

CITY OF HUBBARD, TEXAS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024

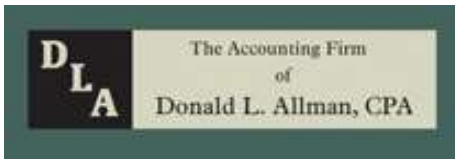
CITY OF HUBBARD, TEXAS

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4 - 10
 <i>Basic Financial Statements</i>	
Government Wide Statements:	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds	13
Reconciliation of the Balance Sheet of Governmental Funds To the Statement of Net Position	14
Statement of Revenues and Expenditures and Changes in Fund Balances – Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	16
Statement of Net Position – Proprietary Fund	17
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund	18
Statement of Cash Flows – Proprietary Fund	19
<i>Notes to Financial Statements</i>	20-40
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget To Actual-General Fund	41
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget To Actual-Proprietary Fund	42
Note to Schedule of Revenues, Expenditures, and Changes in Fund Balance- Budget to Actual-General Fund	43
Schedule of Changes in Net Pension Liability and Related Ratios	44
Schedule of Contributions	45
<i>Single Audit Act Requirements</i>	
Schedule of Expenditures of Federal Awards	46
Notes to Schedule of Expenditures of Federal Award	47
Independent Auditors Report on Internal Control Over Financial Reporting and on Compliance and Other Matters in Accordance with Government Auditing Standards	48

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	49-50
--	-------

Schedule of Findings and Questioned Costs	51-52
Schedule of Prior Year Findings and Questioned Costs-Single Audit	53
Corrective Action Plan -Single Audit	54
Schedule of Prior Year Findings and Questioned Costs-Financial and Forensic Audit	55
Corrective Action Plan – Financial and Forensic Audit	56



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

CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hubbard, Texas as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City of Hubbard, Texas' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hubbard, Texas, as of September 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

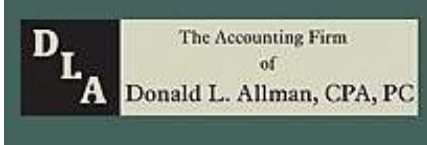
Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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



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

CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT (Continued)

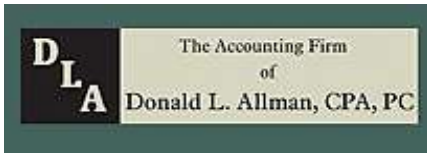
In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-9 and 45-46 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.



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

CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT (Continued)

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hubbard, Texas' basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2025 on our consideration of the City of Hubbard, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Hubbard, Texas' 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 City of Hubbard, Texas' internal control over financial reporting and compliance.

Donald L. Allman, CPA, P.C.

Georgetown, TX
June 12, 2025

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

Management's Discussion and Analysis City of Hubbard, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Hubbard's financial performance provides an overview and analysis of the City's financial activities for the fiscal year ended September 30, 2024. Please read it in conjunction with the independent Auditors' Report on page 1, and the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- The City's government-wide net position decreased by \$1,382,549 as a result of the year's operations.
- The City's business-type activities net position increased by \$1,449,480 as a result of this year's operations, before transfers. The City's general fund activities net position decreased by \$(66,531) as a result of this year's operations, before transfers.
- Total revenues from all sources were \$3,838,864 an increase of \$1,704,209 from the prior year. This was primarily due to increases in grant income.
- During the year, the City's cost of all programs was \$2,456,315, which represents a decrease of \$(2,913) from the prior year.
- At September 30, 2024, the City's governmental funds reported an ending balance of \$266,938, which represents an increase of \$5,118 from the prior year.

USING THIS ANNUAL REPORT

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

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

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

Management's Discussion and Analysis City of Hubbard, Texas

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

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

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

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

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

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

Management's Discussion and Analysis City of Hubbard, Texas

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's combined net position was \$5,968,086 of September 30, 2024. When analyzing the net position and net expenses of governmental and business-type activities separately, the business type activities net position is \$3,385,695. The analysis focuses on net position (Table I) and general revenues and significant expenses of the City's governmental and business-type activities (Table II).

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

Table I

NET POSITION

	Governmental Activities		Business-type Activities		Total Primary Government	
	2024	2023	2024	2023	2024	2023
Current and other						
assets	\$ 411,978	\$ 365,457	\$ 1,581,386	\$ 1,892,397	\$ 1,993,364	\$ 2,257,854
Capital assets, net	825,218	892,075	7,726,674	6,235,726	8,551,892	7,127,801
Restricted assets	<u>7,684</u>	<u>17,416</u>	<u>481,783</u>	<u>475,430</u>	<u>489,467</u>	<u>492,846</u>
Total assets	<u>1,244,880</u>	<u>1,274,948</u>	<u>9,789,843</u>	<u>8,603,553</u>	<u>11,034,723</u>	<u>9,878,501</u>
Deferred Outflows of Resources	93,836	90,497	45,121	44,445	138,957	134,942
Current liabilities	77,869	50,971	526,627	502,776	604,496	553,747
Long-term liabilities	<u>19,901</u>	<u>27,512</u>	<u>4,413,183</u>	<u>4,716,799</u>	<u>4,433,084</u>	<u>4,744,311</u>
Total liabilities	<u>97,770</u>	<u>78,483</u>	<u>4,939,810</u>	<u>5,219,575</u>	<u>5,037,580</u>	<u>5,298,058</u>
Deferred Inflows of Resources	107,635	87,120	60,379	42,278	168,014	129,848
Net Position:						
Net Investment in Capital Assets	825,218	868,379	5,005,781	3,244,247	5,830,999	4,112,626
Restricted for:						
Debt service	-	17,416	474,197	475,430	474,197	492,846
Unrestricted	<u>308,093</u>	<u>314,047</u>	<u>(645,203)</u>	<u>(333,982)</u>	<u>(337,110)</u>	<u>(19,935)</u>
Total net position	<u><u>1,133,311</u></u>	<u><u>1,199,842</u></u>	<u><u>4,834,775</u></u>	<u><u>3,385,695</u></u>	<u><u>5,968,086</u></u>	<u><u>4,585,537</u></u>

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

**Table II
CHANGE IN NET POSITION**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2024	2023	2024	2023	2024	2023
Revenues						
Program Revenues:						
Charges for services	\$ 224,391	\$ 244,907	\$ 1,061,402	\$ 958,676	\$ 1,285,793	\$ 1,203,583
General Revenues:						
Property tax	545,236	477,001	179,885	15,464	725,121	492,465
Sales tax	211,216	188,941	-	-	211,216	188,941
Franchise Tax	77,729	80,217	-	-	77,729	80,217
Hotel Tax & Alcohol	3,321	3,687	-	-	3,321	3,687
Court fines & fees	171,037	94,402	-	-	171,037	94,402
Grant income & donations	3,230	2,505	1,319,273	26,425	1,322,503	28,930
Other income	9,777	4,984	21,512	28,053	31,289	33,037
Investment earnings	1,189	1,218	9,666	8,175	10,855	9,393
Total revenues	<u>1,247,126</u>	<u>1,097,862</u>	<u>2,591,738</u>	<u>1,036,793</u>	<u>3,838,864</u>	<u>2,134,655</u>
Expenses:						
General government	305,719	377,235	-	-	305,719	377,235
Public safety	507,113	412,685	-	-	507,113	412,685
Public works	205,945	136,010	-	-	205,945	136,010
Court expenses	136,669	50,780	-	-	136,669	50,780
Parks and recreation	156,938	201,068	-	-	156,938	201,068
Grant expenses	-	-	-	-	-	-
Interest expense	1,273	1,798	185,793	146,217	187,066	148,015
Water and sewer	-	-	956,865	1,133,435	956,865	1,133,435
Total expenses	<u>1,313,657</u>	<u>1,179,576</u>	<u>1,142,658</u>	<u>1,279,652</u>	<u>2,456,315</u>	<u>2,459,228</u>
Increase in net position						
Before transfer	(66,531)	(81,714)	1,449,080	(242,859)	1,382,549	(324,573)
Transfers	-	60,000	-	(60,000)	-	-
Increase in net position	<u>(66,531)</u>	<u>(21,714)</u>	<u>1,449,080</u>	<u>(302,859)</u>	<u>1,382,549</u>	<u>(324,573)</u>
Net position - beginning	1,199,842	1,221,556	3,385,695	3,688,554	4,585,537	4,910,110
Prior Period Adjustment	-	-	-	-	-	-
Net position - ending	<u>1,133,311</u>	<u>1,199,842</u>	<u>4,834,775</u>	<u>3,385,695</u>	<u>5,968,086</u>	<u>4,585,537</u>

Management's Discussion and Analysis

City of Hubbard, Texas

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

A large portion of the City's net position (98%) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (11%) represents resources that are subject to external restrictions on how they may be used. The balance of *unrestricted net position*, \$(337,110) or (5.6)%, may be used to meet the government's ongoing obligations to citizens and suppliers.

For the fiscal year 2024, revenues from governmental activities totaled \$1,247,126. Property taxes and sales taxes are the largest components of revenue 61%.

For fiscal year 2024, expenses for governmental activities totaled \$1,313,657. The City's two largest funded programs are public safety and general government.

Revenues of the city's business-type activities were \$2,591,738 for the fiscal year ending September 30, 2024. Expenses for the City's business-type activities were \$1,142,658. The City's largest expenses are personnel services and repairs and maintenance.

THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on page 12) reported a combined fund balance of \$266,938 which is less than last year's total of \$261,820.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2024, the city has invested \$8,551,892 in capital assets, including water& wastewater system, buildings& improvements, vehicles, equipment and land, net of depreciation. This amount represents a net increase of \$1,424,091 due to current year additions and depreciation. This year's major additions included:

Water System and Sewer System Improvements \$1,806,604. Equipment additions \$7,478 in the general fund.

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

Debt

At year-end, the City had \$4,699,000 in long-term debt outstanding, versus \$5,016,978 last year. This decrease is due to principal payments made in 2024.

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

Management's Discussion and Analysis City of Hubbard, Texas

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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

For the 2024 fiscal year, the City adopted a \$961,313 budget for the General Fund and a \$969,654 budget for the Enterprise Fund. It will be funded through property taxes via a \$0.887 property tax rate and water and sewer revenue.

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

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

CITY OF HUBBARD, TEXAS
STATEMENT OF NET POSITION
September 30, 2024

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Unit
<u>Assets</u>				
Cash and cash equivalents	\$ 309,458	\$ 1,182,728	\$ 1,492,186	\$ 271,641
Accounts receivable, net of allowance for doubtful accounts	102,520	398,658	501,178	-
Capital assets, net	825,218	7,726,674	8,551,892	492,206
Prepaid expenses	-	-	-	-
Net Pension Asset	7,684	7,586	15,270	-
Restricted assets:				
Cash and investments	-	474,197	474,197	-
Total assets	1,244,880	9,789,843	11,034,723	763,847
Deferred Outflows of Resources	93,836	45,121	138,957	-
<u>Liabilities</u>				
Accounts payable	61,746	78,798	140,544	37
Accrued expenses	16,123	35,989	52,112	-
Customer deposits	-	116,840	116,840	-
Noncurrent liabilities				
Due within one year	-	295,000	295,000	17,753
Due in more than one year	-	4,404,000	4,404,000	392,796
Net OPEB Liability	19,901	9,183	29,084	-
Net Pension Liability	-	-	-	-
Total liabilities	97,770	4,939,810	5,037,580	410,586
Deferred Inflows of Resources	107,635	60,379	168,014	-
<u>Net Position</u>				
Net Investment in Capital Assets	825,218	5,005,781	5,830,999	-
Restricted for:				
Debt service	-	474,197	474,197	-
Economic development	-	-	-	353,261
Unrestricted net position	308,093	(645,203)	(337,110)	-
Total Net Position	\$ 1,133,311	\$ 4,834,775	\$ 5,968,086	\$ 353,261

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

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF HUBBARD, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2024

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Primary Government			Component Unit
				Governmental Activities	Business-type Activities	Total	
Primary Government:							
Governmental activities:							
General government	\$ 305,719	\$ 224,391	\$ -	\$ (81,328)	\$ -	\$ (81,328)	\$ -
Public safety	507,113	-	3,230	(503,883)	-	(503,883)	-
Municipal Court	136,669	171,037		34,368		34,368	
Public works	205,945	-	-	(205,945)	-	(205,945)	-
Interest expense	187,066			(1,273)	(185,793)	(187,066)	
Parks and recreation	156,938	-	-	(156,938)	-	(156,938)	-
Total governmental activities	1,499,450	395,428	3,230	(914,999)	(185,793)	(1,100,792)	-
Business-type activities							
Water and Sewer	956,865	1,061,402	1,319,273	-	1,423,810	1,423,810	-
Total business-type activities	956,865	1,061,402	1,319,273	(914,999)	1,238,017	323,018	-
Total primary government	2,456,315	1,456,830	1,322,503				
Component unit:							
Economic development	80,099	-	-	-	-	-	(80,099)
General revenues:							
Property taxes				545,236	179,885	725,121	
Sales taxes				211,216	-	211,216	91,200
Franchise taxes				77,729	-	77,729	-
Hotel & alcoholic beverage tax				3,321	-	3,321	-
Other income				9,777	21,512	31,289	19,361
Investment & other earnings				1,189	9,666	10,855	423
Total general revenues				848,468	211,063	1,059,531	110,984
Changes in net position				(66,531)	1,449,080	1,382,549	30,885
Transfers				-	-	-	
Net position - beginning of year				1,199,842	3,385,695	4,585,537	322,376
Net position - end of year				\$ 1,133,311	\$ 4,834,775	\$ 5,968,086	\$ 353,261

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

CITY OF HUBBARD, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2024

	General	Total Governmental Funds
<u>ASSETS</u>		
Cash and investments	\$ 309,458	\$ 309,458
Accounts receivable (net)	102,520	102,520
Restricted cash	-	-
Total Assets	\$ 411,978	\$ 411,978
<u>LIABILITIES AND FUND BALANCES</u>		
Liabilities:		
Accounts payable	\$ 61,746	\$ 61,746
Accrued liabilities	16,123	16,123
Unearned revenue	67,171	67,171
Total Liabilities	145,040	145,040
Fund Balances:		
Nonspendable	-	-
Restricted	-	-
Committed	-	-
Assigned	-	-
Unassigned	266,938	266,938
Total Fund Balances	266,938	266,938
 Total Liabilities and Fund Balances	 \$ 411,978	 \$ 411,978

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

CITY OF HUBBARD, TEXAS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
September 30, 2024

Total fund balance (deficit) - governmental funds	\$ 266,938
Net Pension & OPEB liability is not included in governmental funds	(12,217)
Amounts reported for governmental activities in the statement of net assets are different because:	
Deferred Outflows of Resources are not included in Govt. Funds	93,836

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

Land	\$ 8,817	
Buildings & Improvements	1,589,068	
Machinery & Equipment	686,382	
 Accumulated Depreciation	 (1,459,049)	
Total Capital Assets		825,218
Various accounting differences between govt. wide and gov. funds		-
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the fund cash reserved		67,171
Deferred Inflows of Resources are not included in Governmental funds		(107,635)
Some long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		

Long-term debt	-	
Total Long-Term Liabilities		-
 Net Position of governmental activities		 <u>\$ 1,133,311</u>

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

CITY OF HUBBARD, TEXAS
STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN GOVERNMENTAL FUNDS
For the Year Ended September 30, 2024

	<u>General</u>
REVENUE	
General property taxes	\$ 564,576
Sales taxes	211,216
Franchise and other taxes	81,050
Fines	171,037
Fees and permits	224,391
Other charges and service income	-
Interest	1,189
Other income	9,777
Grant Income	<u>3,230</u>
Total Revenue	<u>\$ 1,266,466</u>
EXPENDITURES	
General government	\$ 264,118
Public safety	480,642
Public works	197,328
Parks and recreation	151,417
Court expenses	136,669
Pension expense	-
Debt service:	
Principal	23,696
Capital outlay	<u>7,478</u>
Total Expenditures	<u>\$ 1,261,348</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>\$ 5,118</u>
OTHER FINANCING SOURCES (USES)	
Transfers in	-
Transfers from Restricted Assets	<u>-</u>
Total Other Financing Sources (Uses)	<u>\$ -</u>
EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ 5,118</u>
FUND BALANCE, BEGINNING OF YEAR	<u>261,820</u>
FUND BALANCE, END OF YEAR	<u><u>266,938</u></u>

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

CITY OF HUBBARD, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2024

Change in net position of governmental funds	\$ 5,118
Amounts reported for governmental activities in the statement of activities (page 14) are different because:	
Net change in pension asset, opeb liability, deferred outflows and deferred inflows	-
Difference in property tax revenues for govt. funds	(19,340)
Total Pension & OPEB Expense not included in Govt. Funds	(9,149)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (74,334) was more than capital outlays (7,478) in the current	(66,856)
Governmental funds report debt proceeds as current financial resources. In contrast, the statement of activities treats the incurrence of debt as a liability. Governmental funds report repayment of debt as an expenditure. In contrast, the statement of activities treats such repayments as a reduction in long-term liabilities. This is the amount of debt payments.	23,696
Increase in accrued absences	-
Change in net position of governmental activities (page 11)	<u>\$ (66,531)</u>

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

CITY OF HUBBARD, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
September 30, 2024

	Business-type Activities
	<u>Enterprise Fund</u>
<u>Assets</u>	
Current assets:	
Cash and cash equivalents	\$ 1,182,728
Prepaid expenses	-
Accounts receivable, net	<u>398,658</u>
Total current assets	1,581,386
Noncurrent assets:	
Net Pension Asset	7,586
Restricted cash and investments	474,197
Capital assets, net	<u>7,726,674</u>
Total noncurrent assets	<u>8,208,457</u>
Total assets	<u><u>\$ 9,789,843</u></u>
Deferred Outflows of Resources	45,121
<u>Liabilities</u>	
Current liabilities:	
Accounts payable	\$ 78,798
Accrued expenses	35,989
Customer deposits	116,840
Current portion of long-term debt	<u>295,000</u>
Total current liabilities	526,627
Noncurrent liabilities	
Net Pension Liability	-
Revenue Bonds	4,404,000
Net OPEB Liability	<u>9,183</u>
Total liabilities	<u><u>\$ 4,939,810</u></u>
Deferred Inflows of Resources	60,379
<u>Net Position</u>	
Net Investment in Capital Assets	5,005,781
Restricted for debt service	474,197
Unrestricted	<u>(645,203)</u>
Total net position	<u><u>\$ 4,834,775</u></u>
Total liabilities and net position	<u><u>\$ 9,774,585</u></u>

The accompanying notes are an integral part of the financial statements

CITY OF HUBBARD, TEXAS
STATEMENT OF REVENUE, EXPENSES,
AND CHANGES IN NET POSITION – PROPRIETARY FUND
Year Ended September 30, 2024

	Business-Type Activities
	<u>Enterprise Fund</u>
OPERATING REVENUE	
Interest & sinking fund property tax	179,885
Charges for services	\$ 1,061,402
Total Operating Revenue	<u>1,241,287</u>
OPERATING EXPENSES	
Cost of water	129,823
Cost of sanitation	214,351
Cost of sewer	61,039
Personnel services	170,453
Maintenance and repairs	32,076
Administration	25,030
Depreciation	<u>315,656</u>
Total Operating Expenses	948,428
OPERATING GAIN (LOSS)	292,859
NON-OPERATING REVENUE (EXPENSES)	
Grant income	1,319,273
Interest income	9,666
Interest expense	(185,793)
Grant expense	-
Total Pension & OPEB Expense	(8,437)
Other income	<u>21,512</u>
Total Non-operating Revenue (Expenses)	1,156,221
Interfund transfers:	
Transfers (out)	\$ <u>-</u>
Total interfund transfers	
NET GAIN (LOSS)	1,449,080
Net Position - beginning of year	<u>3,385,695</u>
Net Position - end of year	<u>4,834,775</u>

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

CITY OF HUBBARD, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
September 30, 2024

	Business-type Activities Enterprise Fund
<u>Cash Flows from Operating Activities</u>	
Cash received from customers	\$ 1,013,790
Cash payments to suppliers	(612,947)
Cash payments to employees	(170,453)
Net Cash Provided by Operating Activities	<u>372,421</u>
<u>Cash Flows from Non-Capital Financing Activities</u>	
Transfers from (to) other funds	36,000
other income	21,512
Grant income	1,319,273
Net cash (used) in non-capital financing activities	<u>1,376,785</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Acquisition of capital assets	(1,806,604)
Payments on long-term bonds	(306,586)
Interest paid	(185,793)
Bond proceeds	-
Net Cash Provided by Capital and Related Financing Activities	<u>(2,298,983)</u>
<u>Cash Flows from Investing Activities</u>	
Interest received	9,666
(Increase) decrease in restricted cash	1,233
Net Cash Provided by Investing Activities	<u>10,899</u>
Net Increase in Cash and Cash Equivalents	(538,878)
Cash and cash equivalents - beginning of year	<u>1,721,606</u>
Cash and cash equivalents - end of year	<u>\$ 1,182,728</u>
<u>Reconciliation of operating loss to net cash provided by operating activities:</u>	
Operating income (loss)	\$ 292,859
Adjustments to reconcile operating loss to net cash provided by Operating Activities:	
Depreciation expense	315,656
(Increase) decrease in accounts receivable	(227,867)
(Increase) decrease in prepaid expenses	-
Increase (decrease) in accounts payable	28,971
Increase (decrease) in accrued expenses	(47,081)
Increase (decrease) in customer deposits	9,883
Total adjustments	79,562
Net Cash Provided by Operating Activities	<u>\$ 372,421</u>

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

CITY OF HUBBARD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. REPORTING ENTITY

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

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

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

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

B. FINANCIAL REPORTING MODEL

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

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

CITY OF HUBBARD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. FINANCIAL REPORTING MODEL (Continued)

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

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

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

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

C. MEASUREMENT OF FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

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

CITY OF HUBBARD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. FUND ACCOUNTING

The City reports the following major governmental fund:

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

The City reports the following major proprietary fund:

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

Additionally, the government reports the following fund type:

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

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

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

Pensions:

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

CITY OF HUBBARD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2024

purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's Total Pension Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions.

Deferred Outflows/Inflows of Resources:

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

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

CITY OF HUBBARD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. *ASSETS, LIABILITIES, AND NET POSITION*

a. Deposits and Investments

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

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

b. Receivables and Payables

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

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

c. Restricted Assets

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

d. Capital Assets

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

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

CITY OF HUBBARD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

d. Capital Assets (Continued)

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

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

e. General Obligation Enterprise Bonds

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

f. Compensated Absences

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

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

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

g. Fund Equity

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

h. Estimates

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

CITY OF HUBBARD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

h. Estimates (continued)

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

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

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

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

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

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

CITY OF HUBBARD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2024

3. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS

As of September 30, 2024, cash deposits were with a depository bank in interest bearing accounts. The carrying amounts of the City's General Funds and Utility Funds deposits and the bank accounts of the Economic Development Corporation deposits were \$2,238,024 and the bank balances were \$2,238,024 of which \$0 is not insured by the Federal Deposit Insurance Corporation. These assets are valued at cost which approximates market value. Restricted cash is for debt service and is \$474,197. \$1,966,383 is cash for the City of Hubbard and \$271,641 is cash for the EDC.

As of September 30, 2024, the City's depository bank for these funds had pledged securities sufficient to cover the amount above FDIC limits.

3. DETAILED NOTES ON ALL FUNDS (Continued)

B. RESTRICTED TEMPORARY INVESTMENTS

Governmental Activities Assets Restricted

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

\$4,708

Business Type Activities Assets Restricted

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

\$0

C. PROPERTY TAXES AND RECEIVABLES

The City's property tax is levied each October 1 on the assessed value listed as of the previous January 1 for all real and personal property located in the City. The lien date is January 1 of that year and they become delinquent on February 1. The tax levy for October, 2023 (fiscal year ended September 30, 2024) was \$678,812.

The tax assessment of October 1, 2021 tax sets a tax levy at \$.887 per \$100 of assessed valuation at 100 percent of market value.

Delinquent property taxes estimated to be collected within the next fiscal year are recognized as revenues. Other delinquent property taxes receivable at year end that are deemed uncollectible are recorded as deferred revenues in the governmental fund balance sheet. Current property taxes receivable at 9/30/24 were \$37,589 and delinquent property taxes receivable were \$53,800 for a total due of \$91,389.

CITY OF HUBBARD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2024

3. DETAILED NOTES ON ALL FUNDS (Continued)

D. CAPITAL ASSETS

Changes in capital assets during the year ended September 30, 2024, were as follows:

	Balance October 1, 2023	Additions	Transfers/ Retirements	Balance September 30, 2024
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 8,817	\$ -	\$ -	\$ 8,817
Capital assets being depreciated:				
Buildings and improvements	1,589,068	-	-	1,589,068
Machinery and equipment, vehicles	678,904	7,478	-	686,382
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets being depreciated	2,267,972	7,478	-	2,275,450
Less accumulated depreciation	(1,384,714)	(74,335)	-	(1,459,049)
Total capital assets, being depreciated, net	883,258	(66,857)	-	816,401
Governmental activities capital assets, net	<u>892,075</u>	<u>(66,857)</u>	<u>-</u>	<u>825,218</u>
Business-type Activities				
Capital assets not being depreciated				
Land	\$ 3,573	\$ -	\$ -	\$ 3,573
Total capital assets not being depreciated	<u>3,573</u>	<u>-</u>	<u>-</u>	<u>3,573</u>
Capital assets being depreciated:				
Construction in progress	-	-	-	-
Water system	9,709,161	1,802,533	-	11,511,694
Machinery and equipment	770,210	4,071	-	774,281
Total capital assets, being depreciated	10,479,371	1,806,604	-	12,285,975
Less accumulated depreciation	(4,247,218)	(315,656)	-	(4,562,874)
Total capital assets, being depreciated, net	<u>6,232,153</u>	<u>1,490,948</u>	<u>-</u>	<u>7,723,101</u>
Business-type activities capital assets, net	<u>\$ 6,235,726</u>	<u>\$ 1,490,948</u>	<u>\$ -</u>	<u>\$ 7,726,674</u>

CITY OF HUBBARD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2024

3. DETAILED NOTES ON ALL FUNDS (Continued)

D. CAPITAL ASSETS (Continued)

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

Governmental activities:	
General government	35,066
Public safety	25,130
Streets	8,617
Parks and recreation	5,521
Total depreciation expense - governmental activities	<u>\$ 74,334</u>
Business-type activities:	
Water and sewer	<u>\$ 315,656</u>

E. LONG-TERM DEBT

The following is a summary of long-term debt transactions in the business-type activities for the year ended September 30, 2024:

Business-type activities	Balance	Increases	Decreases	Balance
	10/1/2023			9/30/2024
Combination Tax and Revenue Bonds	4,987,000	-	288,000	4,699,000
Equipment loans	18,586	-	18,586	-
	<u>5,005,586</u>	<u>-</u>	<u>306,586</u>	<u>4,699,000</u>

General Fund	Balance	Increase	Decrease	Balance
	10/1/2023			9/30/2024
Equipment loans	\$ 23,696		\$ (23,696)	\$ -
	<u>23,696</u>		<u>(23,696)</u>	<u>\$ -</u>

Component Unit activities

Note payable	166,414	-	16,908	149,506
Govt. Capital Corp loan payable		269,000	7,957	261,043
		-		
	<u>166,414</u>	<u>269,000</u>	<u>16,908</u>	<u>410,549</u>

CITY OF HUBBARD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2024

3. DETAILED NOTES ON ALL FUNDS (Continued)

E. LONG-TERM DEBT (Continued)

Long-term debt for general fund and business-type activities at September 30, 2024 consists of the following:

<u>Payee and Terms</u>	<u>General Fund</u>	<u>Proprietary Fund</u>
\$125,000 bank loan, due in quarterly installments of \$5,223 through 2023, interest at 3.98%, for water treatment plan upgrades	\$ -	\$ -
due in annual installments of \$35,000 to \$80,000 through 2043, interest at .35% to 4.25%	\$ -	\$ -
\$2,957,000 tax and revenue refunding bonds, Series 2021 due in annual installments of \$150,000 to \$235,000 through 2029; interest at 3.26%	\$ -	\$ 2,189,000
\$114,511 loan, due in quarterly installments of \$7,645 through 2025; interest at 3.125%, for the purchase of machinery		\$ -
\$2,550,000 loan, interest rate 4.89%, due in installments of \$40,000 to \$303,000, matures 2/15/2038		\$ 2,510,000
\$28,140 bank loan due in monthly installments of \$451 through 2023; interest at 4.82%, for the purchase of a truck	-	
\$43,000 loan, due in annual installments of \$9,801 through 2024; interest at 4.52%, for the purchase of a police vehicle	\$ -	
\$62,000 loan, due in annual installments of \$7,624 through 2025; interest at 3.92%, for the purchase of machinery	\$ -	\$ -
Total	\$ -	\$ 4,699,000
Less current portion	-	295,000
Total Long-Term Debt	<u>\$ -</u>	<u>\$ 4,404,000</u>

Component Unit

269,000 Government Capital Corporation note payable	\$ 261,043
\$262,000 note payable, due in monthly installments of \$2,072	\$ 149,506
	<u>410,549</u>

The annual requirements to amortize the long-term debt outstanding in the business-type activities as of September 30, 2024, are as follows:

<u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	295,000	179,197	474,197
2026	300,000	172,357	472,357
2027	311,000	165,252	476,252
2028	316,000	157,870	473,870
2029	323,000	150,254	473,254
2030-2031	524,000	268,737	792,737
2032-2036	1,533,000	437,268	1,970,268
2037-2041	937,000	96,278	1,033,278
2042-2046	160,000	10,200	170,200
Total	\$ 4,699,000	\$ 2,496,537	\$ 21,061,874

CITY OF HUBBARD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2024

3. DETAILED NOTES ON ALL FUNDS (Continued)

E. *LONG-TERM DEBT (Continued)*

The annual requirements to amortize the long-term debt outstanding in the general fund as of September 30, 2024 are as follows:

Zero

3. DETAILED NOTES ON ALL FUNDS (Continued)

4. OTHER INFORMATION

A. *RISK MANAGEMENT*

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

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

5. Forensic Examination Report

The City of Hubbard had a Forensic Examination that was reported on April 29, 2025. This report concluded that the former Court Clerk for the City of Hubbard had defrauded the City of Hubbard in the amount of \$235,501 from January 1, 2019 through March 27, 2024. The defendant has been indicted, but no further information is available as of June 12, 2025. It is not known whether any retribution payments will be included in this case.

CITY OF HUBBARD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2024

4. OTHER INFORMATION (Continued)

B. PENSION PLAN

Plan Description

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

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

B. Benefits Provided

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

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

CITY OF HUBBARD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2024

III. DETAILED NOTES ON ALL FUNDS (Continued)

I. PENSION PLAN (Continued)

Employees covered by benefit terms.

At the December 31, 2023 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	21
Active employees	<u>13</u>
Total	39

C. Contributions

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

Employees for the City of Hubbard were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City of Hubbard were 6% and 6% in calendar years 2023 and 2024 respectively. The city's contributions to TMRS for the year ended September 30, 2024 were 16,943, and were equal to the required contributions.

D. Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2023, 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, 2023 actuarial valuation was determined using the following actuarial assumptions:

Inflation 2.5% per year

Overall payroll growth 3.5-10.5% per year

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

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

III. DETAILED NOTES ON ALL FUNDS (Continued)

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

Actuarial assumptions used in the December 31, 2023, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2010 through December 31, 2014, first used in the December 31, 2017 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2020 valuation.

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

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

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

Discount Rate

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

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

III. DETAILED NOTES ON ALL FUNDS (Continued)

I. PENSION PLAN (Continued)

City of Hubbard		
Schedule of Changes in Net Pension Liability and Related Ratios Current Period		
September 30, 2024		
A. Total pension liability		
1. Service Cost	\$	53,126
2. Interest (on the Total Pension Liability)		46,798
3. Changes of benefit terms		-
4. Difference between expected and actual experience		17,238
5. Changes of assumptions		(5,813)
6. Benefit payments, including refunds of employee contributions		(24,390)
7. Net change in total pension liability	\$	86,959
8. Total pension liability - beginning		678,942
9. Total pension liability - ending	\$	765,901
B. Plan fiduciary net position		
1. Contributions - employer	\$	16,943
2. Contributions - employee		34,460
3. Net investment income		78,431
4. Benefit payments, including refunds of employee contributions		(24,390)
5. Administrative Expense		(498)
6. Other		(3)
7. Net change in plan fiduciary net position	\$	104,943
8. Plan fiduciary net position - beginning		676,228
9. Plan fiduciary net position - ending	\$	781,171
C. Net pension liability [A.9-B.9]	\$	(15,270)
D. Plan fiduciary net position as a percentage of the total pension liability [B.9 / A.9]		101.99%
E. Covered-employee payroll	\$	574,337
F. Net pension liability as a percentage of covered employee payroll [C / E]		-2.66%

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	\$103,685	\$(15,270)	\$(111,082)
Pension Plan Fiduciary Net Position			

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

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

III. DETAILED NOTES ON ALL FUNDS (Continued)

I. PENSION PLAN (Continued)

CITY OF HUBBARD			
SCHEDULE OF PENSION EXPENSE			
SEPTEMBER 30, 2024			
1.	Total Service Cost		\$ 53,126
2.	Interest on the Total Pension Liability		46,798
3.	Current Period Benefit Changes		-
4.	Employee Contributions (Reduction of Expense)		(34,460)
5.	Projected Earnings on Plan Investments (Reduction of Expense)		(45,645)
6.	Administrative Expense		498
7.	Other Changes in Fiduciary Net Position		3
8.	Recognition of Current Year Outflow (Inflow) of Resources - Liabilities		3,593
9.	Recognition of Current Year Outflow (Inflow) of Resources - Assets		(6,558)
10.	Amortization of Prior Year Outflows (Inflows) of Resources - Liabilities		(4,561)
11.	Amortization of Prior Year Outflows (Inflows) of Resources - Assets		2,819
12.	Total Pension Expense		\$ 15,613

CITY OF HUBBARD							
SCHEDULE OF OUTFLOWS AND INFLOWS - CURRENT AND FUTURE EXPENSE							
SEPTEMBER 30, 2024							
	Recognition				2023		
	Period (or	Total (Inflow)	Recognized	Deferred			
	amortization	or Outflow of	in current	(Inflow) Outflow			
	yrs)	Resources	pension expense	in future expense			
Due to Liabilities:							
Difference in expected and actual experience [actuarial (gains) or losses]	3.1800	\$ 17,238	\$ 5,421	\$ 11,817			
Difference in assumption changes [actuarial (gains) or losses]	3.1800	\$ (5,813)	\$ (1,828)	\$ (3,985)			
			\$ 3,593	\$ 7,832			
Due to Assets:							
Difference in projected and actual earnings on pension plan investments [actuarial (gains) or losses]	5.0000	\$ (32,786)	\$ (6,558)	\$ (26,228)			
			\$ (6,558)	\$ (26,228)			
Total:				\$ (18,396)			
Deferred Outflows and Deferred Inflows of Resources, by year, to be recognized in future pension expense as follows:							
	Net deferred						
	outflows						
	(inflows) of						
	resources						
2024	\$ 1,563						
2025	6,265						
2026	14,217						
2027	(6,554)						
2028	-						
Thereafter	-						
Total	\$ 15,491						

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

Net Other Post Employment Benefits Liability. Actuarial Assumptions

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

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

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

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

City of Hubbard		
Schedule of Changes in Net OPEB Liability		
September 30, 2024		
A. Total OPEB liability		
1. Service Cost	\$	1,264
2. Interest (on the Total OPEB Liability)		1,132
3. Changes of benefit terms		-
4. Difference between expected and actual experience		(2,097)
5. Changes of assumptions		1,808
6. Benefit payments, including refunds of employee contributions		(689)
7. Net change in total pension liability	\$	1,418
8. Total pension liability - beginning		27,666
9. Total pension liability - ending	\$	29,084
B. Covered-employee payroll	\$	574,337
C. Total OPEB liability as a percentage of covered employee payroll [A/B]		5.06%

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

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

	1% Decrease in Discount Rate (2.31%)	Discount Rate (3.31%)	1% Increase in Discount Rate (4.31%)
Total OPEB liability	\$36,139	\$29,084	\$23,926

CITY OF HUBBARD TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE B – DEFINED BENEFIT PENSION PLAN (Continued)

CITY OF HUBBARD				
SCHEDULE OF OPEB EXPENSE				
SEPTEMBER 30, 2024				
1.	Total Service Cost			1,264
2.	Interest on the Total OPEB Liability			1,132
3.	Changes in Benefit terms			-
4.	Employer administrative costs			-
5.	Recognition of deferred outflows/inflows of resources			
6.	Difference between expected and actual experience			(243)
7.	Changes in assumptions or other inputs			(181)
8.	Total OPEB Expense			1,972

CITY OF HUBBARD							
SCHEDULE OF OPEB OUTFLOWS AND INFLOWS - CURRENT AND FUTURE EXPENSE							
SEPTEMBER 30, 2024							
	Recognition			2023			
	Period (or	Total (Inflow)		Recognized		Deferred	
	amortization	or Outflow of		in current		(Inflow) Outflow	
	yrs)	Resources		pension expense		in future expense	
Due to Liabilities:							
Difference in expected and actual experience [actuarial (gains) or losses]	5.4500	\$ (2,097)		\$ (385)		\$ (1,712)	
Difference in assumption changes [actuarial (gains) or losses]	5.4500	\$ 1,808		\$ 332		\$ 1,476	
				\$ (53)		\$ (236)	
Contributions made subsequent to measurement date							
			provided by city			provided by city	
Total (excluding city provided contributions made subsequent to measurement date)							
Deferred Outflows and Deferred Inflows of Resources, by year, to be recognized in future pension expense as follows:							
	Net deferred						
	outflows						
	(inflows) of						
	resources						
2024	\$ (664)						
2025	(1,465)						
2026	(2,462)						
2027	(2,487)						
2028	(875)						
Thereafter	-						
Total	\$ (7,953)						

Other Information

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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HUBBARD, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
NET ASSETS – BUDGET TO ACTUAL – GENERAL FUND
For the year ended September 30, 2024

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues</u>				
General property taxes	497,000	497,000	564,576	67,576
Sales tax	150,000	150,000	211,216	61,216
Franchise tax	85,000	85,000	81,050	(3,950)
Fines, fees and court revenue	192,663	192,663	171,037	(21,626)
Fees and permits	30,800	30,800	224,391	193,591
Interest	-	-	1,189	1,189
Other income	<u>5,850</u>	<u>5,850</u>	<u>9,777</u>	<u>3,927</u>
Total Revenues	961,313	961,313	1,263,236	301,923
<u>Expenses</u>				
General government	317,737	317,737	264,118	53,619
Public safety	401,576	401,576	480,642	(79,066)
Public works	155,347	155,347	197,328	(41,981)
Court expenses	54,717	54,717	136,669	(81,952)
Parks and recreation	30,900	30,900	151,417	(120,517)
Debt service:				
Principal	-	-	23,696	(23,696)
Capital outlay	<u>9,377</u>	<u>9,377</u>	<u>7,478</u>	<u>1,899</u>
Total Operating Expenses	969,654	969,654	1,261,348	(291,694)
Operating Income (Loss)	(8,341)	(8,341)	1,888	10,229
<u>Other Financing Sources (Uses)</u>				
Grant receipt	-	-	3,230	3,230
Grant expense	-	-	-	-
Transfers from Restricted Funds	-	-	-	-
Transfers to Proprietary Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	-	-	3,230	3,230
Change in Net Assets	<u>(8,341)</u>	<u>(8,341)</u>	<u>5,118</u>	<u>13,459</u>
Fund Balance-Beginning of Year	261,820	261,820	261,820	
Fund Balance-End of Year	<u>253,479</u>	<u>253,479</u>	<u>266,938</u>	<u>13,459</u>

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

CITY OF HUBBARD, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
NET ASSETS – BUDGET TO ACTUAL
For the year ended September 30, 2024

				Variance
	Original	Amended		Favorable
	Budget	Budget	Actual	(Unfavorable)
<u>Revenues</u>				
Sewer Income	229,136	229,136	237,615	8,479
Sanitation income	243,080	243,080	251,994	8,914
Water income	517,306	517,306	548,908	31,602
Tap & Impact fees	10,000	10,000	9,000	(1,000)
Penalties and service charges	20,000	20,000	20,265	265
Interest	-	-	9,666	9,666
Miscellaneous income	18,160	18,160	2,620	(15,540)
Total Revenues	1,037,682	1,037,682	1,080,068	42,386
<u>Expenses</u>				
Water purchase	40,000	40,000	129,823	(89,823)
Garbage collection	202,204	202,204	214,351	(12,147)
Salaries & personnel expenses	219,268	219,268	170,453	48,815
Repairs & Maintenance	215,000	215,000	32,076	182,924
Administration expenses	130,429	130,429	81,994	48,435
Miscellaneous	-	-	-	-
Loan Principal Payments	288,000	288,000	-	288,000
Interest expense	142,806	142,806	185,793	(42,987)
Capital outlay/Depreciation	103,821	103,821	315,656	(211,835)
Total Operating Expenses	1,341,528	1,341,528	1,130,146	211,382
Operating Income (Loss)	(303,846)	(303,846)	(50,078)	253,768
<u>Other Financing Sources (Uses)</u>				
	-	-	-	-
Property tax income	142,806	142,806	179,885	37,079
Grant receipt	-	-	1,319,273	1,319,273
Grant expenditures	-	-	-	-
Transfers (in)	-	-	-	-
Transfers (out)	-	-	-	-
Total	142,806	142,806	1,499,158	1,356,352
Change in Net Assets	(161,040)	(161,040)	1,449,080	1,610,120
			-	-
Fund Balance - Beginning of Year			3,385,695	
Fund Balance-End of Year	-	-	4,834,775	4,834,775

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

For the Year Ended September 30, 2024

1. Budgetary Highlights

The City's original budget was not amended during the year ended September 30, 2024.

The City's overall actual revenue was \$1,263,236 or \$301,953 more than budgeted in the General Fund. This was primarily generated from more than expected fines and fees and property tax. The City's overall actual expenses were \$1,261,348 or \$291,694 more than budgeted.

The City's overall enterprise fund actual revenue was \$1,080,068 or \$42,388 more than budgeted. This was primarily due to more water revenues. The City's overall enterprise fund expenses were \$1,130,146 or \$211,382 less than budgeted.

City of Hubbard										
Schedule of Changes in Net Pension Liability and Related Ratios										
Last ten years (will ultimately be displayed)										
Total pension liability	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
1. Service Cost	20,396	25,028	25,502	25,120	25,734	42,702	41,047	42,285	46,954	53,126
2. Interest (on the Total Pension Liability)	19,332	21,019	23,979	25,647	29,521	33,182	36,640	39,886	43,967	46,798
3. Changes of benefit terms					-	12,271				-
4. Difference between expected and actual experience	(2,052)	7,294	(20,939)	9,765	(9,122)	(3,985)	(1,073)	7,098	(23,391)	17,238
5. Changes of assumptions	-	11,957	-		-	4,193	-			(5,813)
6. Benefit payments, including refunds of employee contributions	<u>(17,261)</u>	<u>(14,515)</u>	<u>(6,600)</u>	<u>(687)</u>	<u>(6,196)</u>	<u>(19,106)</u>	<u>(28,964)</u>	<u>(29,329)</u>	<u>(32,955)</u>	<u>(24,390)</u>
7. Net change in total pension liability	20,415	50,783	21,942	59,845	39,937	69,257	47,650	59,940	34,575	86,959
8. Total pension liability - beginning of year	274,598	295,013	345,796	367,738	427,583	467,520	536,777	584,427	644,367	678,942
9. Total pension liability - end of year	<u>295,013</u>	<u>345,796</u>	<u>367,738</u>	<u>427,583</u>	<u>467,520</u>	<u>536,777</u>	<u>584,427</u>	<u>644,367</u>	<u>678,942</u>	<u>765,901</u>
Plan fiduciary net position										
1. Contributions - employer	4,266	2,212	1,635	3,240	2,381	3,593	13,212	13,527	14,531	16,943
2. Contributions - employee	20,142	20,482	20,434	20,000	20,199	22,738	27,334	28,285	31,027	34,460
3. Net investment income	18,977	528	24,744	56,290	(14,528)	75,253	43,182	81,288	(52,335)	78,431
4. Benefit payments, including refunds of employee contributions	(17,261)	(14,515)	(6,600)	(687)	(6,196)	(19,106)	(28,964)	(29,329)	(32,955)	(24,390)
5. Administrative Expense	(198)	(321)	(279)	(292)	(280)	(425)	(279)	(375)	(452)	(498)
6. Other	<u>(16)</u>	<u>(17)</u>	<u>(15)</u>	<u>(15)</u>	<u>(15)</u>	<u>(13)</u>	<u>(11)</u>	<u>2</u>	<u>539</u>	<u>(3)</u>
7. Net change in plan fiduciary net position	25,910	8,369	39,919	78,536	1,561	82,040	54,474	93,398	(39,645)	104,943
8. Plan fiduciary net position - beginning of year	<u>331,665</u>	<u>357,575</u>	<u>365,944</u>	<u>405,863</u>	<u>484,399</u>	<u>485,960</u>	<u>568,001</u>	<u>622,475</u>	<u>715,873</u>	<u>676,228</u>
9. Plan fiduciary net position - end of year	<u>357,575</u>	<u>365,944</u>	<u>405,863</u>	<u>484,399</u>	<u>485,960</u>	<u>568,000</u>	<u>622,475</u>	<u>715,873</u>	<u>676,228</u>	<u>781,171</u>
Net pension liability [A.9-B.9]	(62,562)	(20,148)	(38,125)	(56,816)	(18,440)	(31,223)	(38,048)	(71,506)	2,714	(15,270)
Plan fiduciary net position as a percentage of the total pension liability [B.9 ÷ A.9]	121.21%	105.83%	110.37%	113.29%	103.94%	105.82%	106.51%	111.10%	99.60%	101.99%
Covered-employee payroll	\$ 402,841	409,630	408,683	399,998	403,983	\$ 454,764	\$ 455,568	471,409	517,109	574,337
Net pension liability as a percentage of covered employee payroll [C.9 ÷ B.9]	-15.53%	-4.92%	-9.33%	-14.20%	-4.56%	-6.87%	-8.35%	-15.17%	0.52%	-2.66%

	City of Hubbard									
Schedule of Contributions										
Last 10 Fiscal Years (will ultimately be displayed)										
September 30, 2024										
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Actually Determined Contributions	2,809	1,879	2,479	2,583	3,204	10,699	12,930	\$13,527	14,531	16,000
Contributions in relation to actually determined contribution	2,894	1,879	2,479	2,583	3,204	10,699	12,930	13,527	14,531	16,000
		-	-							
Contribution deficiency (excess)	(85)	-	-		-	-				
Covered employee payroll	410,714	430,295	396,842	402,695	402,695	457,421	456,369	471,409	517,109	574,000
Contributions as a % of payroll										
employee payroll	0	0	0	0	0	0	2.83%	2.87%	2.81%	2.77%
Notes to Schedule of Contributions										

Actuarial Information

2017

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

SINGLE AUDIT ACT REQUIREMENTS

**CITY OF HUBBARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

Federal Grantor Pass Through Grantor Program Title	Federal AL Number	Project Number	Disbursements
U.S. Department of Housing & Urban Development Community Development Texas Water Development Board CDBG Sewer Line Improvements	14.228	7220199	\$ 3,300
U.S Department of Housing & Urban Development Community Development Texas General Land Office Flood and Drainage Improvements	14.228	22-085-056-D313	<u>\$1,315,973</u>
U.S. Department of Housing & Urban Development Community Development Subtotal			\$1,319,273
2021 Coronavirus Local Fiscal Recovery Fund American Recovery Plan Act	21.027	2021CLFRF	<u>\$ 13,225</u>
TOTAL FEDERAL AWARDS			\$1,332,498

CITY OF HUBBARD
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended September 30, 2024

NOTE A BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of City of Hubbard (the “City”) under programs of the federal government for the year ended September 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City.

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

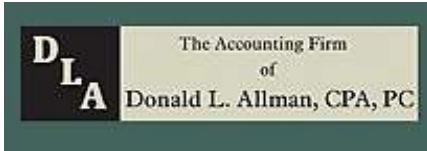
Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C INDIRECT COST RATE

The City has elected not to use 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D FEDERAL AWARDS PASSED THROUGH TO SUBRECIPIENTS

Federal awards are passed through to subrecipients through the State of Texas and then to the City of Hubbard.



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

CERTIFIED PUBLIC ACCOUNTANT

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

To the City Council
City of Hubbard, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Hubbard, Texas, as of and for the year ended September 30, 2024 and the related notes to the financial statements, which collectively comprise City of Hubbard, Texas's basic financial statements, and have issued our report thereon dated June 12, 2025.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

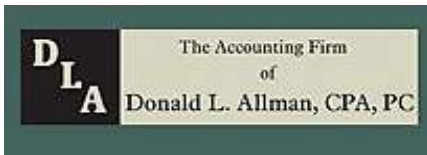
As part of obtaining reasonable assurance about whether City of Hubbard, Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and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

Purpose of This Report

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

Donald L. Allman, CPA, PC

Georgetown, Texas
June 12, 2025



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

CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the City Council
City of Hubbard, Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Hubbard, Texas's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of City of Hubbard, Texas's major federal programs for the year ended September 30, 2024. City of Hubbard, Texas's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Hubbard, Texas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).¹ Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Hubbard, Texas and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of Hubbard, Texas's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to City of Hubbard, Texas's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Hubbard, Texas's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Hubbard, Texas's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City of Hubbard, Texas's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Hubbard, Texas's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City of Hubbard, Texas's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Donald L. Allman, CPA, PC

Georgetown TX
June 12, 2025

CITY OF HUBBARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

• Material weakness(es) identified? No

Significant deficiencies identified not considered
to be material weaknesses? • None Reported

Noncompliance material to the financial statements noted? No

Federal Awards

Internal control over major programs:

• Material weakness(es) identified? No

Significant deficiencies identified not considered
to be material weaknesses? • None Reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?
No

Identification of major programs:

AL #

	Federal Program Title – U.S. Economic Development Administration
14.228	Texas Water Development Board – CDBG Sewer Improvements
	Federal Program Title – U.S. Department of Housing & Urban Development
14.228	Texas General Land Office - Flood and Drainage Improvements
21.027	U.S. Department of Housing & Urban Development
	2021 Coronavirus Local Fiscal Recovery Fund
	American Recovery Plan Act

Dollar Threshold to identify Type A and Type B programs? \$750,000

Auditee qualified as low-risk auditee? No

CITY OF HUBBARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED FOR THE YEAR ENDED
SEPTEMBER 30, 2024

II. Financial Statement Findings	None
----------------------------------	------

III. Findings Related to Federal Awards	None
---	------

CITY OF HUBBARD
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

No prior year audit findings.

**CITY OF HUBBARD
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

No findings and no questioned costs so no corrective action plan.

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

Finding 2023-1

2023-1 Defalcation of City of Hubbard funds was discovered and reported by a City of Hubbard employee, and the employee who committed the defalcation confessed to the act.

Finding 2023-2

Voids were not properly documented and reported.

CITY OF HUBBARD
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Finding 2023-1

The former Court Clerk has been indicted on felony fraud charges and policies and procedures have been implemented to minimize the risks of possible defalcation in the future.

Finding 2023-2

Polices and procedures have been updated and implemented to ensure any court docket voids are properly documented and reported.
