulated depreciation.
- Current assets of \$1,233,182, increased by \$276,029 for the year.
- Debt of \$3,089,017, decreased by \$273,487 for the year.

Overview of the Financial Statements

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

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide the 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 the City's assets, liabilities, and deferred inflows/outflows with the difference reported as net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether its financial health is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the 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 result in cash flows in future periods. This may include uncollected taxes and other revenues or expenses that are appropriated for the current year even though cash is not received or expended until the following year.

**CITY OF HUBBARD, TEXAS
MANAGEMENT’S DISCUSSION AND ANALYSIS**

The government-wide financial statements can be found on pages 8-9 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 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 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 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 balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The City maintains six governmental funds, the General Fund, Capital Projects Fund, Municipal Court Fund, Parks Fund, Police Fund, and Fire Truck Fund. The basic governmental fund financial statements can be found on pages 10-13 of this report.

Proprietary Funds. The only type of proprietary fund of the City is the Enterprise Fund. This fund is used to report the same functions presented as a business-type activity in the government-wide financial statements. The City uses the enterprise fund to account for its water, sewer, and solid waste services. The basic proprietary fund financial statements can be found on pages 14-16 of this report.

Notes to the Financial Statements. The notes provide narrative explanations or additional data needed for full disclosure in the government-wide statements and the fund financial statements. These can be found starting on page 17.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position. The City’s net assets exceed liabilities by \$4,672,481 as of September 30, 2021. A large portion of the City’s net position reflects its investment in capital assets less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are not

**CITY OF HUBBARD, TEXAS
MANAGEMENT’S DISCUSSION AND ANALYSIS**

available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The following is a summary comparison of net position:

**TABLE I
SUMMARY STATEMENT OF NET POSITION**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
	Current and other assets	\$ 476,053	\$ 410,647	\$ 757,129	\$ 546,506	\$ 1,233,182
Capital assets, net	964,125	1,042,099	5,832,796	5,489,711	6,796,921	6,531,810
Total assets	1,440,178	1,452,746	6,589,925	6,036,217	8,030,103	7,488,963
Deferred outflows of resources	28,064	36,465	13,234	16,854	41,298	53,319
Total deferred outflows of resources	28,064	36,465	13,234	16,854	41,298	53,319
Current liabilities	59,997	24,525	170,012	138,207	230,009	162,732
Noncurrent liabilities	90,835	104,856	3,036,279	3,287,864	3,127,114	3,392,720
Total liabilities	150,832	129,381	3,206,291	3,426,071	3,357,123	3,555,452
Deferred inflows of resources	28,404	40,042	13,393	18,507	41,797	58,549
Total deferred inflows of resources	28,404	40,042	13,393	18,507	41,797	58,549
Net position:						
Net investment in capital assets	899,241	957,893	2,796,517	2,211,399	3,695,758	3,169,292
Restricted	334,223	283,681	60,477	86,040	394,700	369,721
Unrestricted	55,542	58,214	526,481	311,054	582,023	369,268
Total net position	\$ 1,289,006	\$ 1,299,788	\$ 3,383,475	\$ 2,608,493	\$ 4,672,481	\$ 3,908,281

Changes in Net Position. Revenues totaled \$2,651,007, an increase of \$186,433 to the prior year. Expenses totaled \$1,886,840, an increase of \$32,264 to the prior year. These increases were primarily from grant related activities in the current year as compared to the prior year. The following is a summary comparison of changes in net position:

**CITY OF HUBBARD, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**TABLE II
SUMMARY STATEMENT OF CHANGES IN NET POSITION**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Program Revenues:						
Charges for services	\$ 203,328	\$ 182,243	\$ 981,736	\$ 913,701	\$ 1,185,064	\$ 1,095,944
Grant income	18,407	67,966	668,880	604,945	687,287	672,911
General Revenues:						
Tax revenues	637,369	610,809	67,122	79,667	704,491	690,476
Other income	10,679	4,339	63,486	904	74,165	5,243
Total revenues	<u>869,783</u>	<u>865,357</u>	<u>1,781,224</u>	<u>1,599,217</u>	<u>2,651,007</u>	<u>2,464,574</u>
Expenses:						
General government	208,892	201,534	-	-	208,892	201,534
Public safety	345,501	391,371	-	-	345,501	391,371
Public works	126,588	131,645	-	-	126,588	131,645
Municipal court	112,574	101,452	-	-	112,574	101,452
Parks and recreation	83,525	62,837	-	-	83,525	62,837
Utility services	-	-	913,826	848,968	913,826	848,968
Interest on long-term debt	3,518	4,039	92,416	112,730	95,934	116,769
Total expenses	<u>880,598</u>	<u>892,878</u>	<u>1,006,242</u>	<u>961,698</u>	<u>1,886,840</u>	<u>1,854,576</u>
Change in net position	(10,815)	(27,521)	774,982	637,519	764,167	609,998
Net position, beginning as restated	<u>1,299,821</u>	<u>1,327,309</u>	<u>2,608,493</u>	<u>1,970,974</u>	<u>3,908,314</u>	<u>3,298,283</u>
Net position, ending	<u>\$ 1,289,006</u>	<u>\$ 1,299,788</u>	<u>\$ 3,383,475</u>	<u>\$ 2,608,493</u>	<u>\$ 4,672,481</u>	<u>\$ 3,908,281</u>

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

As the City completed the year, its general fund (as presented in the balance sheet on page 10) reported a fund balance of \$341,520, an increase from the prior year of \$52,723.

General Fund Budget Highlights. Actual revenues were \$88,228 lower than the final budget, primarily due to lower fines. Actual expenditures were \$92,981 lower than budget. Other financing sources were \$3,807 higher than budget from grant proceeds, resulting in a \$8,560 favorable variance to the budgeted change in general fund balance. More detail is presented in the required supplementary information section on page 38.

**CITY OF HUBBARD, TEXAS
MANAGEMENT’S DISCUSSION AND ANALYSIS**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At year-end, the City’s investment in capital assets totaled \$6,796,921, net of accumulated depreciation, a net increase of \$265,111 to the prior year. This year’s major additions were:

Grant expenditures	\$504,290
Well #2 Pump	\$66,110

More detailed information about the City’s capital assets is presented in the Notes to the Financial Statements starting on page 24.

Debt

At year-end, the City’s long-term debt was \$3,127,114, a decrease of \$265,606. This decrease was the net result of principal payments made on existing debt. More detailed information about the City’s long-term debt is presented in the Notes to the Financial Statements starting on page 25.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES

The City’s appointed officials considered many factors when setting the fiscal year 2022 budget and tax rates. Some of those factors include the economy and the anticipated needs of the City for operations and capital outlay in the next year. The City adopted a \$954,640 general fund budget for the 2021-2022 fiscal year, reflecting a surplus balance of \$30,384. It will be funded primarily through property, sales, and franchise taxes, and court fines.

CONTACTING THE CITY’S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City’s finances for all those with an interest therein. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: City of Hubbard, 118 N. Magnolia Avenue, Hubbard, Texas 76648.

BASIC FINANCIAL STATEMENTS

CITY OF HUBBARD, TEXAS

Statement of Net Position

As of September 30, 2021

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Hubbard Economic Development Corporation
Assets				
Cash	\$ 32,766	\$ 233,723	\$ 266,489	\$ 117,919
Investments	-	1,060	1,060	-
Accounts receivable, net	73,193	166,967	240,160	-
Due from other funds	10,014	-	10,014	-
Capital assets, net	964,125	5,832,796	6,796,921	315,221
Net pension asset	25,856	12,192	38,048	-
Restricted assets:				
Cash and investments	334,224	249,765	583,989	-
Cash held in escrow- loan funds	-	93,422	93,422	-
Total assets	<u>1,440,178</u>	<u>6,589,925</u>	<u>8,030,103</u>	<u>433,140</u>
Deferred Outflows of Resources	<u>28,064</u>	<u>13,234</u>	<u>41,298</u>	<u>-</u>
Liabilities				
Accounts payable	48,315	48,987	97,302	882
Accrued liabilities	10,440	21,378	31,818	-
Due to other funds	1,242	5,902	7,144	4,674
Customer deposits	-	93,745	93,745	-
Noncurrent liabilities:				
Due within one year	20,137	272,555	292,692	15,318
Due in more than one year	70,698	2,763,724	2,834,422	182,524
Total liabilities	<u>150,832</u>	<u>3,206,291</u>	<u>3,357,123</u>	<u>203,398</u>
Deferred Inflows of Resources	<u>28,404</u>	<u>13,393</u>	<u>41,797</u>	<u>-</u>
Net Position				
Net investment in capital assets	899,241	2,796,517	3,695,758	117,379
Restricted for:				
Debt service	-	60,477	60,477	-
Municipal court	266,043	-	266,043	-
Law enforcement	16,883	-	16,883	-
Other	51,297	282,710	334,007	112,363
Unrestricted	55,542	243,771	299,313	-
Total net position	<u>\$ 1,289,006</u>	<u>\$ 3,383,475</u>	<u>\$ 4,672,481</u>	<u>\$ 229,742</u>

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

CITY OF HUBBARD, TEXAS

Statement of Activities

For the Year Ended September 30, 2021

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit	
	Expenses	Charges for Services	Capital Grants & Contributions	Primary Government		Total		HEDC Activities
				Governmental Activities	Business-type Activities			
Primary Government:								
Governmental activities:								
General government	\$ 208,892	\$ 43,892	\$ 18,407	\$ (146,593)	\$ -	\$ (146,593)	\$ -	
Municipal court	112,574	159,436	-	46,862	-	46,862	-	
Public safety	345,501	-	-	(345,501)	-	(345,501)	-	
Public works	126,588	-	-	(126,588)	-	(126,588)	-	
Parks and recreation	83,525	-	-	(83,525)	-	(83,525)	-	
Interest expense	3,518	-	-	(3,518)	-	(3,518)	-	
Total governmental activities	880,598	203,328	18,407	(658,863)	-	(658,863)	-	
Business-Type Activities:								
Water and sewer fund	1,006,242	981,736	668,880	-	644,374	644,374	-	
Total business-type activities	1,006,242	981,736	668,880	-	644,374	644,374	-	
Total primary government	\$ 1,886,840	\$ 1,185,064	\$ 687,287	\$ (658,863)	\$ 644,374	(14,489)	\$ -	
Component unit:								
HEDC activities	\$ 52,005	\$ 24,450	\$ -	\$ -	\$ -		\$ (27,555)	
Total component unit	\$ 52,005	\$ 24,450	\$ -	\$ -	\$ -		\$ (27,555)	
General revenues:								
Property taxes				419,881	67,122	487,003	-	
Sales tax				143,634	-	143,634	70,780	
Franchise and other taxes				73,854	-	73,854	-	
Other income (expenses)				10,679	63,486	74,165	145	
Total general revenues				648,048	130,608	778,656	70,925	
Changes in net position				(10,815)	774,982	764,167	43,370	
Net position - beginning of year				1,299,821	2,608,493	3,908,314	186,372	
Net position - end of year				\$ 1,289,006	\$ 3,383,475	\$ 4,672,481	\$ 229,742	

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

CITY OF HUBBARD, TEXAS*Balance Sheet - Governmental Funds**As of September 30, 2021*

	General Fund	Total Governmental Funds
ASSETS		
Cash	\$ 32,766	\$ 32,766
Taxes receivable, net	73,193	73,193
Due from other funds	10,014	10,014
Restricted assets:		
Cash and investments	334,224	334,224
Total assets	450,197	450,197
LIABILITIES		
Accounts payable	48,315	48,315
Due to other funds	1,242	1,242
Total liabilities	49,557	49,557
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	59,120	59,120
Fund Balance		
Nonspendable	-	-
Restricted	334,224	334,224
Assigned	-	-
Unassigned	7,296	7,296
Total fund balance	341,520	341,520
Total liabilities, deferred inflows of resources and fund balance	\$ 450,197	\$ 450,197

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

CITY OF HUBBARD, TEXAS

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position

September 30, 2021

Total fund balance (deficit) – governmental funds	\$ 341,520
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund.	964,125
Some assets and liabilities are not considered resources available or due in the current period and therefore are not reported in the governmental fund. These consist of:	
Long-term debt	(90,835)
Compensated absences	(10,440)
Net pension asset	25,856
Total	<u>(75,419)</u>
Certain pension contributions and changes in pension plan net position are reported as deferred outflows of resources in the statement of net position, but are reported as expenses in the governmental fund	28,064
Certain OPEB liability contributions and changes in liability are reported as deferred inflows of resources in the statement of net position, but are reported as expenses in the governmental fund	(28,404)
Some revenues in the governmental fund are recorded as deferred inflows of resources because they are not collected within the current period after year end and are therefore unavailable resources. On the accrual basis, however, those revenues would be recognized, regardless of when they are collected.	<u>59,120</u>
Net position of governmental activities (page 8)	<u><u>\$ 1,289,006</u></u>

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

CITY OF HUBBARD, TEXAS

Statement of Revenues, Expenditures
and Changes in Governmental Funds

For the Year Ended September 30, 2021

	General Fund	Total Governmental Funds
Revenues:		
Property tax	\$ 426,767	\$ 426,767
Sales tax	143,634	143,634
Franchise and other taxes	73,854	73,854
Fines	159,436	159,436
Fees and permits	43,892	43,892
Interest and other income	3,279	3,279
Total Revenues	<u>850,862</u>	<u>850,862</u>
Expenditures:		
General government	204,262	204,262
Public safety	327,032	327,032
Public works	107,996	107,996
Parks and recreation	49,256	49,256
Court expenses	112,574	112,574
Capital outlays	-	-
Debt service:		
Principal	19,308	19,308
Interest	3,518	3,518
Total Expenditures	<u>823,946</u>	<u>823,946</u>
Excess of Revenues Over Expenditures	<u>26,916</u>	<u>26,916</u>
Other Financing Sources (Uses)		
Grant & donation proceeds	18,407	18,407
Proceeds from loans	-	-
Proceeds from asset disposals, net	6,500	6,500
Interest income	900	900
Total other financing sources (uses)	<u>25,807</u>	<u>25,807</u>
Net Change in Fund Balance	52,723	52,723
Fund Balance, Beginning of Year	<u>288,797</u>	<u>288,797</u>
Fund Balance, End of Year	<u>\$ 341,520</u>	<u>\$ 341,520</u>

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

CITY OF HUBBARD, TEXAS*Reconciliation of the Statement
of Revenues, Expenditures and
Changes in Governmental Fund
Balances to the Statement of Activities**For the Year Ended September 30, 2021*

Net change in fund balance – total governmental fund	\$ 52,723
Amounts reported for governmental activities in the statement of activities (page 9) are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays were lower than depreciation in the current period.	(77,974)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the governmental fund. This is the net change from the previous period.	(6,886)
Long-term debt principal payments are expenditures in the general fund, but are shown as reductions in long-term debt in the statement of net position	19,308
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in governmental funds. This amount is the net effect of change in the net pension and OPEB liability and the related deferred outflows and inflows of resources	2,452
Compensated absences are not a current requirement of resources and therefore are not accrued in the general fund. This is the increase in compensated absences from the previous period	<u>(438)</u>
Change in net position of governmental activities (page 9)	<u>\$ (10,815)</u>

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

CITY OF HUBBARD, TEXAS*Statement of Net Position
Proprietary Fund**As of September 30, 2021*

	Business-type Activities
	<u>Enterprise Fund</u>
Assets	
Cash	\$ 233,723
Investments	1,060
Accounts receivable	166,967
Capital assets, net	5,832,796
Net pension asset	12,192
Restricted assets:	
Cash and investments	249,765
Cash held in escrow- loan funds	93,422
Total assets	<u>6,589,925</u>
Deferred Outflows of Resources	
Deferred outflows of resources - pension and OPEB related	13,234
Total deferred outflows of resources	<u>13,234</u>
Liabilities	
Accounts payable	48,987
Accrued liabilities	21,378
Due to other funds	5,902
Customer deposits	93,745
Noncurrent liabilities:	
Due within one year	272,555
Due in more than one year	2,763,724
Total liabilities	<u>3,206,291</u>
Deferred Inflows of Resources	
Deferred inflows of resources - pension related	<u>13,393</u>
Net Position	
Net investment in capital assets	2,796,517
Restricted	343,187
Unrestricted	243,771
Total net position	<u>\$ 3,383,475</u>

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

CITY OF HUBBARD, TEXAS

Statement of Revenues, Expenses and
Changes in Fund Net Position
Proprietary Fund

For the Year Ended September 30, 2021

	Business-Type Activities
	Enterprise Fund
Operating revenue	
Charges for services:	
Water	\$ 549,644
Sewer	200,056
Sanitation	210,366
Property tax	67,122
Other services and fees	21,670
Total operating revenue	<u>1,048,858</u>
Operating expenses	
Salary and wages	148,967
Payroll tax and benefits	34,718
Sanitation expense	186,037
Purchased water	36,614
Repairs and maintenance	122,889
Utilities	67,888
Professional and technical fees	46,414
Supplies	3,217
Depreciation	227,315
All other	39,769
Total operating expenses	<u>913,828</u>
Operating gain (loss)	<u>135,030</u>
Non-operating revenue (expenses):	
Grant income	668,880
Insurance claim proceeds	62,794
Interest income	694
Interest expense	(92,416)
Total non-operating income (expenses)	<u>639,952</u>
Change in net position	774,982
Net position - beginning of year	2,608,493
Net position - end of year	<u>\$ 3,383,475</u>

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

CITY OF HUBBARD, TEXAS

Statement of Cash Flows Proprietary Fund

For the Year Ended September 30, 2021

	Business-Type Activities
	Enterprise Fund
Cash Flows from Operating Activities	
Cash received from customers	\$ 902,840
Cash received from property taxes	67,122
Cash payments to suppliers and vendors	(485,202)
Cash payments to employees	(148,967)
Net cash provided (used) by Operating Activities	<u>335,793</u>
Cash Flows from Capital and Related Financing Activities	
Acquisition of capital assets	(570,400)
Payments on long-term debt	(254,179)
Grant proceeds	668,880
Insurance proceeds	62,794
Interest paid	(92,416)
Net cash provided (used) by capital and related financing activities	<u>(185,321)</u>
Cash Flows from Investing Activities	
Increase in investments and restricted cash	(163,725)
Interest received	694
Net cash provided from investing activities	<u>(163,031)</u>
Net Increase (Decrease) in Cash	(12,559)
Cash - beginning of year	246,374
Cash - end of year	<u>\$ 233,815</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 135,030
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	227,315
(Increase) decrease in accounts receivable	(57,226)
(Increase) decrease in net pension asset	(2,323)
(Increase) decrease in deferred outflows- pension and OPEB	3,620
Increase (decrease) in deferred inflows- pension	(5,114)
Increase (decrease) in accounts payable	28,709
Increase (decrease) in accrued liabilities	(89)
Increase (decrease) in customer deposits	2,623
Increase (decrease) in due to other funds	562
Increase (decrease) in OPEB liability	2,686
Total adjustments	<u>200,763</u>
Net Cash Provided by operating activities	<u>\$ 335,793</u>

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

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Hubbard, Texas (the City) conform to generally accepted accounting principles (GAAP) in the United States of America, applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standards-setting body for established governmental accounting and financial reporting principles. The more significant of the City's policies are described below.

A. REPORTING ENTITY

The City is a general law city in Hill County, Texas which operates under a council-mayor form of government and provides such services as public safety, streets, water and sanitation, public improvements, judicial, general administrative and other services as are authorized by its code of ordinances and its citizens.

In evaluating the City's financial reporting entity, management has considered all potential component units. The decision to include potential component units was made as set forth in GASB Statement No. 61. The component unit discussed below has been included based on this criterion.

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

B. BASIS OF PRESENTATION*Government-Wide Financial Statements*

The government-wide financial statements (i.e., the *Statement of Net Position* and the *Statement of Activities*) report information on all of the non-fiduciary activities of the City. As a general rule, the effect of Interfund activity has been removed from these statements.

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

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds.

The City reports the following major governmental funds:

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

The City reports the following major proprietary fund:

Enterprise Fund-The enterprise fund accounts for the activities of the water distribution system, the sewage treatment plant, sewage pumping stations and solid waste collections systems.

Governmental funds report as *program revenues* 1) charges to 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 revenues* and expenses from *non-operating* items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds 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 non-operating revenues and expenses.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due. Sales taxes, franchise taxes, and court fines, associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other governmental fund revenues are considered to be measurable and available only when cash is received by the City. Property taxes receivable not

determined to be available to finance current period obligations are recorded and deferred in the fund statements.

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

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

a) Cash and Investments

The City's cash for the purpose of the statements of net position and the statement of cash flows of the proprietary fund consist of cash on hand and saving accounts which are available for immediate withdrawal.

b) Accounts Receivables

Accounts receivables include amounts due from customers for water, sewer, and sanitation services in the proprietary fund. In the governmental funds, receivables include primarily property tax and fines. All receivables are current and therefore due within one year. Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds".

c) Capital Assets

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	10-40
Machinery and equipment	5-10
Water and sewer system	30-40

d) Restricted Assets

Certain resources of the City are set aside primarily for specific purposes (i.e. capital improvements, municipal court, parks & recreation, fire truck purchase) and accordingly are classified as restricted assets on the statement of net position because their use is limited by applicable ordinances.

e) Long- Term Debt

In the government-wide financial statements and in the fund financial statements for proprietary fund types, long-term debt is reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. 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 financings sources. Premiums and discounts received on debt issuances are also reported as other financing sources or uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt services expenditures.

f) Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports certain deferred outflows related to pensions and other postemployment benefit contributions made after the measurement date (deferred and recognized in the following year) and/or differences between expected and actual economic experiences.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City reports certain deferred inflows related to pensions and other post employment benefits on the government-wide statement of net position and unavailable revenue-property taxes, at the fund level.

g) Equity Classifications

In the government-wide financial statements, equity is shown as net position and classified into three components:

Net investment in capital assets – Capital assets, net of accumulated depreciation and reduced by the outstanding balance of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted – Consists of assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; 2) law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first and then unrestricted resources, as they are needed.

Unrestricted – All other net assets that do not meet the definition of “restricted” or “net investment in capital assets.”

The City reports governmental fund balances by the five following classifications:

Nonspendable – Amounts that cannot be spent because they are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact.

Restricted – Amounts with restrictions that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts that can only be used for specific purposes and imposed by formal action of the government’s highest level of decision making authority. In the case of the City it is the City Council and the formal action would be an ordinance to modify or rescind the commitment.

Assigned – Amounts constrained by City management’s intent to be used for specific purposes but are not formally restricted by external resources or committed by City Council.

Unassigned – Amount of the remaining fund balance not in any of the other classifications.

For the classification of fund balances, the City considers restricted amounts to have been spent first when an expenditure is incurred for the purpose for which restricted and unrestricted fund balance is available. Expenditures are to be spent from restricted fund balance first, followed by committed, assigned, and lastly unassigned fund balance.

h) Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

i) Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflow of resources related to pensions, and pension expense, provides 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.

j) Compensated Absences

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

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

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

The City Council follows these procedures in establishing the budgetary data reflected in the required supplemental information:

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

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

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

3. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions, Governing Deposits and Investments

The funds of the City must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the City’s agent bank in an amount sufficient to protect City funds on a day-

to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At September 30, 2021, the carrying amount of the City's cash deposits were \$851,538 and the bank balances were \$908,245, all of which were fully insured and covered by pledged securities.

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) banker's acceptances, (7) mutual funds (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in compliance with the requirement of the Act and with local policies.

Policies, Governing Deposits and Investments

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

Custodial Credit Risk – Deposits: This is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City was not exposed to custodial credit risk since its deposits at year-end and during the year ended September 30, 2021 were covered by depository insurance or by pledged collateral held by the City's agent bank in the City's name.

Custodial Credit Risk – Investments: This is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are subject to custodial credit risk only if they are evidenced by securities that exist in physical or book entry form. Thus, positions in external investment pools are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.

Other Credit Risk: There is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. To minimize credit risk, investment policies of the City's investment pools allow the portfolio's investment manager to only invest in obligations of the U.S. Government, its agencies; repurchase agreements; and no-load AAAM money market mutual funds registered with the SEC.

B. RESTRICTED ASSETS

Restricted assets consist of cash balances for the following purposes:

Debt service	\$ 60,477
Municipal court	266,043
Law enforcement	16,883
Other	51,297
Escrowed funds	282,710
Total	<u>\$ 677,410</u>

C. PROPERTY TAXES AND RECEIVABLES

The City’s property tax is levied each October 1 on the assessed value listed as of the previous January 1 for all real and personal property located in the City. The lien date is January 1 of that year and they become delinquent on February 1. The tax assessment of October 1, 2020 set a tax levy at \$0.8354 per \$100 of assessed valuation at 100 percent of market value. Delinquent property taxes estimated to be collected within the next fiscal year are recognized as revenues in the government-wide financial statements. At the fund level, delinquent property taxes estimated to be collected in time to be a resource, and therefore subject to accrual, have been recognized as revenue with the remaining balance recorded as deferred inflows of resources.

D. CAPITAL ASSETS

Changes in capital assets during the year ended September 30, 2021, were as follows:

	Balance September 30, 2020	Additions	Transfers/ Retirements	Balance September 30, 2020
Governmental Activities:				
Land	\$ 8,817	\$ -	\$ -	\$ 8,817
Buildings and improvements	1,589,068	-	-	1,589,068
Machinery and equipment	665,822	-	(68,471)	597,351
Less accumulated depreciation	<u>(1,221,607)</u>	<u>(77,974)</u>	<u>68,471</u>	<u>(1,231,110)</u>
Net capital assets	<u>\$ 1,042,100</u>	<u>\$ (77,974)</u>	<u>\$ -</u>	<u>\$ 964,126</u>
Business-type Activities				
Land	\$ 3,573	\$ -	\$ -	\$ 3,573
Construction-in-progress	705,018	504,290	-	1,209,308
Water and sewer system	7,821,069	-	-	7,821,069
Machinery and equipment	450,574	66,110	-	516,684
Less accumulated depreciation	<u>(3,490,523)</u>	<u>(227,315)</u>	<u>-</u>	<u>(3,717,838)</u>
Net capital assets	<u>\$ 5,489,711</u>	<u>\$ 343,085</u>	<u>\$ -</u>	<u>\$ 5,832,796</u>

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

Governmental activities:	
General government	\$ 4,560
Public safety	20,136
Public works	18,764
Parks and recreation	34,514
Total depreciation expense - governmental activities	<u>\$ 77,974</u>
Business-type activities:	
Water and Sewer	\$ 227,315
Total depreciation expense – business type activities	<u>\$ 227,315</u>

E. LONG-TERM DEBT

The following is a summary of long-term debt transactions for the year ended September 30, 2021:

	Balance 9/30/2020	Additions	Retirements	Balance 9/30/2021
Governmental Activities:				
Equipment loans	\$ 84,192	\$ -	\$ (19,308)	\$ 64,884
OPEB liability	20,663	5,288	-	25,951
Total	<u>\$ 104,855</u>	<u>\$ 5,288</u>	<u>\$ (19,308)</u>	<u>\$ 90,835</u>
Business-type Activities:				
Combination tax and revenue bonds	\$3,105,000	\$ -	\$ (215,000)	\$2,890,000
Equipment loans	173,312	-	(39,179)	134,133
OPEB liability	9,551	2,686	-	12,237
Total	<u>\$3,287,863</u>	<u>\$ 2,686</u>	<u>\$ (254,179)</u>	<u>\$3,036,370</u>
Component Unit Activities:				
Note payable	\$ 212,419	\$ -	\$ (14,577)	\$ 197,842

CITY OF HUBBARD, TEXAS

Notes to the Financial Statements

September 30, 2021

Long-term debt at September 30, 2021 consists of the following:

	<u>Governmental Type Activities</u>	<u>Business- Type Activities</u>
Combination Tax and Revenue Bonds:		
\$1,500,000 tax and revenue certificate of obligation, Series 2012, due in annual installments of \$35,000 to \$80,000 through 2043; interest at .35% to 4.25%	\$ -	\$1,220,000
\$2,810,000 tax and revenue refunding bonds, Series 2014 due in annual installments of \$150,000 to \$235,000 through 2029; interest at 3.26%	-	1,670,000
Loans payable:		
\$125,000 bank loan, due in quarterly installments of \$5,223 through 2023; interest at 3.98%, for water treatment plant upgrades	-	39,973
\$28,140 bank loan due in monthly installments of \$451 through 2023; interest at 4.82%, for the purchase of a truck	10,305	
\$43,000 loan, due in annual installments of \$9,801 through 2024; interest at 4.52%, for the purchase of a police vehicle	26,931	
\$62,000 loan, due in annual installments of \$7,624 through 2025; interest at 3.92%, for the purchase of machinery	27,648	-
\$114,511 loan, due in quarterly installments of \$7,645 through 2025; interest at 3.125%, for the purchase of machinery	-	94,160
Total primary government debt	<u>\$ 64,884</u>	<u>\$3,024,133</u>
	Component Unit Activities	
\$262,000 note payable, due in monthly installments of \$2,072 through 2031; interest at 5.0%	<u>\$ 197,842</u>	

CITY OF HUBBARD, TEXAS*Notes to the Financial Statements**September 30, 2021*

Debt service requirements to maturity for the above long – term debt is as follows:

Governmental-type activities:

Year Ended				
September 30,	Principle	Interest	Total	
2022	\$ 20,137	\$ 2,689	\$ 22,826	
2023	21,028	1,798	22,826	
2024	16,429	987	17,416	
2025	7,290	286	7,576	
Total	\$ 64,884	\$ 5,760	\$ 70,644	

Business-type activities:

Year Ended				
September 30,	Principle	Interest	Total	
2022	\$ 272,555	\$ 100,483	\$ 373,038	
2023	279,231	91,664	370,895	
2024	269,761	90,351	360,112	
2025	252,586	74,212	326,798	
2026	250,000	66,149	316,149	
2027-2031	915,000	218,034	1,133,034	
2032-2036	280,000	133,326	413,326	
2037-2041	345,000	66,988	411,988	
2042-2046	160,000	10,200	170,200	
Total	\$ 3,024,133	\$ 851,407	\$ 3,875,540	

Component unit activities:

Year Ended				
September 30,	Principle	Interest	Total	
2022	\$ 15,322	\$ 9,543	\$ 24,865	
2023	16,106	8,759	24,865	
2024	16,908	7,957	24,865	
2025	17,753	7,112	24,865	
2026	18,702	6,163	24,865	
2027-2030	113,051	15,457	128,508	
Total	\$ 197,842	\$ 54,991	\$ 252,833	

4. OTHER INFORMATION**A. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other governments in the State of Texas to form the Texas Municipal League Intergovernmental Risk Pool (the Pool), a public entity risk pool currently operating as a common risk management and insurance program for liability, property, and workmen's compensation coverage. The City pays a contribution to the Pool for its insurance coverage. The agreement for formation of the Pool provides that the Pool will be self-sustaining through member contributions and will reinsure through commercial companies for claims in excess of specific limits. The City has experienced no significant reductions in coverage through the Pool over the past year. There have been no insurance settlements exceeding Pool coverage for any of the last three years.

B. CONTINGENCIES

The City participates in grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant program are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

C. SANITATION SERVICES

The City maintains a contract with a trash disposal company for garbage collection within the City. Fees are billed monthly to the City based upon a fee schedule included in the contract. During the year ended September 30, 2021, payments by the City under the contract totaled \$177,072.

D. WATER PURCHASE AGREEMENTS

The City entered into an agreement with a special utility district for the purchase of water. Fees are billed monthly to the City based on gallons used and includes a minimum take and/or pay quantity of water. Total payments for the year were \$36,614.

E. LITIGATION AND VIOLATIONS

The City is a party to legal proceedings, many of which occur in the normal course of operations. It is not possible at the present time to estimate the ultimate outcome or liability, if any, of the city with respect to the various proceedings.

The City entered into an Agreed Order with the Texas Commission on Environmental Quality effective May 27, 2008. The order relates to alleged violations regarding the city's public water supply system. The City has paid the administrative penalty required by the Order in the amount of \$715. The Ordering

Provisions of the Order require, among other things, that the City shall provide either elevated storage or pressure tank capacity, or an alternative capacity requirement that complies with the TCEQ-approved requirements. The City is currently undergoing upgrades and improvements to its public water supply system to comply with the agreed upon order.

F. DEFINED BENEFIT PENSION PLAN**A. Plan Description**

The City participates as one of the 889 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

B. Benefits Provided

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

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

Plan provisions for the City were as follows:

	<u>Plan Year 2020</u>	<u>Plan Year 2019</u>
Employee deposit rate	6%	5%
Matching ratio (City to employee)	1.5 to 1	1 to 1
Years required for vesting	5	5
Retirement Eligibility (Age/Service)	60/5, 0/20	60/5, 0/20
Updated service credit	0%	0%
Annuity increase (to retirees)	0% of CPI Repeating	0% of CPI Repeating
Supplemental Death Benefit to Active Employee	Yes	Yes
Supplemental Death Benefit to Retirees	Yes	Yes

Employees covered by benefit terms:

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	20
<u>Active employees</u>	<u>11</u>
Total	36

C. Contributions

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

Employees for the City were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City were 2.81% and 2.90% for the calendar years 2020 and 2019, respectively. The City's contributions to TMRS for the year ended September 30, 2021, were \$12,930, and were equal to the required contributions.

D. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2020, 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, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.50% to 11.50% including inflation
Investment rate of return	6.75%

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption on the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%

CITY OF HUBBARD, TEXAS*Notes to the Financial Statements**September 30, 2021*

Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	<u>10.0%</u>	7.75%
Total	100.0%	

Discount Rate

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

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/19	\$ 536,777	\$ 568,001	\$ (31,224)
Changes for the year:			
Service cost	41,047	-	41,047
Interest	36,640	-	36,640
Changes in benefit terms	-	-	-
Difference between expected and actual experience	(1,073)	-	(1,073)
Changes of assumptions	-		-
Benefit payments, including refunds of employee contributions	(28,964)		(28,964)
Contributions-employer	-	13,212	(13,212)
Contributions-employee	-	27,334	(27,334)
Net investment income	-	43,182	(43,182)
Benefit payments, including refunds of emp. contributions	-	(28,964)	28,964
Administrative expense	-	(279)	279
Other	-	(11)	11
Net changes	<u>47,650</u>	<u>54,474</u>	<u>(6,824)</u>
Balance at 12/31/20	<u>\$ 584,427</u>	<u>\$ 622,475</u>	<u>\$ (38,048)</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 499,225	\$ (38,048)	\$ (108,892)

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.org.

E. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2021, the City recognized pension expense of \$12,930. At September 30, 2021, 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
Difference between expected and actual economic experience	\$ 1,729	\$ 6,676
Difference in assumption changes	1,763	-
Difference between projected and actual earnings on pension plan earnings	18,890	35,121
Contributions subsequent to the measurement date	-	-
	9,512	-
Total	<u>\$ 31,894</u>	<u>\$ 41,797</u>

The City reported \$9,512 as deferred outflows of resources related to the pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	Net deferred outflows (inflows) of resources
2021	(7,232)
2022	(1,673)
2023	(9,541)
2024	(969)
2025	-
Thereafter	-
Total	<u>\$ (19,415)</u>

F. Other Postemployment Benefits (OPEB)

A. Plan Description

Texas Municipal Retirement System (“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. Employers may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1. The City has elected to participate in the SDBF for its active members including retirees. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded single-employer OPEB plan (i.e. no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75) for City reporting.

B. Benefits Provided

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.

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	4
Inactive employees entitled to but not yet receiving benefits	4
Active employees	<u>11</u>
Total	<u><u>19</u></u>

C. Contributions

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. Contributions are made monthly based on the covered payroll of employee members of the participating member city. The contractually required contribution rate is determined annually for each city. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The retiree portion of contribution rates to the SDBF for the City was 0.26% in calendar year 2019 and 0.17% for 2020. The City’s contributions to the SDBF for the year ended September 30, 2021 were \$882 and were equal to the required contributions.

D. Total OPEB Liability

The City’s Total OPEB Liability (TOL) was measured as of December 31, 2020 and was determined by an actuarial valuation as of that date.

E. Actuarial Assumptions

The Total OPEB Liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Salary increases	3.5% to 11.5% including inflation
Discount rate	2.00%
Retiree's share of benefit related costs	\$ -

Salary increases were based on a service-related table. Mortality rates for active members, retirees and beneficiaries were based on the gender-district RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-district RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor. Administrative expenses are paid through the TMRS Pension Trust Fund and are wholly accounted for under the provisions of GASB Statement No. 68. Changes in assumptions reflect the annual change in the municipal bond rate. The actuarial assumptions used in the December 31, 2019 were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

The discount rate used to measure the Total OPEB Liability was 2.00% and was based on the Fidelity Index’s “20-Year Municipal GO AA Index” rate as of December 31, 2020.

F. Changes in Total OPEB Liability

Balance at 12/31/2019	\$ 30,214
Change for the year	
Service Cost	1,458
Interest on Total OPEB Liability	850
Change of benefit terms	-
Differences between expected and actual experience	(408)
Changes in assumptions or other inputs	6,120
Benefit payments	(46)
Net changes	<u>7,974</u>
Balance 12/31/2020	<u>\$38,188</u>

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 2.75%, 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 (1.00%) or 1 percentage-point higher (3.00%) than the current rate:

	1% Decrease	Discount Rate	1% Increase
	1.00%	2.00%	3.00%
Total OPEB liability	\$ 49,188	\$ 38,188	\$ 30,352

H. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2021, the City recognized OPEB expense of \$882. The calculation was based on the measurement date of December 31, 2020.

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 660	\$ -
Changes in assumptions and other inouts	8,169	-
Contributions made subsequent to the measurement date	575	-
Total	<u>\$ 9,404</u>	<u>\$ -</u>

The \$575 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will reduce the Total OPEB liability during the year ending September 30, 2021. The other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	Net deferred outflows (inflows) of resources
2021	2,022
2022	2,022
2023	2,022
2024	1,782
2025	981
Thereafter	-
Total	<u>\$ 8,829</u>

5. SUBSEQUENT EVENTS

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through April 29, 2022, the date the financial statements were available to be issued. No change to the financial statements for the fiscal year ended September 30, 2021 was deemed necessary as a result of this evaluation.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HUBBARD, TEXAS*Budgetary Comparison Schedule**For the Year Ended September 30, 2021**Governmental Funds*

	Original	Final		Variance
	Budget	Budget	Actual	Favorable
				(Unfavorable)
REVENUES				
Property tax	\$ 402,500	\$ 402,500	\$ 426,767	\$ 24,267
Sales tax	140,000	140,000	143,634	3,634
Franchise tax	79,000	79,000	73,854	(5,146)
Fines	305,200	305,200	159,436	(145,764)
Fees and permits	10,705	10,705	43,892	33,187
Other income	1,685	1,685	3,279	1,594
Total General Revenue	<u>939,090</u>	<u>939,090</u>	<u>850,862</u>	<u>(88,228)</u>
EXPENDITURES				
General government	215,465	206,465	204,262	2,203
Public safety	337,108	337,108	327,032	10,076
Public works	121,120	119,080	107,996	11,084
Parks and recreation	36,134	48,134	49,256	(1,122)
Court expenses	195,540	204,540	112,574	91,966
Capital outlays	-	1,600	-	1,600
Debt service	-	-	22,826	(22,826)
Total Expenses	<u>905,367</u>	<u>916,927</u>	<u>823,946</u>	<u>92,981</u>
Excess (Deficit) of Revenues				
Over Expenditures	<u>33,723</u>	<u>22,163</u>	<u>26,916</u>	<u>4,753</u>
Other Financing Sources (Uses)				
Proceeds from grants and contributions	2,000	14,800	18,407	3,607
Loan proceeds	-	-	-	-
Proceeds from asset disposals	-	6,500	6,500	-
Interest income	700	700	900	200
Total other financing sources (uses)	<u>2,700</u>	<u>22,000</u>	<u>25,807</u>	<u>3,807</u>
Net Change in Fund Balance	<u>\$ 36,423</u>	<u>\$ 44,163</u>	<u>\$ 52,723</u>	<u>\$ 8,560</u>

CITY OF HUBBARD, TEXAS

Schedule of Changes in Net Pension Liability and Related Ratios

Measurement Year
December 31, 2020

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

Notes to Schedule:

The City adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions, effective October 1, 2014. Information for years prior to the 2014 measurement year is not available.

CITY OF HUBBARD, TEXAS

Schedule of Employer Contributions-Pension Plan

September 30, 2021

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

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:

Amortization Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	N/A
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 Tables. The rates are projected on a fully generated 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	There were no benefit changes during the year.

Note:

The City adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions, effective October 1, 2014. Information for years prior to the 2014 measurement year is not available.

CITY OF HUBBARD, TEXAS

Schedule of Changes in OPEB Liability and Related Ratios

*Measurement Year
December 31, 2020*

	2020	2019	2018	2017
Total OPEB liability				
Service Cost	\$ 1,458	\$ 1,955	\$ 1,616	\$ 1,440
Interest (on the Total OPEB Liability)	850	881	693	645
Changes of benefit items	-	-	-	-
Difference between expected and actual experience	(408)	(702)	2,364	-
Change in assumptions or other inputs	6,120	5,334	(2,010)	1,700
Benefit payments	(46)	(45)	-	-
Net Change in Total OPEB Liability	7,974	7,423	2,663	3,785
Total OPEB Liability - Beginning	30,214	22,791	20,128	16,353
Total OPEB Liability - Ending	\$ 38,188	\$ 30,214	\$ 22,791	\$ 20,138
Covered Employee Payroll	\$ 455,568	\$ 454,764	\$ 403,983	\$ 399,998
Total OPEB Liability as a Percentage of Covered Payroll	8.38%	6.64%	5.64%	5.03%

Notes to Schedule:

Only three years of data is presented in accordance with GASB #75. Additional years' information will be displayed as it becomes available.

The TMRS Supplementary Death Benefit Fund (SDBF) is considered to be an unfunded OPEB plan; therefore, no plan fiduciary net position and related ratios are reported in the above schedule.

CITY OF HUBBARD, TEXAS

Schedule of OPEB Contributions

September 30, 2021

	2018	2019	2020	2021
Actuarially Determined Contribution	\$ 817	\$ 969	\$ 1,177	\$ 882
Contributions in relation to the actuarially determined contribution	817	969	1,177	882
Contribution deficiency (excess)	-	-	-	-
Covered employee payroll	\$ 402,695	\$ 429,689	\$ 457,422	\$ 456,369
Contributions as a percentage of covered employee payroll	0.20%	0.23%	0.26%	0.19%

Notes to Schedule:

Inflation	2.50%
Salary Increases	3.5% to 11.5% including inflation
Discount Rate*	2.00%
Retiree's Share of Benefit-Related Costs	\$ -
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality Rates-Service Retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality Rates-Disabled Retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for both females. In addition, a 3.5% and a 3% minimum mortality rate will be applied to reflect the impairments 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 discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2020.

COMPLIANCE SECTION

WILLIAM GRIMSLEY

CERTIFIED PUBLIC ACCOUNTANT

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

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

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hubbard, Texas, (the City) as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued my report thereon dated April 29, 2022.

Internal Control Over Financial Reporting

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

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 combination of deficiencies, in internal control such that there is 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 in charge of governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatements, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



William A. Grimsley, CPA
Gatesville, TX
April 29, 2022