

**OFFICIAL STATEMENT****Dated: June 27, 2024**

*In the opinion of Bond Counsel to the Issuer, interest on the Certificates will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings, and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on certain corporations.*

**\$11,820,000**  
**CITY OF HUDSON OAKS, TEXAS**  
**(Parker County)**  
**COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2024**

**Dated Date: July 1, 2024****Due: February 1, as shown on page ii**

The City of Hudson Oaks, Texas (the "City" or the "Issuer") \$11,820,000 Combination Tax and Revenue Certificates of Obligation, Series 2024 (the "Certificates") are being issued pursuant to the Constitution and laws of the State of Texas (the "State"), including particularly Texas Local Government Code, Subchapter C, Chapter 271, as amended, Texas Government Code, Chapter 1502, as amended, and an ordinance (the "Ordinance") adopted by the City Council on June 27, 2024. (See "THE CERTIFICATES - Authority for Issuance" herein.)

The Certificates constitute direct obligations of the Issuer payable from a combination of the levy and collection of an annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and further secured by a pledge of the Surplus Revenues (defined herein) derived from the ownership and operation of the City's combined Waterworks and Sewer System (the "System"). (See "THE CERTIFICATES - Security for Payment" herein.)

Interest on the Certificates will accrue from July 1, 2024 (the "Dated Date") as shown above and will be payable on February 1, 2025, and on each February 1 and August 1 thereafter, until maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Certificates will be issued as fully registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository (the "Securities Depository"). Book-entry interests in the Certificates will be made available for purchase in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of the Certificates ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Certificates purchased. So long as DTC or its nominee is the registered owner of the Certificates, the principal of and interest on the Certificates will be payable by BOKF, NA, Dallas, Texas, as Paying Agent/Registrar, to DTC, which will in turn remit such principal and interest to its Participants, which will in turn remit such principal and interest to the Beneficial Owners of the Certificates. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Proceeds from the sale of the Certificates will be used to pay in whole or in part, of the City's contractual obligations incurred to finance the (1) construction, acquisition, and equipping of improvements to the City's waterworks and sewer system and stormwater utility system and (2) paying legal, fiscal, and engineering fees in connection with such projects. (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.)

The Issuer reserves the right to redeem the Certificates maturing on and after February 1, 2034, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on February 1, 2033, or any date thereafter at the redemption price of par plus accrued interest as further described herein. (See "THE CERTIFICATES - Redemption Provisions" herein.)

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SEE FOLLOWING PAGE FOR STATED MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL YIELDS, CUSIP  
NUMBERS, AND REDEMPTION PROVISIONS FOR THE CERTIFICATES

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*The Certificates are offered for delivery, when, as and if issued and received by the initial purchaser (the "Purchaser") and subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, Bond Counsel. (See Appendix C – Form of Legal Opinion of Bond Counsel.) (See "OTHER PERTINENT INFORMATION - Legal Opinions and No-Litigation Certificate" herein). It is expected that the Certificates will be available for delivery through DTC on or about July 25, 2024.*

**\$11,820,000**  
**CITY OF HUDSON OAKS, TEXAS**  
**(Parker County)**

**COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION,**  
**SERIES 2024**

**STATED MATURITY SCHEDULE**

**(Due February 1)**  
**Base CUSIP – 444086<sup>(a)</sup>**

<b>Stated Maturity February 1</b>	<b>Principal Amount</b>	<b>Interest Rate (%)</b>	<b>Initial Yield (%)</b>	<b>CUSIP Suffix<sup>(a)</sup></b>
2026	\$255,000	5.000	3.330	FR8
2027	425,000	5.000	3.240	FS6
2028	445,000	5.000	3.170	FT4
2029	470,000	5.000	3.140	FU1
2030	490,000	5.000	3.150	FV9
2031	515,000	5.000	3.260	FW7
2032	545,000	5.000	3.280	FX5
2033	570,000	5.000	3.340	FY3
2034	600,000	4.000	3.520 <sup>(b)</sup>	FZ0
2035	620,000	4.000	3.560 <sup>(b)</sup>	GA4
2036	645,000	4.000	3.610 <sup>(b)</sup>	GB2
2037	675,000	4.000	3.720 <sup>(b)</sup>	GC0
2038	700,000	4.000	3.790 <sup>(b)</sup>	GD8
2039	730,000	4.000	3.880 <sup>(b)</sup>	GE6
2040	760,000	4.125	3.990 <sup>(b)</sup>	GF3
2041	790,000	4.125	4.130	GG1
2042	825,000	4.125	4.200	GH9
2043	860,000	4.250	4.270	GJ5
2044	900,000	4.250	4.330	GK2

(Interest to accrue from the Dated Date)

The Issuer reserves the right to redeem the Certificates maturing on and after February 1, 2034, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on February 1, 2033, or any date thereafter, at the redemption price of par plus accrued interest as further described herein. (See “THE CERTIFICATES - Redemption Provisions” herein.)

- (a) CUSIP numbers are included solely for the convenience of the owner of the Certificates. CUSIP Global Services (“CGS”) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright(c) 2023 CUSIP Global Services. All rights reserved. CUSIP data herein is provided by CGS. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP numbers are provided for convenience of reference only. None of the City, the Financial Advisor nor the Purchaser or their agent or counsel assume responsibility for the accuracy of such numbers.
- (b) Yield calculated based on the assumption that the Certificates denoted and sold at a premium will be redeemed on February 1, 2033 the earliest date of redemption for the Certificates, at a price of par plus accrued interest to the date of redemption

**CITY OF HUDSON OAKS, TEXAS  
210 Hudson Oaks Drive  
Hudson Oaks, Texas 76087  
(682) 229-2400**

**ELECTED OFFICIALS**

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
Tom Fitzpatrick	Mayor	May, 2026
Tom Marquardt	Council Member, Place 1	May, 2026
Jennifer Liles	Council Member, Place 2	May, 2025
Marty Schrantz	Council Member, Place 3	May, 2026
Sean Cannon	Council Member, Place 4	May, 2025
Daniel Cross	Council Member, Place 5	May, 2025

**ADMINISTRATION**

<u>Name</u>	<u>Position</u>	<u>Years of Municipal Experience</u>
Sterling Naron	City Administrator	3 Years
Hayden Brodowsky	Assistant City Administrator	7 Years
Doug Martella	Finance Analyst	8 Years
Chris Orozco	Finance Analyst	1 Year
Shelley Scazzero	City Secretary	11 Years

**CONSULTANTS AND ADVISORS**

Bond Counsel	McCall, Parkhurst & Horton L.L.P. San Antonio, Texas
Financial Advisor	SAMCO Capital Markets, Inc. San Antonio, Texas
Certified Public Accountants	George Morgan Sneed, P.C. Weatherford, Texas

***For Additional Information Please Contact:***

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## USE OF INFORMATION IN THE OFFICIAL STATEMENT

This Official Statement, which includes the cover page and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.

No dealer, broker, salesperson or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information must not be relied upon.

Certain information set forth herein has been provided by sources other than the City that the City believes to be reliable, but the City makes no representation as to the accuracy of such information. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of the Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described herein since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

NEITHER THE CITY NOR ITS FINANCIAL ADVISOR MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY ("DTC") OR ITS BOOK-ENTRY-ONLY SYSTEM, AS SUCH INFORMATION HAS BEEN PROVIDED BY DTC.

THE CERTIFICATES ARE EXEMPT FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE CERTIFICATES IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THESE SECURITIES HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

The agreements of the City and others related to the Certificates are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Certificates is to be construed as constituting an agreement with the Purchaser of the Certificates. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

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*The cover page, subsequent pages hereof and appendices attached hereto, are part of this Official Statement*

## SELECTED DATA FROM THE OFFICIAL STATEMENT

*The selected data is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Certificates to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this page from this Official Statement or to otherwise use it without the entire Official Statement.*

<b>The Issuer</b>	The City of Hudson Oaks, Texas (the “City” or the “Issuer”), is a political subdivision of the State of Texas. Located in Parker County on Highway 180, just north of Interstate 20. The City is 27 miles west of downtown Fort Worth, Texas. The City is a Type A general law municipality and operates under an Administrator/Council form of government with a City Council comprised of the Mayor and five Council members. Some of the Service that the City provides are: public safety (police), streets, water and sanitary sewer utilities, recycling, and general administrative services. The City’s 2020 census population was 2,174 and the City’s estimated 2024 population is 2,742. The City cover approximately 2.5 square miles. See Appendix B – General Information Regarding the City of Hudson Oaks, Texas and Parker County, Texas” herein.
<b>The Certificates</b>	The Certificates are being issued pursuant to the Constitution and laws of the State of Texas (the “State”), including particularly Texas Local Government Code, Subchapter C, Chapter 271, as amended, Texas Government Code, Chapter 1502, as amended, an ordinance (the “Ordinance”) adopted by the City Council on June 27, 2024. (See “THE CERTIFICATES - Authority for Issuance” herein.)
<b>Paying Agent/Registrar</b>	The initial Paying Agent/Registrar for the Certificates is BOKF, NA, Dallas Texas.
<b>Security</b>	The Certificates constitute direct general obligations of the Issuer payable from a combination of the levy and collection of an annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and further secured by a pledge of the Surplus Revenues (defined herein) derived from the ownership and operation of the City’s combined Waterworks and Sewer System (the “System”). (See “THE Certificates - Security for Payment” herein.)
<b>Redemption Provision</b>	The Issuer reserves the right, at its sole option, to redeem Certificates stated to mature on and after February 1, 2034, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on February 1, 2033, or any date thereafter, at the price of par plus accrued interest to the date fixed for redemption. (See "THE CERTIFICATES - Redemption Provisions" herein.)
<b>Tax Matters</b>	In the opinion of McCall, Parkhurst & Horton L.L.P., as Bond Counsel to the issuer, the interest on the Certificates will be excludable from gross income for federal tax purposes under statutes, regulations, published rulings and court decisions existing on the date of the initial delivery of the Certificates, subject to the matters described under “TAX MATTERS” herein, including the alternative minimum tax on certain corporations. (See “Tax MATTERS” for a discussion of the Opinion of Bond Counsel and “APPENDIX C - FORM OF LEGAL OPINION OF BOND COUNSEL” herein.)
<b>Use of Certificate Proceeds</b>	Proceeds from the sale of the Certificates will be used to pay in whole or in part, of the City’s contractual obligations incurred to finance the (1) construction, acquisition, and equipping of improvements to the City’s waterworks and sewer system and stormwater utility, and (2) paying legal, fiscal, and engineering fees in connection with such projects. (See “THE CERTIFICATES - Use of Certificate Proceeds” herein.)
<b>Book-Entry-Only System</b>	The Issuer intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York described herein. No physical delivery of the Certificates will be made to the beneficial owners of the Certificates. Such Book-Entry-Only System may affect the method and timing of payments on the Certificates and the manner the Certificates may be transferred. (See “Book-Entry-Only System” herein.)
<b>Rating</b>	S&P Global Ratings (“S&P”) has assigned a rating of “AA” to the Certificates. (See “OTHER PERTINENT INFORMATION - Rating” herein.)

<b>Issuance of Additional Debt</b>	The City does not anticipate the issuance of any additional debt during the 2024 calendar year.
<b>Payment Record</b>	The City has never defaulted on the payment of its general obligation debt.
<b>Delivery</b>	When issued, anticipated on or about July 25, 2024.
<b>Legality</b>	Delivery of the Certificates is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by McCall, Parkhurst & Horton L.L.P., Bond Counsel, San Antonio, Texas.

*(The remainder of this page was intentionally left blank)*

**OFFICIAL STATEMENT**  
relating to

**\$11,820,000**  
**CITY OF HUDSON OAKS, TEXAS**  
**(A political subdivision of the State of Texas located in Parker County, Texas)**  
**COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2024**

**INTRODUCTORY STATEMENT**

This Official Statement provides certain information in connection with the issuance by City of Hudson Oaks, Texas (the "City" or the "Issuer") of its \$11,820,000 Combination Tax and Revenue Certificates of Obligation, Series 2024 (the "Certificates") identified on the cover page hereof.

The Issuer is a political subdivision of the State of Texas and a municipal corporation organized and existing under the statutes and the constitution of the State of Texas (the "State"). The Certificates are being issued pursuant to the Constitution and general laws of the State, an ordinance (the "Ordinance") authorizing the issuance of the Certificates adopted by the City Council on June 27, 2024. (See "THE CERTIFICATES - Authority for Issuance" herein.)

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance. Included in this Official Statement are descriptions of the Certificates and certain information about the Issuer and its finances. **ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT.** Copies of such documents may be obtained from the Issuer or the Financial Advisor noted on page iii hereof.

All financial and other information presented in this Official Statement has been provided by the City from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historic information, and is not intended to indicate future or continuing trends in financial position or other affairs of the City. No representation is made that past experience, as is shown by financial and other information, will necessarily continue or be repeated in the future.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. A copy of the Final Official Statement pertaining to the Certificates will be deposited with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access ("EMMA") system. See "CONTINUING DISCLOSURE OF INFORMATION" herein for a description of the City's undertaking to provide certain information on a continuing basis.

**THE CERTIFICATES**

**General Description of the Certificates**

The Certificates will be dated July 1, 2024 (the "Dated Date"). The Certificates are stated to mature on February 1 in the years and in the principal amounts set forth on page ii hereof. The Certificates shall bear interest from their Dated Date on the unpaid principal amounts, and the amount of interest to be paid with respect to each payment period shall be computed on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Certificates will be payable on February 1, 2025, and on each February 1 and August 1 thereafter until maturity or prior redemption. Principal is payable at the designated offices of the "Paying Agent/Registrar" for the Certificates, initially BOKF, NA, Dallas, Texas. Interest on the Certificates shall be paid to the registered owners whose names appear on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (as hereinafter defined) and shall be paid by the Paying Agent/Registrar (i) by check sent United States Mail, first class postage prepaid, to the address of the registered owner recorded in the Security Register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk of, the registered owner. If the date for the payment of the principal or interest on the Certificates shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to be closed, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

Initially, the Certificates will be registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described below. No physical delivery of the Certificates will be made to the Beneficial Owners. Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will distribute the amounts received to the appropriate DTC Participants, who shall in turn make payment to the Beneficial Owners of the Certificates. Such Book-Entry-Only System may change the method and timing of payment for the Certificates and the method of transfer. See "BOOK-ENTRY-ONLY SYSTEM" below for a more complete description of such System.

### **Authority for Issuance**

The Certificates are being issued pursuant to the Constitution and general laws of the State, including particularly Texas Local Government Code, Subchapter C, Chapter 271, as amended, Texas Government Code, Chapter 1502, as amended, and the Ordinance.

### **Security for Payment**

The Certificates constitute direct obligations of the Issuer payable from a combination of the levy and collection of an annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and further secured by a pledge of the surplus revenues derived from the ownership and operation of the System remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve and other requirements in connection with all of the City's revenue bonds or other obligations (now or hereafter outstanding) which are payable from all or a part of the revenues of the System ("Surplus Revenues"). (See "CITY APPLICATION OF THE PROPERTY TAX CODE" herein.)

### **Redemption Provisions of the Certificates**

The Issuer reserves the right, at its sole option, to redeem Certificates stated to mature, on or after February 1, 2034, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof on February 1, 2033, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption.

### **Notice of Redemption**

At least 30 days prior to the date fixed for any redemption of any Certificates or portions thereof prior to stated maturity, the Issuer shall cause notice of such redemption to be sent by United States mail, first-class postage prepaid, to the registered owner of each Certificate or a portion thereof to be redeemed at its address as it appeared on the registration books of the Paying Agent/Registrar on the day such notice of redemption is mailed. By the date fixed for any such redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Certificates or portions thereof which are to be so redeemed. If such notice of redemption is given and if due provision for such payment is made, all as provided above, the Certificates or portions thereof which are to be so redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment.

ANY NOTICE OF REDEMPTION SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER RECEIVED BY THE CERTIFICATEHOLDER, AND, PROVIDED THAT PROVISION FOR PAYMENT OF THE REDEMPTION PRICE IS MADE AND ANY OTHER CONDITIONS TO REDEMPTION ARE SATISFIED, INTEREST ON THE REDEEMED CERTIFICATES SHALL CEASE TO ACCRUE FROM AND AFTER SUCH REDEMPTION DATE NOTWITHSTANDING THAT A CERTIFICATE HAS NOT BEEN PRESENTED FOR PAYMENT.

The Paying Agent/Registrar and the Issuer, so long as a Book-Entry-Only System is used for the Certificates, will send any notice of redemption, notice of proposed amendment to the Ordinance or other notices with respect to the Certificates only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the Beneficial Owner, will not affect the validity of the redemption of the Certificates called for redemption or any other action premised on any such notice. Redemption of portions of the Certificates by the Issuer will reduce the outstanding principal amount of such Certificates held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Certificates held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Certificates from the Beneficial Owners. Any such selection of Certificates to be redeemed will not be governed by the Ordinance and will not be conducted by the Issuer or the Paying Agent/Registrar. Neither the Issuer nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Certificates or the providing of notice to DTC participants, indirect participants, or Beneficial Owners of the selection of portions of the Certificates for redemption. (See "Book-Entry-Only System" herein.)

### **Selection of Certificates to be Redeemed**

The Certificates of a denomination larger than \$5,000 may be redeemed in part (in increments of \$5,000 or any integral multiple thereof). The Certificates to be partially redeemed must be surrendered in exchange for one or more new Certificates for the unredeemed portion of the principal. If less than all of the Certificates are to be redeemed, the Issuer will determine the amounts to be redeemed and will direct the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) to select, at random and by lot, the particular Certificates, or portion thereof, to be redeemed. If a Certificate (or any portion of the principal sum thereof) will have been called for redemption and notice of such redemption will have been given, such Certificate (or the principal amount thereof to be redeemed), will become due and payable on such redemption date and interest thereon will cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.



**Use of Certificate Proceeds**

Proceeds from the sale of the Certificates will be used to pay in whole or in part, of the City’s contractual obligations incurred to finance the (1) construction, acquisition, and equipping of improvements to the City’s waterworks and sewer system and stormwater utility system, and (2) paying legal, fiscal, and engineering fees in connection with such projects. The City does not anticipate the issuance of any additional debt within the next twelve months.

**Sources and Uses**

Sources	
Par Amount of the Certificates	\$11,820,000.00
Accrued Interest on the Certificates	34,487.92
Net Premium	<u>394,425.10</u>
Total Sources of Funds	<u>\$12,248,913.02</u>
Uses	
Project Fund Deposit	\$12,000,000.00
Purchaser’s Discount	82,740.00
Interest and Sinking Fund Deposit	34,487.92
Costs of Issuance	<u>131,685.10</u>
Total Uses	<u>\$12,248,913.02</u>

**Payment Record**

The City has never defaulted on the payment of its general obligation debt.

**Legality**

The Certificates are offered when, as and if issued, subject to the approvals of legality by the Attorney General of the State of Texas and McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, Bond Counsel. A form of the legal opinion of Bond Counsel appears in Appendix C attached hereto.

**Defeasance**

The Ordinance provides for the defeasance of the Certificates when the payment of the principal of and premium, if any, on the Certificates, plus interest thereon to the due date thereof (whether such due date be by reason of maturity or otherwise) is provided by irrevocably depositing with the Paying Agent/Registrar or authorized escrow agent, in trust (1) money sufficient to make such payment and/or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the defeased Certificates, and thereafter the City will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased Certificates, including any insufficiency therein caused by the failure of such Paying Agent/Registrar (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance. The Ordinance provides that "Defeasance Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Certificates. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the City authorizes the defeasance of the Certificates, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that, on the date the City authorizes the defeasance of the Certificates, have been refunded and are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (d) any other then authorized securities or obligations under applicable state law that may be used to defease obligations such as the Certificates. There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Certificates. Because the Ordinance does not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used for defeasance purposes or that for any other Defeasance Security will be maintained at any particular rating category.

Upon such deposit as described above, such Certificates shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of Certificates have been made as described above, all rights of the City to initiate proceedings to call such Certificates for redemption or take any other action amending the terms of such Certificates are extinguished; provided, however, that the right to call such Certificates for redemption is not extinguished if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call such Certificates for

redemption; (ii) gives notice of the reservation of that right to the owners of such Certificates immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

### **Amendments**

The City may amend the Ordinance without the consent of or notice to any registered owners in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the Issuer may, with the written consent of the holders of a majority in aggregate principal amount of the Certificates then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Ordinance; except that, without the consent of the registered owners of all of the Certificates affected, no such amendment, addition, or rescission may (1) extend the time or times of payment of the principal of and interest on the Certificates, reduce the principal amount thereof or the rate of interest thereon, (2) give any preference to any Certificate over any other Certificate, (3) extend any waiver of defaults to subsequent defaults, or (4) reduce the aggregate principal amount of Certificates required for consent to any such amendment, addition, or rescission.

### **Default and Remedies**

If the City defaults in the payment of principal, interest, or redemption price on the Certificates when due, or if it fails to make payments into any fund or funds created in the Ordinance, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Ordinance, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Certificates, if there is no other available remedy at law to compel performance of the Certificates or the Ordinance and the City's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Certificates in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language.

Furthermore, *Tooke*, and subsequent jurisprudence, held that a municipality is not immune from suit for torts committed in the performance of its proprietary functions, as it is for torts committed in the performance of its governmental functions (the "Proprietary-Governmental Dichotomy"). Governmental functions are those that are enjoined on a municipality by law and are given by the State as a part of the State's sovereignty, to be exercised by the municipality in the interest of the general public, while proprietary functions are those that a municipality may, in its discretion, perform in the interest of the inhabitants of municipality.

In *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) ("*Wasson*") the Texas Supreme Court (the "Court") addressed whether the distinction between governmental and proprietary acts (as found in tort-based causes of action) applies to breach of contract claims against municipalities. The Court analyzed the rationale behind the Proprietary-Governmental Dichotomy to determine that "a city's proprietary functions are not done pursuant to the 'will of the people'" and protecting such municipalities "via the [S]tate's immunity is not an efficient way to ensure efficient allocation of [S]tate resources". While the Court recognized that the distinction between government and proprietary functions is not clear, the *Wasson* opinion held that Proprietary-Governmental Dichotomy applies in contract-claims context. The Court reviewed *Wasson* again in June 2018 and clarified that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of alleged breach. Therefore, in regard to municipal contract cases (as in tort claims), it is incumbent on the courts to determine whether a function was proprietary or governmental based upon the statutory guidance and definitions found in the Texas Civil Practice and Remedies Code.

Notwithstanding the foregoing case law issued by the Court, such sovereign immunity issues have not been adjudicated in relation to bond matters (specifically, in regard to the issuance of municipal debt). Each situation will be prospectively evaluated based on the facts and circumstances surrounding the contract in question to determine if a suit, and subsequently, a judgment, is justiciable against a municipality.

If a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates. As noted above, the Ordinance provides that Certificate holders may exercise the remedy of mandamus to enforce the obligations of the City under the Ordinance. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in *Tooke*, and it is unclear whether *Tooke* will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract). Furthermore, the

City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Certificates are qualified with respect to the customary rights of debtors relative to their creditors and general principles of equity that permit the exercise of judicial discretion.

Initially, the only registered owner of the Certificates will be Cede & Co., as nominee of DTC. See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the duties of DTC with regard to ownership of the Certificates.

## **REGISTRATION, TRANSFER AND EXCHANGE**

### **Paying Agent/Registrar**

The initial Paying Agent/Registrar for the Certificates is BOKF, NA, Dallas, Texas. In the Ordinance, the Issuer retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the Issuer, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar, selected at the sole discretion of the Issuer, shall be a bank, trust company, financial institution or other entity qualified and authorized to serve in such capacity and perform the duties and services of Paying Agent/Registrar. Upon a change in the Paying Agent/Registrar for the Certificates, the Issuer agrees to promptly cause written notice thereof to be sent to each registered owner of the Certificates by United States mail, first-class, postage prepaid.

The Certificates will be issued in fully registered form in multiples of \$5,000 for any one stated maturity, and principal and semiannual interest will be paid by the Paying Agent/Registrar. Interest will be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar on the Record Date (as defined below) by check or draft mailed on each interest payment date until maturity or prior redemption of the Certificates, by the Paying Agent/Registrar to the last known address of the registered owner as it appears on the Paying Agent/Registrar's books or by such other method, acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of the registered owner. Principal will be paid to the registered owner at stated maturity or prior redemption upon presentation to the Paying Agent/Registrar; provided however, that so long as DTC's Book-Entry-Only System is used, all payments will be made as described under "BOOK-ENTRY-ONLY SYSTEM" herein. If the date for the payment of the principal or interest on the Certificates shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

### **Record Date**

The record date ("Record Date") for interest payable to the registered owner of a Certificate on any Interest Payment Date means the close of business on the fifteenth day of the month next preceding such Interest Payment Date.

In the event of a non-payment of interest on an Interest Payment Date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Issuer. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

### **Future Registration**

The Certificates are initially to be issued utilizing the Book-Entry-Only System of The Depository Trust Company, New York, New York ("DTC"). In the event such Book-Entry-Only System should be discontinued, printed certificates will be issued to the owners of the Certificates and thereafter, the Certificates may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender of such printed certificates to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Certificate may be assigned by the execution of an assignment form on the Certificate or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Certificate or Certificates will be delivered by the Paying Agent/Registrar in lieu of the Certificates being transferred or exchanged at the designated office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. New Certificates issued in an exchange or transfer of Certificates will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Certificates to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly

authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer shall be in denominations of \$5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount and rate of interest as the Certificate or Certificates surrendered for exchange or transfer. (See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be initially utilized in regard to ownership and transferability of the Certificates.)

#### **Limitation on Transfer or Exchange of Certificates**

The Paying Agent/Registrar shall not be required to transfer or exchange any Certificates or any portion thereof during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date or with respect to any Certificate or portion called for redemption prior to maturity, within 45 days prior to its redemption date, provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Certificate called for redemption.

#### **Replacement Certificates**

In the Ordinance, provision is made for the replacement of mutilated, destroyed, lost, or stolen Certificates upon surrender of the mutilated Certificates to the Paying Agent/Registrar, or the receipt of satisfactory evidence of destruction, loss, or theft, and the receipt by the Issuer and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The Issuer may require payment of taxes, governmental charges, and other expenses in connection with any such replacement.

#### **BOOK-ENTRY-ONLY SYSTEM**

This section describes how ownership of the Certificates is to be transferred and how the principal of, premium, if any, and interest on the Certificates are to be paid to and credited by DTC while the Certificates are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City and the Financial Advisor believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The City cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Certificates, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Certificates), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission (the "SEC"), and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Certificates. The Certificates will be issued as fully-registered Certificates registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Certificate will be issued for each maturity of the Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). Direct Participants and Indirect Participants are jointly referred to as "Participants". DTC has a S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the SEC. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("Beneficial Owner") is in turn to be recorded on the Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Certificates are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial

Owners will not receive certificates representing their ownership interests in Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices for the Certificates shall be sent to DTC. If less than all of the Certificates within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Certificates unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Certificates held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment on the Certificates to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Participants.

DTC may discontinue providing its services as depository with respect to the Certificates at any time by giving reasonable notice to the City or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Certificates are required to be printed and delivered. The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Certificates will be printed and delivered.

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the City, the Financial Advisor, or the initial purchaser of the Certificates.

#### **Use of Certain Terms in Other Sections of this Official Statement**

In reading this Official Statement it should be understood that while the Certificates are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Certificates, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinance will be given only to DTC.

#### **Effect of Termination of Book-Entry-Only System**

In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the City, printed certificates representing the Certificates will be issued to the holders and the Certificates will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "REGISTRATION, TRANSFER AND EXCHANGE – Future Registration."

## INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE ISSUER

The City invests funds in instruments authorized by Texas law, specifically the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "PFIA"), in accordance with investment policies approved by the City Council. The City Council appoints the City Manager as the "Investment Officer" of the City. Both State law and the City's investment policies are subject to change.

Under State law, the City is authorized to invest in: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (the "FDIC") or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund (the "NCUSIF") or their respective successors; (8) interest-bearing banking deposits, other than those described in clause (7), that (i) are invested through a broker or institution with a main office or branch office in this state and selected by the City in compliance with the PFIA, (ii) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the City's account, (iii) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States, and (iv) the City appoints as its custodian of the banking deposits, in compliance with the PFIA, the institution in clause (8)(i) above, a bank, or a broker-dealer; (9) certificates of deposit and share certificates meeting the requirements of the PFIA (i) that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the FDIC or the NCUSIF, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8), above, or secured in accordance with Chapter 2257, Texas Government Code, or in any other manner and amount provided by law for City deposits, or (ii) where (a) the funds are invested by the City through a broker or institution that has a main office or branch office in the State and selected by the City in compliance with the PFIA, (b) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the account of the City, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (d) the City appoints, in compliance with the PFIA, the institution in clause (9)(ii)(a) above, a bank, or broker-dealer as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described by clauses (1) or (12), which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with a stated maturity of 270 days or less, if the short-term obligations of the accepting bank, or of the holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 365 days or less that is rated at least A-1 or P-1 or an equivalent by either (i) two nationally recognized credit rating agencies, or (ii) one nationally recognized credit rating agency if the commercial paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (13) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission and complies with Securities and Exchange Commission Rule 2a-7; (14) no-load mutual funds that are registered and regulated by the Securities and Exchange Commission that have a weighted maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations approved in this paragraph, or (ii) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset backed securities; (15) guaranteed investment contracts that have a defined termination date and are secured by obligations described in clause (1), excluding obligations which the City is explicitly prohibited from investing in, and in an amount at least equal to the amount of bond proceeds invested under such contract; and (16) securities lending programs if (i) the securities loaned under the program are 100% collateralized, including accrued income, (ii) a loan made under the program allows for termination at any time, (iii) a loan made under the program is either secured by (a) obligations described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent, or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (12) through (14) above, or an authorized investment pool, (iv) the terms of a loan made under the program require that the securities being held as collateral be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party designated by the City, (v) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State, and (vi) the agreement to lend securities has a term of one year or less.

City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or Aaam or an equivalent by at least one nationally recognized rating service. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution. The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and

bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Governmental bodies in the State such as the City are authorized to implement securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) of the second paragraph under this caption, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm not less than "A" or its equivalent, or (c) cash invested in obligations that are described in clauses (1) through (6) and (10) through (12) of the second paragraph under this caption, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the governmental body, held in the name of the governmental body and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for City funds, the maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the PFIA. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, the City's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment considering the probable safety of capital and probable income to be derived." At least quarterly the City's investment officers must submit an investment report to the City Council detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending market value and the fully accrued interest for the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset at the end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategies and (b) Texas law. No person may invest City funds without express written authority from the City Council.

Under Texas law, the City is additionally required to: (1) annually review its adopted policies and strategies, (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution, (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (4) require the qualified representative of firms offering to engage in an investment transaction with the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the City and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (6) provide specific investment training for the City's designated Investment Officer; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements, and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

**Current Investments**

As of May 1, 2024, the City's investable funds were invested in the investment categories / percentage shown below:

<u>Investment Description</u>	<u>Amount</u>	<u>Percent of Portfolio</u>
TexPool	\$ 395,068.79	6%
TexStar Pool	5,734,217.25	90%
CD's	<u>232,504.59</u>	4%
<b>Total</b>	<b><u>\$6,361,790.63</u></b>	<b><u>100%</u></b>

As of such date, the market value of such investments (as determined by the City by reference to published quotations, dealer bids, and comparable information) was approximately 100% of their book value. No funds of the City are invested in derivative securities, i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

The Texas State Comptroller of Public Accounts exercises oversight responsibility over the Texas Local Government Investment Pool ("TexPool"). Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed both of participants in TexPool and of the other persons who do not have a business relationship with TexPool. The advisory Board members review the investment policy and management fee structure. Finally, TexPool is rated AAA by S&P. TexPool operates in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. As such, TexPool uses amortized cost to report net assets and share prices since that amount approximates fair value.

## EMPLOYEE PENSION AND RETIREMENT PLAN

The City participates as one of 901 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the Texas Government Code, Title 8, Subtitle G (TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Sections 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmrs.org](http://www.tmrs.org).

## AD VALOREM TAXATION

*The Issuer has never levied an ad valorem tax and does not anticipate doing so in order to repay the Certificates, though such a pledge has been made to secure repayment of the debt evidenced by the Certificates. The City anticipates repayment of the Certificates will be made from the Surplus Revenues of its combined utility systems and from available sales tax revenues. See Appendix A under Table 6 for information regarding the City's sales tax revenues and Tables 9 through 12 for information regarding the City's combined utility system.*

*The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. Prospective investors are encouraged to review Title 1 of the Texas Tax Code, as amended (the "Property Tax Code"), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.*

### Valuation of Taxable Property

The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the City is the responsibility of the Parker County Appraisal District (the "Appraisal District"). Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property. Effective January 1, 2024, and appraisal district is prohibited from increasing the appraised value of real property during the 2024 tax year on certain non-homestead properties (the "Subject Property") whose appraised values are not more than \$5 million dollars (the "maximum property value") to an amount not to exceed the lesser of (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property (collectively, the "Appraisal Cap"). After the 2024 tax year, through December 31, 2026 unless extended by the Legislature, the maximum property value may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the maximum property value.

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity ("Productivity Value"). The same land may not be qualified as both agricultural and open-space land.



The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the City, in establishing their tax rolls and tax rates. See “AD VALOREM PROPERTY TAXATION – City and Taxpayer Remedies.”

### **State Mandated Homestead Exemptions**

State law grants, with respect to each taxing unit in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty.

### **Local Option Homestead Exemptions**

The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than \$5,000) and (2) an additional exemption of at least \$3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The exemption described in (2), above, may also be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit. Cities, counties, and school districts are prohibited from repealing or reducing an optional homestead exemption that was granted in tax year 2022 through December 31, 2027.

### **Local Option Freeze for the Elderly and Disabled**

The governing body of a county, municipality or junior college district may, at its option, provide for a freeze on the total amount of ad valorem taxes levied on the homesteads of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon voter initiative, an election may be held to determine by majority vote whether to establish such a freeze on ad valorem taxes. Once the freeze is established, the total amount of taxes imposed on such homesteads cannot be increased except for certain improvements, and such freeze cannot be repealed or rescinded.

### **Personal Property**

Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the “production of income” is taxed based on the property’s market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property.

### **Freeport and Goods-In-Transit Exemptions**

Certain goods that are acquired in or imported into the State to be forwarded outside the State, and are detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication (“Freeport Property”) are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue taxing Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal.

Certain goods, that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without the State within 175 days (“Goods-in-Transit”), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action, after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer’s motor vehicle, boat, or heavy equipment inventory.

A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

### **Other Exempt Property**

Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property.

## **Tax Increment Reinvestment Zones**

A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment reinvestment zones ("TIRZ") within its boundaries. At the time of the creation of the TIRZ, a "base value" for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the "tax increment". During the existence of the TIRZ, all or a portion of the taxes levied against the tax increment by a city or county, and all other overlapping taxing units that elected to participate, are restricted to paying only planned project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units.

## **Tax Abatement Agreements – Chapter 380 Economic Development Agreements**

Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years.

Cities are also authorized, pursuant to Chapter 380, Texas Local Government Code, as amended ("Chapter 380") to establish programs to promote state or local economic development and to stimulate business and commercial activity in the City. In accordance with a program established pursuant to Chapter 380, the City may make loans or grants of public funds for economic development purposes, however, no bonds secured by ad valorem taxes may be issued for such purposes unless approved by voters of the City.

Under its 380 agreement with HEB, the City is obligated to pay HEB: (1) three million five hundred and thirty four thousand dollars (\$3,534,000) as reimbursement for certain eligible expenses related to the design, construction, permitting and testing of certain public improvement, and (2) as reimbursement, the amount paid to acquire a 0.648-acre tract of land located along U.S. Highway No. 180.

Under its 380 agreement with Nextlink, the City is obligated to design, engineer, and construct a fiber optic network in certain sectors of the City. In consideration for Nextlink relocating and maintaining its corporate office in the City, the City has agreed to rebate all sales tax revenues received by the City from the revenues collected by Nextlink at its corporate office. The sales tax revenues include only the revenues derived from the City's 1.5% municipal sales tax, and shall only be rebated for taxable services provided outside of the City. The estimated total rebate per annum rebated to the Nextlink would be approximately \$110,000. The City did not rebate any sales tax for the year ended September 30, 2017 to Nextlink.

Under its 380 Agreement with Hudson Oaks, Creekside, Ltd., the City is obligated to rebate certain "payments in lieu of taxes" ("PILOT Payments"), stipulated by a development agreement, for a period of five years. The PILOT Payments are related to the value of commercial property in the development.

The City entered into an economic development agreement dated November 14, 2016, with Hiller LLC, to reimburse the cost of developing a commercial retail building. The agreement requires the City to rebate to the Hiller LLC 50% of the City's sales tax collected from the issuance of the certificate of occupancy for a period of four (4) years until the developed has been reimbursed the total sum \$46,137, whichever occurs first. The City did not rebate any sales tax for the year ended September 30, 2017 to Hiller LLC.

The City entered into an economic development agreement with Home Zone Furniture, DBA Bungalow Furniture, LLC, a Texas Corporation ("Home Zone") dated August 11, 2020, wherein Home Zone is required to install certain public and private improvements to serve a particular development. As an economic development incentive, upon Home Zone's satisfaction of certain prerequisites (including providing a total investment of at least four million dollars for the development to include a minimum thirty thousand square foot retail furniture store, and obtaining a certificate of occupancy for the furniture store within eighteen months from the date of execution of the agreement) the City agrees to reimburse 50% of the sales and use tax received by the City generated from sales at the retail furniture store on the development to be paid to Home Zone for a period of four years from the issuance of a certificate of occupancy for said retail furniture store or until Home Zone has been reimbursed the total sum of \$300,000, whichever occurs first.

The City entered into an economic development agreement with Karmali Holdings Inc. ("Karmali") dated November 1, 2022, wherein Karmali is required to construct improvements on a defined piece of property with a total investment of at least twelve million dollars for a Hilton Home 2 Suites hotel development with a minimum of ninety-nine guest rooms. As an economic development incentive, upon Karmali's satisfaction of its obligations under the agreement, the City agrees to reimburse Karmali for qualified expenditures in an amount equal to fifty percent of the hotel occupancy tax revenue collected and remitted to the City from the hotel each calendar quarter from the opening date and for a period of ten years thereafter. Upon the completion of the initial ten year period, a renegotiation of the term is to occur.

The City entered into an economic development agreement with Cool River Holdings, LLC ("Cool River") March 9, 2024, wherein Cool River is required to construct a development on a defined lot for retail sales and service activities for a Sherwin Williams Retail Store. As an economic development incentive, upon Cool River's satisfaction of its obligations under the agreement, the City agrees to reimburse Cool River for 50% of the sales and use tax received by the City generated from the Sherwin Williams retail development for a period of seven years from the City's issuance of a certificate of occupancy or until Cool River has been reimbursed the total sum of \$200,000, whichever occurs first, subject to certain conditions.

## **Temporary Exemption for Qualified Property Damaged by a Disaster**

The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the Governor to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. The governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the Governor declares the area to be disaster area. The Texas Legislature amended Section 11.35, Tax Code to clarify the “damage” for the purposes of such statute is limited to “physical damage.” For more information on the exemption, reference is made to Section 11.35 of the Tax Code.

## **City and Taxpayer Remedies**

Under certain circumstances, taxpayers and taxing units, including the City, may appeal the determinations of the Appraisal District by timely initiating a protest with the Appraisal Review Board. Additionally, taxing units such as the City may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

Owners of certain property with a taxable value in excess of the current year “minimum eligibility amount”, as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount was set at \$59,562,331 for the 2024 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the City and provides for taxpayer referenda that could result in the repeal of certain tax increases (see “TAX RATE LIMITATIONS – Public Hearing and Maintenance and Operations Tax Rate Limitations”). The Property Tax Code also establishes a procedure for providing notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

## **Levy and Collection of Taxes**

The City is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the City. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the City may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances.

## **City’s Rights in the Event of Tax Delinquencies**

Taxes levied by the City are a personal obligation of the owner of the property. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the City, having power to tax the property. The City’s tax lien is on a parity with tax liens of such other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the City is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the City may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property.

Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, adverse market conditions, taxpayer redemption rights, or bankruptcy proceedings which restrain the collection of a taxpayer’s debt.

Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order

lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

## **TAX RATE LIMITATIONS**

### **Public Hearing and Maintenance and Operations Tax Rate Limitations**

The following terms as used in this section have the meanings provided below:

“adjusted” means lost values are not included in the calculation of the prior year’s taxes and new values are not included in the current year’s taxable values.

“de minimis rate” means the maintenance and operations tax rate that will produce the prior year’s total maintenance and operations tax levy (adjusted) from the current year’s values (adjusted), plus the rate that produces an additional \$500,000 in tax revenue when applied to the current year’s taxable value, plus the debt service tax rate.

“no-new-revenue tax rate” means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year’s total tax levy (adjusted) from the current year’s total taxable values (adjusted).

“special taxing unit” means a city for which the maintenance and operations tax rate proposed for the current tax year is 2.5 cents or less per \$100 of taxable value.

“unused increment rate” means the cumulative difference between a city’s voter-approval tax rate and its actual tax rate for each of the tax years 2020 through 2022, which may be applied to a city’s tax rate in tax years 2021 through 2023 without impacting the voter-approval tax rate.

“voter-approval tax rate” means the maintenance and operations tax rate that will produce the prior year’s total maintenance and operations tax levy (adjusted) from the current year’s values (adjusted) multiplied by 1.035, plus the debt service tax rate, plus the “unused increment rate”.

The City’s tax rate consists of two components: (1) a rate for funding of maintenance and operations expenditures in the current year (the “maintenance and operations tax rate”), and (2) a rate for funding debt service in the current year (the “debt service tax rate”). Under State law, the assessor for the City must submit an appraisal roll showing the total appraised, assessed, and taxable values of all property in the City to the City Council by August 1 or as soon as practicable thereafter.

A city must annually calculate its voter-approval tax rate and no-new-revenue tax rate in accordance with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the city and the county tax assessor-collector for each county in which all or part of the city is located. A city must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If a city fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the city for the preceding tax year.

As described below, the Property Tax Code provides that if a city adopts a tax rate that exceeds its voter-approval tax rate or, in certain cases, its de minimis rate, an election must be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

A city may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until each appraisal district in which such city participates has delivered notice to each taxpayer of the estimated total amount of property taxes owed and the city has held a public hearing on the proposed tax increase.

For cities with a population of 30,000 or more as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the voter-approval tax rate, that city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

For cities with a population less than 30,000 as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the greater of (i) the voter-approval tax rate or (ii) the de minimis rate, the city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate. However, for any tax year during which a city has a population of less than 30,000 as of the most recent federal decennial census and does not qualify as a special taxing unit, if a city’s adopted tax rate is equal to or less than the de minimis rate but greater than both (a) the no-new-revenue tax rate, multiplied by 1.08, plus the debt service tax rate or (b) the city’s voter-approval tax rate, then a valid petition signed by at least three percent of the registered voters in the city would require that an election be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

Any city located at least partly within an area declared a disaster area by the Governor of the State or the President of the United States during the current year may calculate its voter-approval tax rate using a 1.08 multiplier, instead of 1.035, until the earlier of (i) the second tax year in which such city's total taxable appraised value exceeds the taxable appraised value on January 1 of the year the disaster occurred, or (ii) the third tax year after the tax year in which the disaster occurred.

State law provides cities and counties in the State the option of assessing a maximum one-half percent (1/2%) sales and use tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional sales and use tax for ad valorem tax reduction is approved and levied, the no-new-revenue tax rate and voter-approval tax rate must be reduced by the amount of the estimated sales tax revenues to be generated in the current tax year.

The calculations of the no-new-revenue tax rate and voter-approval tax rate do not limit or impact the City's ability to set a debt service tax rate in each year sufficient to pay debt service on all of the City's tax-supported debt obligations, including the Certificates.

Reference is made to the Property Tax Code for definitive **requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.**

#### **Debt Tax Rate Limitations**

The City operates as a Type A municipality under the Constitution and laws of the State of Texas. Article XI, Section 4 of the Constitution of the State provides that the ad valorem taxes levied by the City for general purposes and for the purpose of paying the principal of and interest on the City's indebtedness must not exceed \$1.50 for each \$100 of assessed valuation of taxable property. There is no constitutional or statutory limitation within the \$1.50 rate for interest and sinking fund purposes; however, the Texas Attorney General has adopted an administrative policy that prohibits the issuance of debt by a municipality, such as the City, if its issuance produces debt service requirements exceeding that which can be paid from \$1.00 of the foregoing \$1.50 maximum tax rate calculated at 90% collection.

### **TAX MATTERS**

#### **Opinion**

On the date of initial delivery of the Certificates, McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, Bond Counsel to the Issuer, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Certificates for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Certificates will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel to the Issuer will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Certificates. See Appendix C -- Form of Opinion of Bond Counsel.

In rendering its opinion, Bond Counsel will rely upon (a) the Issuer's federal tax certificate, and (b) covenants of the Issuer with respect to arbitrage, the application of proceeds to be received from the issuance and sale of the Certificates, and certain other matters. Failure by the Issuer to observe the aforementioned representations or covenants could cause the interest on the Certificates to become taxable retroactively to the date of issuance of the Certificates.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Certificates in order for interest on the Certificates to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Certificates to be included in gross income retroactively to the date of issuance of the Certificates. The opinion of Bond Counsel is conditioned on compliance by the Issuer with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Certificates.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Certificates.

A ruling was not sought from the Internal Revenue Service by the Issuer with respect to the Certificates or the property financed or refinanced with proceeds of the Certificates. No assurances can be given as to whether or not the Internal Revenue Service will commence an audit of the Certificates, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the Issuer as the taxpayer and the Owner may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

## **Federal Income Tax Accounting Treatment of Original Issue Discount**

The initial public offering price to be paid for one or more maturities of the Certificates may be less than the principal amount thereof or one or more periods for the payment of interest on the Certificates may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Certificates"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Certificate, and (ii) the initial offering price to the public of such Original Issue Discount Certificate would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Certificates less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased an Original Issue Discount Certificate in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Certificate equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Certificate prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Certificate in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Certificate was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Certificate is accrued daily to the stated maturity thereof (in amounts calculated as described below for accrual period and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Certificate for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Certificate.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Certificates which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Certificates should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Certificates and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Certificates.

### **Collateral Federal Income Tax Consequences**

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Certificates. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with accumulated earnings and profits and excess passive investment income, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT CERTIFICATES BEFORE DETERMINING WHETHER TO PURCHASE THE CERTIFICATES.

Interest on the Certificates may be includable in certain corporation's "adjusted financial statement income" determined under section 56A of the Code to calculate the alternative minimum tax imposed by section 55 of the Code.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Certificates, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Certificates, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount).

The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

### **State, Local and Foreign Taxes**

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Certificates under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

### **Information Reporting and Backup Withholding**

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Certificates will be sent to each registered holder and to the Internal Revenue Service. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of foreign investors, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

### **Future and Proposed Legislation**

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Certificates under Federal or state law and could affect the market price or marketability of the Certificates. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Certificates should consult their own tax advisors regarding the foregoing matters.

## **CONTINUING DISCLOSURE OF INFORMATION**

In the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Certificates. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board (the "MSRB").

### **Annual Reports**

The Issuer will provide certain updated financial information and operating data to the MSRB on an annual basis. The information to be updated includes all quantitative financial information and operating data with respect to the Issuer of the general type included in this Official Statement under "INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE ISSUER - Current Investments" herein and the information in Tables 1 through 12 of Appendix A. The Issuer will update and provide this information within six months after the end of each fiscal year ending in and after 2024.

The Issuer will additionally provide audited financial statements when and if available, and in any event, within 12 months after the end of each fiscal year ending in or after 2024. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the Issuer will file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix D or such other accounting principles as the Issuer may be required to employ from time to time pursuant to State law or regulation.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Website or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements for the Issuer, if the Issuer commissions an audit and it is completed by the required time. If audited financial statements cannot be provided, the Issuer will provide notice that the audited financial statements are not available and will provide unaudited financial information of the type described in the preceding paragraph by the required time and audited financial statements when they become available. Any such financial statements will be prepared in accordance with the accounting principles described in the Issuer's annual financial statements, or such other accounting principles as the Issuer may be required to employ from time to time pursuant to state law or regulation. The Issuer's current fiscal year end is September 30. Accordingly, it must provide updated financial information and operating data by the last day in March in each year, unless the Issuer changes its fiscal year and audited financial statements for the preceding fiscal year (or unaudited financial statements if the audited financial statements are not yet available) as described above. If the Issuer changes its fiscal year, it will notify the MSRB of the change.

## Notice of Certain Events

The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Certificates to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates; (7) modifications to rights of holders of the Certificates, if material; (8) Certificate calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties. In addition, the City will provide timely notice of any failure by the City to provide annual financial information or operating data in accordance with their agreement described above under "Annual Reports".

For these purposes, any event described in (12) of the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

For the purposes of the above described event notices (15) and (16), the term "financial obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) a guarantee of (i) or (ii); provided however, that a "financial obligation" shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

## Availability of Information from MSRB

The Issuer has agreed to provide the foregoing information only as described above. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at [www.emma.msrb.org](http://www.emma.msrb.org).

## Limitations and Amendments

The Issuer has agreed to update information and to provide notices of certain specified events only as described above. The Issuer has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The Issuer makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Certificates at any future date. The Issuer disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its agreement or from any statement made pursuant to its agreement, although holders or beneficial owners of Certificates may seek a writ of mandamus to compel the Issuer to comply with its agreement.

The Issuer may amend its agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Issuer, if the agreement, as amended, would have permitted an underwriter to purchase or sell Certificates in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Certificates consent or any person unaffiliated with the Issuer (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Certificates. The Issuer may also repeal or amend its agreement if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but in either case only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Certificates in the primary offering of the Certificates giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of the Rule. If the Issuer amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided.



## **Compliance with Prior Agreements**

During the past five years, the City has complied in all material respects with its previous continuing disclosure agreements made in accordance with the SEC Rule 15c2-12.

## **OTHER PERTINENT INFORMATION**

### **Registration and Qualification of Certificates for Sale**

The sale of the Certificates has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Certificates have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Certificates been qualified under the securities acts of any jurisdiction. The Issuer assumes no responsibility for qualification of the Certificates under the securities laws of any jurisdiction in which the Certificates may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Certificates shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

It is the obligation of the Purchaser to register or qualify the sale of the Certificates under the securities laws of any jurisdiction which so requires. The City agrees to cooperate, at the Purchaser's written request and sole expense, in registering or qualifying the Certificates or in obtaining an exemption from registration or qualification in any state where such action is necessary; provided, however, that the City shall not be required to qualify as a foreign corporation or to execute a general consent to service of process in any jurisdiction.

### **Litigation**

In the opinion of the City Attorney, the Issuer is not a party to any litigation or other proceeding pending or to its knowledge, threatened, in any court, agency or other administrative body (either state or federal) which, if decided adversely to the Issuer, would have a material adverse effect on the financial condition of the City.

### **Future Debt Issuance**

The City does not anticipate the issuance of any additional debt during the 2024 calendar year.

### **Legal Investments and Eligibility to Secure Public Funds in Texas**

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Certificates are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are real and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Certificates by municipalities or other political subdivisions or public agencies of the State, the PPIA requires that the Certificates be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency. See "OTHER PERTINENT INFORMATION - Ratings" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Certificates are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivision, and are legal security for those deposits to the extent of their fair market value. No review by the City has been made of the laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

No representation is made that the Certificates will be acceptable to public entities to secure their deposits or acceptable to such institutions for investment purposes. The City has made no investigation of other laws, rules, regulations or investment criteria which might apply to any such persons or entities or which might otherwise limit the suitability of the Certificates for any of the foregoing purposes or limit the authority of such persons or entities to purchase or invest in the Certificates for such purposes. Additionally, with respect to the Certificates, Section 271.051 of the Texas Local Government Code expressly provides that certificates of obligation approved by the Attorney General of Texas are legal authorized investments for banks, savings banks, trust companies, and savings and loan associations, insurance companies, fiduciaries, trustees, and guardians, and sinking funds of municipalities, counties, school districts, or other political corporations or subdivisions of the State.

### **Legal Opinions and No-Litigation Certificate**

The Issuer will furnish the Purchaser with a complete transcript of proceedings incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Certificates are valid and legally binding obligations of the Issuer, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel, to the effect that the Certificates are valid and legally binding obligations of the Issuer and, subject to the qualifications set forth herein under "TAX MATTERS," the interest on the Certificates is excludable from the gross income of the owners thereof for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions existing on the date of the initial delivery of the Certificates, including the alternative minimum tax on certain corporations. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain

the issuance and delivery of the Certificates, or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Certificates will also be furnished. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Notice of Sale, the Official Bid Form and the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Certificates in the Official Statement to verify that such description conforms to the provisions of the Ordinance. Such firm has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the Issuer for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to the accuracy or completeness of any of the information contained herein. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Certificates are contingent on the sale and delivery of the Certificates. Though it may represent the Financial Advisor and certain entities that may bid on the Certificates from time to time in matters unrelated to the issuance of the Certificates, Bond Counsel has been engaged by and only represents the City in connection with the issuance of the Certificates.

The various legal opinions to be delivered concurrently with the delivery of the Certificates express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise from the transaction.

### **Rating**

S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("S&P") has assigned a rating of "AA" to the Certificates. An explanation of the significance of such rating may be obtained from the rating agency. A rating by a rating agency reflects only the view of such company at the time the rating is given, and the Issuer makes no representations as to the appropriateness of the rating. There is no assurance that such a rating will continue for any given period of time, or that it will not be revised downward or withdrawn entirely by the rating agency if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Certificates. A rating is not a recommendation to buy, hold, or sell securities.

### **Financial Advisor**

SAMCO Capital Markets, Inc. is employed as the Financial Advisor to the Issuer in connection with the issuance of the Certificates. In this capacity, the Financial Advisor has compiled certain data relating to the Certificates and has assisted in drafting this Official Statement. The Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the Issuer to determine the accuracy or completeness of this Official Statement. Because of its limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The fees for Financial Advisor are contingent upon the issuance, sale and delivery of the Certificates.

The Financial Advisor has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with its responsibilities to the City and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

### **Winning Bidder**

After requesting competitive bids for the Certificates, the City accepted the bid of TD Securities (USA) LLC (previously defined as the "Purchaser" or the "Initial Purchaser") to purchase the Certificates at the interest rates shown on the page ii of this Official Statement at a price of par, plus a net premium of \$394,425.10, less a Purchaser's discount of \$82,740.00, plus accrued interest on the Certificates from their Dated Date to their date of initial delivery. The City can give no assurance that any trading market will be developed for the City after their sale by the City to the Purchaser. The City has no control over the price at which the Certificates are subsequently sold and the initial yield at which the Certificates will be priced and reoffered will be established by and will be the responsibility of the Purchaser.

### **Certification of the Official Statement**

At the time of payment for and delivery of the Certificates, the Purchaser will be furnished a certificate executed by the proper officials of the City acting in their official capacity, to the effect that: (a) the descriptions and statements of or pertaining to the City contained in its Official Statement relating to the Certificates, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of the sale of said Certificates, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statement therein, in the light of the circumstances under which they were made, not misleading; (c) to the best of their knowledge, insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the City and its activities,

contained in such Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the City since September 30, 2023, the date of the last audited financial statements of the Issuer, portions of which appear in the Official Statement.

The Official Statement will be approved as to form and content and the use thereof in the offering of the Certificates will be authorized, ratified and approved by the City Council on the date of sale, and the Purchaser will be furnished, upon request, at the time of payment for and the delivery of the Certificates, a certified copy of such approval, duly executed by the proper officials of the Issuer.

**Links to Websites**

The City has provided links to websites in this Official Statement to allow investors independent access to information or expertise that may be of value. INFORMATION ON SUCH WEBSITES IS NOT INCORPORATED INTO THIS OFFICIAL STATEMENT BY REFERENCE OR OTHERWISE. The inclusion of any links does not imply a recommendation or endorsement of the information or views expressed within a website. The City has not participated in the preparation, compilation or selection of information or views in any website referenced in this Official Statement, and assumes no responsibility or liability for the information or views, or accuracy or completeness thereof, in any website referenced herein.

**Forward-Looking Statements Disclaimer**

The statements contained in this Official Statement, and in any other information provided by the City, that are not purely historical, are forward-looking statements, including statements regarding the City' expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements. The City's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

**Concluding Statement**

The financial data and other information contained in this Official Statement have been obtained from the City's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and ordinances contained in this Official Statement are made subject to all of the provisions of such statutes, documents and ordinances. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original statutes, documents and ordinances in all respects.

This Official Statement was approved by the City Council of the Issuer for distribution in accordance with the provisions of the SEC Rule 15c2-12.

**CITY OF HUDSON OAKS, TEXAS**

/s/ Tom Fitzpatrick  
Mayor  
City of Hudson Oaks, Texas

ATTEST:

/s/ Shelley Scazzero  
City Secretary  
City of Hudson Oaks, Texas

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**APPENDIX A**

**FINANCIAL INFORMATION OF THE ISSUER**

(This appendix contains quantitative financial information and operating data with respect to the Issuer. The information is only a partial representation and does not purport to be complete. For further and more complete information, reference should be made to the original documents, which can be obtained from various sources, as noted.)

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## FINANCIAL INFORMATION OF THE ISSUER

### ASSESSED VALUATION

**TABLE 1**

2023 Actual Certified Market Value of Taxable Property (100% of Market Value) <sup>(a)</sup> .....	\$ 823,164,436
Loss:	
General Homestead Cap.....	\$ 65,822,329
Agriculture Productivity.....	<u>17,689,010</u>
Total Loss.....	\$ 83,511,339
2023 Assessed Value of Taxable Property.....	\$ 739,653,097
Deductions:	
General Disabled Veteran.....	\$ 11,054,410
Over 65 Disabled	3,125,000
General Exemptions.....	<u>20,530,910</u>
<b>Total Exemptions</b> .....	<b>\$ 34,710,320</b>
2023 Certified Net Taxable Assessed Valuation.....	<u><u>\$ 704,942,777</u></u>

<sup>(a)</sup> See "AD VALOREM TAX PROCEDURES" and "CITY APPLICATION OF THE PROPERTY TAX CODE" in the Official Statement for a description of the Issuer's taxation procedures.

Source: Parker County Appraisal District

### GENERAL OBLIGATION BONDED DEBT

#### General Obligation Debt Principal Outstanding (As of June 1, 2024)

Combination Tax and Revenue Certificates of Obligation, Series 2007	\$ 505,000
Combination Tax and Revenue Certificates of Obligation, Series 2016A	3,155,000
Combination Tax and Revenue Certificates of Obligation, Taxable Series 2018	1,855,000
General Obligation Refunding Bonds, Series 2020	1,785,000
General Obligation Refunding Bonds, Series 2021A	1,710,000
General Obligation Refunding Bonds, Taxable Series 2021B	1,095,000
Combination Tax and Revenue Certificates of Obligation, Series 2023	<u>4,700,000</u>
<b>Total Gross General Obligation Debt</b>	<b>\$ 14,805,000</b>

#### Current Issue General Obligation Debt Principal

Combination Tax and Revenue Certificates of Obligation, Series 2024 (the "Certificates")	<u>\$ 11,820,000</u>
--	----------------------

Total **Gross** General Obligation Debt Outstanding (Following the Issuance of the Certificates): \$ 26,625,000

#### Less: Self Supporting Debt

Combination Tax and Revenue Certificates of Obligation, Series 2007 (100% Sales Tax)	\$ 505,000
Combination Tax & Revenue Certificates of Obligation, Series 2016A (89% Water & Sewer and 11% Stormwater)	3,155,000
Combination Tax & Revenue Certificates of Obligation, Series Taxable Series 2018 (85% PID and 15% Water & Sewer)	1,855,000
General Obligation Refunding Bonds, Series 2020 (100% Water & Sewer)	1,785,000
General Obligation Refunding Bonds, Series 2021A (100% Water & Sewer)	1,710,000
General Obligation Refunding Bonds, Taxable Series 2021B (100% Water & Sewer)	1,095,000
Combination Tax & Revenue Certificates of Obligation, Series 2023 (41% Sales Tax, Util 19% PID, 25% Water & Sewer, and 14% Stormwater)	<u>4,700,000</u>
The Certificates (100% Water & Sewer)	<u>11,820,000</u>
<b>Total Self-Supporting Debt</b>	<b>\$ 26,625,000</b>

**Total Net General Obligation Debt Outstanding** \$ -

2023 Net Assessed Valuation	\$ 704,942,777
Ratio of Total Gross General Obligation Debt Principal to 2023 Certified Net Taxable Assessed Valuation	3.78%
Ratio of Net General Obligation Debt to 2023 Certified Net Taxable Assessed Valuation	-

Population: 2000 - 1,637; 2010 - 1,662; 2020 - 2,174; Est. 2024 - 3,500  
 Per Capita 2023 Certified Net Taxable Assessed Valuation - \$201,412  
 Per Capita Gross General Obligation Debt Principal - \$7,607

<sup>(a)</sup> See "AD VALOREM TAX PROCEDURES" and "CITY APPLICATION OF THE PROPERTY TAX CODE" in the Official Statement for a description of the Issuer's taxation procedures.

**Leases**

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

The lease agreements are summarized as follows:

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

The future lease payments under lease agreements are as follows:

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

Financed Purchases - Governmental Activities

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

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

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

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

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

Business-type Activities:

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

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

	Governmental Activities	Business Type Activities
Assets:		
Automobiles	\$ 287,550	\$ 67,703
Equipment	29,116	-
Less: Accumulated Depreciation	(220,185)	(53,035)
<b>Total</b>	<b>\$ 96,481</b>	<b>\$ 14,668</b>

The following is a schedule of future minimum lease payments under the capital leases and the present value of the net minimum lease

	Governmental Activities	Business-type Activities
2024	\$ 29,378	\$ -
2025	\$ 20,719	\$ -
2026	11,900	-
<b>Total Minimum Lease Payments</b>	<b>\$ 61,997</b>	<b>\$ -</b>
Amount Representing Interest	(3,853)	-
<b>Present Value of future minimum payments</b>	<b>\$ 58,144</b>	<b>\$ -</b>

Source: The Issuer's Annual Financial Report for Fiscal Year Ended September 30, 2023.



**GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS**

Fiscal Year Ending Sept. 30	Current Total Outstanding Debt <sup>(a)</sup>	The Certificates			Combined Debt Service <sup>(a)</sup>	Less: Self- Supporting Debt	Total Net Debt Service
		Principal	Interest	Total			
2024	\$ 1,673,560	-	-	-	\$ 1,673,560	\$ 1,673,560	\$ -
2025	1,488,728		\$ 560,429	560,429	2,049,157	2,049,157	-
2026	1,494,647	\$ 255,000	510,944	765,944	2,260,591	2,260,591	-
2027	1,488,613	425,000	493,944	918,944	2,407,557	2,407,557	-
2028	1,358,671	445,000	472,194	917,194	2,275,865	2,275,865	-
2029	1,348,406	470,000	449,319	919,319	2,267,725	2,267,725	-
2030	1,347,250	490,000	425,319	915,319	2,262,569	2,262,569	-
2031	1,345,175	515,000	400,194	915,194	2,260,368	2,260,368	-
2032	1,346,492	545,000	373,694	918,694	2,265,186	2,265,186	-
2033	1,046,173	570,000	345,819	915,819	1,961,992	1,961,992	-
2034	1,035,193	600,000	319,569	919,569	1,954,762	1,954,762	-
2035	1,048,557	620,000	295,169	915,169	1,963,726	1,963,726	-
2036	881,384	645,000	269,869	914,869	1,796,253	1,796,253	-
2037	461,600	675,000	243,469	918,469	1,380,069	1,380,069	-
2038	465,800	700,000	215,969	915,969	1,381,769	1,381,769	-
2039	297,800	730,000	187,369	917,369	1,215,169	1,215,169	-
2040	292,600	760,000	157,094	917,094	1,209,694	1,209,694	-
2041	292,200	790,000	125,125	915,125	1,207,325	1,207,325	-
2042	296,400	825,000	91,816	916,816	1,213,216	1,213,216	-
2043	-	860,000	56,525	916,525	916,525	916,525	-
2044	-	900,000	19,125	919,125	919,125	919,125	-
<b>Total</b>	<b>\$ 19,009,250</b>	<b>\$ 11,820,000</b>	<b>\$ 6,012,951</b>	<b>\$ 17,832,951</b>	<b>\$ 36,842,201</b>	<b>\$ 36,842,201</b>	<b>\$ -</b>

<sup>(a)</sup> Includes self-supporting debt

**TAX ADEQUACY (Includes Self-Supporting Debt)**

2023 Certified Net Taxable Assessed Valuation	\$ 704,942,777
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-27)	\$ 2,407,557 *
Indicated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements	\$ 0.34850 *

\*Includes the Certificates.

Since 100% of the Issuer's debt service is self-supporting, the City does not anticipate adopting an Interest and Sinking Tax Rate. See Table 5 herein.

**GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE**

(As of June 1, 2024)

<b>Fiscal Year Ending 9-30</b>	<b>Currently Outstanding<sup>(a)</sup></b>	<b>The Certificates</b>	<b>Total</b>	<b>Principal Unpaid at End of Year</b>	<b>Percent of Principal Retired (%)</b>
2024	\$ 800,000	-	\$ 800,000	\$ 25,825,000	3%
2025	1,050,000	-	1,050,000	24,775,000	7%
2026	1,090,000	\$ 255,000	1,345,000	23,430,000	12%
2027	1,120,000	425,000	1,545,000	21,885,000	18%
2028	1,025,000	445,000	1,470,000	20,415,000	23%
2029	1,045,000	470,000	1,515,000	18,900,000	29%
2030	1,075,000	490,000	1,565,000	17,335,000	35%
2031	1,105,000	515,000	1,620,000	15,715,000	41%
2032	1,140,000	545,000	1,685,000	14,030,000	47%
2033	875,000	570,000	1,445,000	12,585,000	53%
2034	890,000	600,000	1,490,000	11,095,000	58%
2035	930,000	620,000	1,550,000	9,545,000	64%
2036	790,000	645,000	1,435,000	8,110,000	70%
2037	390,000	675,000	1,065,000	7,045,000	74%
2038	410,000	700,000	1,110,000	5,935,000	78%
2039	255,000	730,000	985,000	4,950,000	81%
2040	260,000	760,000	1,020,000	3,930,000	85%
2041	270,000	790,000	1,060,000	2,870,000	89%
2042	285,000	825,000	1,110,000	1,760,000	93%
2043	-	860,000	860,000	900,000	97%
2044	-	900,000	900,000	-	100%
<b>Total</b>	<b>\$ 14,805,000</b>	<b>\$ 11,820,000</b>	<b>\$ 26,625,000</b>		

<sup>(a)</sup> Includes self-supporting debt.

**TAXABLE ASSESSED VALUATION FOR TAX YEARS 2014-2023**

**TABLE 3**

Year	Assessed Valuation	Change from Proceeding Year	
		Amount	Percent
2014	\$ 282,133,660	-	-
2015	314,826,402	\$ 32,692,742	11.59%
2016	340,594,031	25,767,629	8.18%
2017	375,881,419	35,287,388	10.36%
2018	385,556,721	9,675,302	2.57%
2019	424,352,819	38,796,098	10.06%
2020	453,166,055	28,813,236	6.79%
2021	505,553,602	52,387,547	11.56%
2022	542,017,023	36,463,421	7.21%
2023	704,942,777	162,925,754	30.06%

Source: Parker Central Appraisal District.

**PRINCIPAL TAXPAYERS**

**TABLE 4**

<u>Name</u>	<u>Type of Business/Property</u>	<u>2023 Net Taxable Assessed Valuation</u>	<u>% of Total 2023 Assessed Valuation</u>
900 Cinema Drive Partners	Apartments	\$ 90,373,088	12.82%
Durant Jerry	Auto Dealer	19,648,200	2.79%
Shottenkirk Texas Properties	Auto Dealer	13,097,210	1.86%
William Kathy Trustee	Auto Dealer	12,188,520	1.73%
Wal-Mart Real Estate Business	Retail	11,691,906	1.66%
Southwest Ford Inc	Auto Dealer	11,519,590	1.63%
HEB Grocery Company LP	Grocery	11,397,332	1.62%
COMO Parker Estates LLC	Internet	9,063,540	1.29%
Gilchrist Charles Family	Auto Dealer	8,767,550	1.24%
Silverado ESA Inc.	Auto Dealer	8,363,840	1.19%
<b>Total</b>		<b>\$ 196,110,776</b>	<b>27.82%</b> <sup>(1)</sup>

Source: Parker Central Appraisal District

<sup>(1)</sup> As shown in the table above, the total combined top ten taxpayers in the City currently accounts for nearly 28% of the City's tax base thereby creating a concentration risk for the City. The top taxpayer alone accounts for nearly 13% of the City's taxbase. Any adverse development related to these businesses may affect their ability to continue to conduct business at their respective location within the City's boundaries may result in significantly less local tax revenue, which may affect the City's finances and its

**TAX RATE DISTRIBUTION**

**TABLE 5**

The City does not currently levy an ad valorem tax or plan to levy an ad valorem tax to pay the debt service requirements on the Certificates and the City's other outstanding debt. The Certificates are expected to be 100% self-supporting. In the event the Utility System revenues and the sales tax revenues are insufficient to pay the debt service on the City's outstanding debt, the City will be obligated to levy stormwater revenues and collect interest and sinking fund taxes to provide for the required debt service payments.

**MUNICIPAL SALES TAX COLLECTIONS**

**TABLE 6**

The Issuer has adopted the provisions of Chapter 321, as amended, Tax Code. In addition, some issuers are subject to a property tax relief and/or economic and industrial development tax. On August 14, 1999, the Issuer approved a ½¢ tax for Economic Development. The Issuer does not have a sales tax for property tax relief. The additional sales tax collection began January 1, 2000. In May 2002 the voters authorized an additional 1/4 of 1% sales tax for the benefit of the Issuer's crime control district, which became effective in November 2002. Voters of the City also approved a 1/4 of 1% sales tax for street maintenance and repair, which became effective on October, 2005. Net collections on calendar year basis are as follows:

<u>Calendar Year</u>	<u>Rate</u>	<u>Total Collected</u>
2014	1.50%	\$ 1,614,872
2015	1.50%	1,698,638
2016	1.50%	1,886,525
2017	1.50%	1,891,474
2018	1.50%	2,318,182
2019	1.50%	2,872,457
2020	1.50%	3,369,283
2021	1.50%	3,770,090
2022	1.50%	4,244,081
2023	1.50%	4,568,398
2024	1.50%	2,249,518 *

Source: State Comptroller's Office of the State of Texas.

\*As of June, 2024.

**OVERLAPPING DEBT DATA AND INFORMATION**

(As of June 1, 2024)

The following table indicates the indebtedness, defined as outstanding bonds payable from ad valorem taxes, of governmental entities overlapping the City and the estimated percentages and amounts of such indebtedness attributable to property within the City. Expenditures of the various taxing bodies overlapping the territory of the Issuer are paid out of ad valorem taxes levied by these taxing bodies on properties overlapping the Issuer. These political taxing bodies are independent of the Issuer and may incur borrowings to finance their expenditures. The following statements of direct and estimated overlapping ad valorem tax bonds were developed from information contained in the "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the Issuer, the Issuer has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have authorized or issued additional bonds since the date stated below, and such entities may have programs requiring the authorization and/or issuance of substantial amounts of additional bonds, the amount of which cannot be determined.

<u>Taxing Body</u>	<u>Gross Debt</u> <u>Principal</u>	<u>%</u> <u>Overlapping</u>	<u>Amount</u> <u>Overlapping</u>
Weatherford Independent School District	\$ 83,613,498	8.25%	\$ 6,898,114
Parker County	204,740,000	2.71%	5,548,454
Parker County Junior College District	<u>1,400,000</u>	2.71%	<u>37,940</u>
 Total Gross Overlapping Debt	 \$ 289,753,498		 <u>\$ 12,484,508</u>
Hudson Oaks, City of			\$ 26,625,000 <sup>(1)</sup>
Total Gross Direct and Overlapping			\$ 39,109,508 <sup>(1)</sup>
Ratio of Direct and Overlapping Debt to 2023 Assessed Valuation			5.55%
Per Capita Direct and Overlapping Debt			\$ 11,174.15

Note: The above figures show Gross General Obligation Debt for Hudson Oaks, Texas. The Issuer's Net General Obligation Debt is \$0. Calculations on the basis of Net General Obligation Debt would change the above figures as follows:

Total Direct and Overlapping Debt	\$ 12,484,508
Ratio of Direct and Overlapping Debt to 2023 Assessed Valuation	1.77%
Per Capita Direct and Overlapping Debt	\$ 3,567

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas

<sup>(1)</sup> Includes the Certificates.

**ASSESSED VALUATION AND TAX RATE OF OVERLAPPING ISSUERS**

<u>Governmental Subdivision</u>	<u>2023 Assessed</u> <u>Valuation</u>	<u>% of Actual</u>	<u>2023 Tax Rate</u>
Weatherford Independent School District	\$ 6,750,223,930	100%	\$ 1.03650
Parker County	25,902,383,378	100%	0.23111
Parker County Hospital District	25,836,168,107	100%	0.09224
Parker County Junior College District	19,914,879,443	100%	0.10609

Source: Parker Central Appraisal District

**AUTHORIZED BUT UNISSUED DIRECT AND OVERLAPPING GOVERNMENTAL SUBDIVISIONS**

Issuer	Date of Authorization	Purpose	Amount Authorized	Amount Issued To-Date	Unissued
City of Hudson Oaks	None				
Weatherford Independent School District	None				
Parker County	11/7/23	Road	\$ 130,000,000	\$ 80,000,000	\$ 50,000,000
Parker County Junior College District	None				

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas.

**GENERAL FUND COMBINED STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCES**

**TABLE 7**

	9/30/2023	9/30/2022	9/30/2021	9/30/2020	9/30/2019
Fund Balance - Beginning of Year	\$ 3,298,007	\$ 1,980,828	\$ 1,544,575	\$ 1,386,946	\$ 1,378,787
Revenues	6,104,664	5,586,481	4,699,995	4,252,314	4,064,227
Expenditures	3,776,056	3,530,168	3,458,437	3,331,021	3,392,413
Excess (Deficit) of Revenues Over Expenditures	\$ 2,328,608	\$ 2,056,313	\$ 1,241,558	\$ 921,293	\$ 671,814
Other Financing Sources (Uses):					
Transfers In	\$ -	\$ 565,955	\$ -	\$ 55,146	\$ -
Proceeds from Notes Payable	(1,489,061)	-	-	(869,416)	28,588
Proceeds from sale of Capital Assets	10,427	25,193	25,193	50,606	-
Issuance of financed purchases	32,688	-	-	-	-
SBITA Financing	68,488	-	-	-	-
Operating Transfers In (Out)	-	(1,330,282)	(830,498)	-	(692,243)
Total Other Financing Sources (Uses):	\$ (1,377,458)	\$ (739,134)	\$ (805,305)	\$ (763,664)	\$ (663,655)
Fund Balance - End of Year	\$ 4,249,157	\$ 3,298,007	\$ 1,980,828	\$ 1,544,575	\$ 1,386,946

Source: The Issuer's Audited Comprehensive Annual Financial Reports.

\*The City estimates the 2024 fiscal year end general fund balance to be \$4,239,172 (unaudited).

**EMPLOYEE'S PENSION PLAN AND OTHER POST-EMPLOYMENT BENEFITS**

**TABLE 8**

The City participates as one of 901 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the Texas Government Code, Title 8, Subtitle G (TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com. All eligible employees of the city are required to participate in TMRS.

For more information see the City's 2023 Comprehensive Annual Financial Report, Note 9 - Defined Benefit Pension Plans, Page 49.

Source: The Issuer's Annual Comprehensive Financial Report for Fiscal Year Ended September 30, 2023.

**REVENUE BOND DEBT DATA****- NONE -***Source: The Issuer's Audited Comprehensive Financial Report for the fiscal year ending September 30, 2023.***UTILITY PLANT IN SERVICE****TABLE 9***(As of September 30, 2023)*

Land	\$ 1,541,780
Construction in Progress	241,427
Buildings	46,413
Water Plant	4,480,366
Distribution System	16,867,972
Intangible Assets	787,886
Wastewater Systems	3,840,683
Automobiles	171,995
Office Furniture and Equipment	<u>173,636</u>
<b>Total</b>	<b>\$ 28,152,158</b>
Less: Accumulated Depreciation	<u>(8,178,071)</u>
<b>Net Utility Plant in Service</b>	<b><u>\$ 19,974,087</u></b>

*Source: The Issuer's Annual Comprehensive Financial Report for Fiscal Year Ended September 30, 2023.***WATERWORKS AND SEWER SYSTEM OPERATING STATEMENT****TABLE 10***The following condensed statements have been compiled using accounting principles customarily employed in the determination of net revenues available for debt service, and in all instances exclude depreciation, transfers, garbage, bad*

	Fiscal Year Ended				
	<u>9/30/2023</u>	<u>9/30/2022</u>	<u>9/30/2021</u>	<u>9/30/2020</u>	<u>9/30/2019</u>
Revenues	2,805,031	2,952,954	2,737,781	2,613,064	2,535,009
Expenses	<u>1,496,633</u>	<u>1,502,448</u>	<u>1,591,400</u>	<u>1,549,285</u>	<u>1,380,626</u>
Net Revenue Available for Debt Service	<b><u>\$ 1,308,398</u></b>	<b><u>\$ 1,450,506</u></b>	<b><u>\$ 1,146,381</u></b>	<b><u>\$ 1,063,779</u></b>	<b><u>\$ 1,154,383</u></b>
Customer Count:					
Water	1,208	1,188	1,180	1,187	1,170
Sewer	233	212	207	202	194

*Source: The Issuer's Audited Comprehensive Financial Reports.*

**WATER SUPPLY**

The City currently has 19 wells (1 is in the Trinity Aquifer and 18 are in the Paluxy Aquifer), a 250,000 gallon elevated storage tank, and 6 water plants with 11 ground storage tanks. Upon the sale and transfer of the Dyegard System, the City added 8 more wells (3 in the Trinity and 5 in the Paluxy), and 3 water plants with 6 ground storage tanks. The City also has a water purchase contract with the City of Weatherford, Texas. The City's administration believes that the City has enough water capacity to last until 2030 which would handle the expected build out of the City to a population of 8,000. The City entered into a wholesale water agreement on a take or pay basis with the City of Fort Worth, Texas, effective January 1, 2011 and expiring on September 30, 2031 to receive treated surface water from the City of Fort Worth. The City is currently transitioning from its wells to having a direct line into Fort Worth's water system which will serve as the City's primary water source.

**WATER USAGE**

Fiscal Year Ending	Gallons Purchased or Pumped Into the System	Gallons of Water Sold to Customers	Percentage Billed/Pumped
9/30/2014	192,674,206	176,597,113	91.66%
9/30/2015	195,881,380	181,457,492	92.64%
9/30/2016	191,223,700	180,189,000	94.23%
9/30/2017	188,959,200	172,927,000	91.52%
9/30/2018	213,704,600	187,197,147	87.60%
9/30/2019	196,400,499	179,456,650	91.37%
9/30/2020	195,112,374	177,888,997	91.17%
9/30/2021	198,447,000	181,686,091	91.55%
9/30/2022	236,920,800	190,269,300	80.31%
9/30/2023	255,322,912	199,249,565	78.04%

**WATER RATES**

**TABLE 11**

[Based on Monthly Billing]

New Rates  
(Effective October 1, 2019)

**Hudson Oaks Water System**

Base Rate-Meter Charge (Inside and Outside City Limits)	
.75"	\$ 41.00
1.0"	78.00
1.5"	115.00
2.0"	245.00
3.0"	300.00

Residential Usage Charges-Consumption (Inside and Outside City Limits)

Monthly Consumption	Monthly Rate
0-5,000 gallons	\$4.29 per 1,000 gallons
5,001 - 10,000 gallons	\$4.95 per 1,000 gallons
10,001-30,000 gallons	\$6.33 per 1,000 gallons
30,001 gallons or above	\$7.57 per 1,000 gallons

Commercial Usage Charges-Consumption (Inside and Outside City Limits)

Monthly Consumption	Monthly Rate
0-5,000 gallons	\$5.49 per 1,000 gallons
5,001 - 10,000 gallons	\$7.23 per 1,000 gallons
10,001-30,000 gallons	\$8.49 per 1,000 gallons
30,000 gallons or above	\$9.99 per 1,000 gallons

**Dyegard Water System**

(Effective August 27, 2015)

Base Rate-Meter Charge (Inside and Outside City Limits)	
.75"	\$59.50
1.00"	82.00
1.50"	119.00
2.00"	215.00

Usage Charges-Consumption (Inside and Outside City Limits)	
Monthly Consumption	Monthly Rate
0-5,000 gallons	\$4.29 per 1,000 gallons
5,001-10,000	\$4.95 per 1,000 gallons
10,001-30,000	\$6.33 per 1,000 gallons
30,000 gallons or above	\$7.57 per 1,000 gallons

**SEWER RATES**

**TABLE 12**

[Based on Monthly Billing]

(Effective April 24, 2008 - Ordinance 2008-12)

**Residential**

\$18.00 base Rate + \$4.78 per 1,000 gallons based upon winter averaging

**Commercial**

\$18.00 Base Rate + \$11.40 per 1,000 gallons based upon winter averaging

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**APPENDIX B**

**GENERAL INFORMATION REGARDING THE CITY OF HUDSON OAKS AND PARKER COUNTY, TEXAS**

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## CITY OF HUDSON OAKS, TEXAS

Hudson Oaks, Texas (the “City”) is a political subdivision of the State of Texas, located in Parker County on Highway 180, just north of Interstate 20. The City is 27 miles west of downtown Fort Worth, Texas. The City is a Type A general law municipality and operates under an Administrator/Council form of government with a City Council comprised of the Mayor and five Councilmembers. Some of the services that the City provides are: public safety (police), highways and streets, water and sanitary sewer utilities, recycling, and general administrative services. The City's 2024 estimated population is 3,500. The City covers approximately 2.5 square miles.

The City is 20 miles west of downtown Fort Worth, which makes it an ideal location for people to live and commute. The City thrives on commercial development as a sales tax dependent City. Unemployment rates have dropped, while City and County sales tax receipts continue to increase.

The local economy is based between Weatherford, Texas and Fort Worth, Texas. With customers traveling into Hudson Oaks to shop. Approximately 70,000 vehicles a day travel through Hudson Oaks, which makes it an ideal place to do business. The local establishments provide outlets to meet the needs of area residents as well as a solid and growing retail base for the City. Sales tax collections are up 5% compared to the prior year.

New residential developments continue to grow; Red Eagle subdivision and a planned future mixed-use development, Creekside at Hudson Oaks.

## PARKER COUNTY

Parker County, Texas (the “County”) is located adjacent to the western boundary of Tarrant County. The County seat is the City of Weatherford, Texas. The County is traversed by Interstate 20 and U.S. Highways 80 and 180.

The County's economy is based on agribusiness, energy, and manufacturing. With its proximity to the Dallas-Fort Worth Metroplex, many residents commute to Fort Worth for employment. Agricultural products include: pecans, peanuts, peaches, horticulture, horses, hay, dairy, and cattle. Mineral production includes: stone, oil, clay, natural gas, gravel, and sand.

### LABOR FORCE STATISTICS <sup>(1)</sup>

	<u>2024<sup>(2)</sup></u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Civilian Labor Force	77,330	76,741	74,625	72,275	69,486	66,167	64,455
Total Employed	74,611	73,916	72,184	69,048	65,436	68,184	63,411
Total Unemployed	2,719	2,555	2,441	3,227	4,050	1,983	2,044
% Unemployment	3.5	3.3	3.3	4.5	5.8	2.9	3.1
Texas Unemployment (not adjusted)	3.9	3.9	3.9	5.6	7.7	3.5	3.9

(1) Source: Texas Workforce Commission.

(2) As of March, 2024.

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**APPENDIX C**

**FORM OF LEGAL OPINION OF BOND COUNSEL**

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July \_\_, 2024

**CITY OF HUDSON OAKS, TEXAS  
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2024  
DATED AS OF JULY 1, 2024  
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$11,820,000**

**AS BOND COUNSEL FOR THE CITY OF HUDSON OAKS, TEXAS** (the "**City**"), we have examined into the legality and validity of the Certificates of Obligation described above (the "**Certificates**"), which bear interest from the dates specified in the text of the Certificates until stated maturity or prior redemption, at the rates and payable on the dates, and which mature on the dates and are subject to redemption, all in accordance with the terms and conditions stated in the text of the Certificates. Terms used herein and not otherwise defined shall have the meaning given in the ordinance of the City authorizing the issuance and sale of the Certificates (the "**Ordinance**").

**WE HAVE EXAMINED** the applicable and pertinent provisions of the Constitution and laws of the State of Texas and a transcript of certified proceedings of the City, and other pertinent instruments authorizing and relating to the issuance of the Certificates including (i) the Ordinance, (ii) one of the executed Certificates (Certificate No. T-1), and (iii) the City's Federal Tax Certificate of even date herewith.

**BASED ON SAID EXAMINATION, IT IS OUR OPINION** that the Certificates have been duly authorized, issued and delivered in accordance with law; that except as the enforceability thereof may be limited by governmental immunity and bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted relating to creditors' rights generally or by general principles of equity which permit the exercise of judicial discretion, the Certificates constitute valid and legally binding obligations of the City; that ad valorem taxes sufficient to provide for the payment of the interest on and principal of the Certificates have been levied and pledged for such purpose, within the limit prescribed by law; and that "**Surplus Revenues**" (as such term is defined and described in the Ordinance) received by the City from the ownership and operation of the City's combined Waterworks and Sewer System have been pledged to further secure the payment of the Certificates in the manner set forth in the Ordinance.

**IT IS FURTHER OUR OPINION**, except as discussed below, that the interest on the Certificates is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Certificates are not "specified private activity bonds" and that, accordingly, interest on the Certificates will not be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "**Code**"). In expressing the



aforementioned opinions, we have relied on certain representations, the accuracy of which we have not independently verified, and assumed compliance with certain covenants, regarding the use and investment of the proceeds of the Certificates and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or upon a failure by the City to comply with such covenants, interest on the Certificates may become includable in gross income retroactively to the date of issuance of the Certificates.

**EXCEPT AS STATED ABOVE**, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Certificates, including the amount, accrual, or receipt of interest on, the Certificates. Owners of the Certificates should consult their own tax advisors regarding the applicability of any collateral tax consequences of owning the Certificates.

**WE CALL YOUR ATTENTION TO THE FACT** that the interest on tax-exempt obligations, such as the Certificates, may be includable in a corporation's adjusted financial statement income for purposes of determining the alternative minimum tax imposed on certain corporations by section 55 of the Code.

**WE EXPRESS NO OPINION** as to insurance policies issued with respect to the payments due for the principal of and interest on the Certificates, if any, nor as to any such insurance policies issued in the future.

**OUR OPINIONS ARE BASED ON EXISTING LAW**, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of a result and are not binding on the Internal Revenue Service (the "**Service**"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether the Service will commence an audit of the Certificates. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the City as the taxpayer. We observe that the City has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Certificates as includable in gross income for federal income tax purposes.

**OUR SOLE ENGAGEMENT** in connection with the issuance of the Certificates is as Bond Counsel for the City, and, in that capacity, we have been engaged by the City for the sole purpose of rendering an opinion with respect to the legality and validity of the Certificates under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Certificates for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the





financial condition or capabilities of the City, or the disclosure thereof in connection with the sale of the Certificates, and we have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Certificates and have relied solely on certificates executed by officials of the City as to the current outstanding indebtedness of, and assessed valuation of taxable property within, the City. Our role in connection with the City's Official Statement prepared for use in connection with the sale of the Certificates has been limited as described therein.

Respectfully,

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**APPENDIX D**

***THE CITY OF HUDSON OAKS AUDITED FINANCIAL STATEMENTS FOR THE  
FISCAL YEAR ENDED SEPTEMBER 30, 2023***

(Independent Auditor's Report, Management's Discussion and Analysis, General Financial Statements and Notes to the Financial Statements - not intended to be a complete statement of the Issuer's financial condition. Reference is made to the complete Annual Financial Report for further information.)

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



**HUDSON OAKS**



**CITY OF HUDSON OAKS, TEXAS**

**ANNUAL COMPREHENSIVE  
FINANCIAL REPORT**

**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**Prepared by the Finance Department**

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

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**CITY OF HUDSON OAKS, TEXAS**  
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**CITY OF HUDSON OAKS, TEXAS**  
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## INTRODUCTORY SECTION

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March 21, 2024

Honorable Mayor and City Council  
City of Hudson Oaks, TX

Dear Mayor and City Council:

The City Administrator's Office is pleased to present the Annual Comprehensive Financial Report for the City of Hudson Oaks, Texas, for the fiscal year ended September 30, 2023.

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

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

## THE REPORT

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

## CITY PROFILE

### Location

Hudson Oaks is located in Parker County, just 20 miles west of Fort Worth. Hudson Oaks is home to approximately 2,633 people and serves as a prime location for residents who desire a short commute time with the luxury of living in a city with no property tax. There are currently 2.6 square miles of land within the City's boundaries.

### Government Structure

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

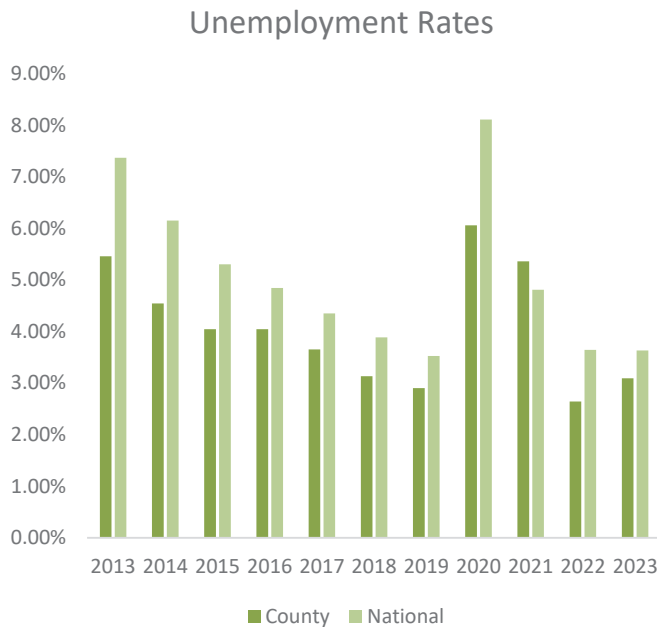
City Administrator, City Attorney, the City Secretary and the Municipal Judge. The City Administrator is responsible for the enforcement of laws and ordinances, the appointment and supervision of the directors and department heads, and the performance of functions within the municipal organization.

Services Provided

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

ECONOMIC CONDITIONS AND OUTLOOK

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



Regional Economy

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

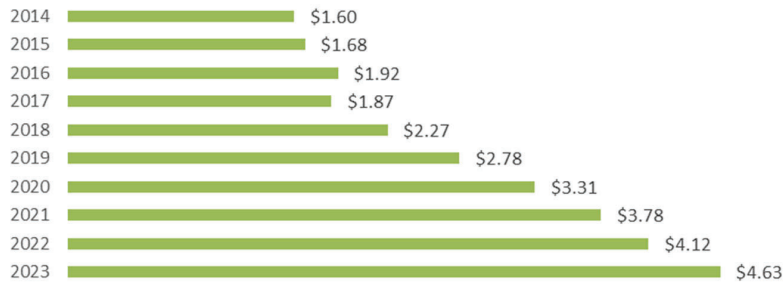
Local Economy

Hudson Oaks is a thriving economy between Weatherford and Fort Worth. Customers come from all over to shop in Hudson Oaks. Approximately 70,000 vehicles a day travel through Hudson Oaks, which makes it an ideal place to do

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



Sales Tax Collections  
(in millions)



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

FINANCIAL INFORMATION

Accounting System and Budgetary Control

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

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

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

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

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

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

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

### Cash Management

As of October 1, 2020, the City's depository contract is with First Financial Bank, N.A. It is a three-year relationship period with two one-year extension options.

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

The ending balance of the City's investment portfolio for Fiscal Year 2022-2023 was approximately \$6,272,295. The overall portfolio provided \$330,490 in investment income, representing interest revenue net of realized gains, unrealized gains and losses and investment expenses.

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

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

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

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

### Long-Term Financing

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

### Long-Term Financial Planning

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

### Transparency

The City has been recognized by GFOA for both the Distinguished Budget award program and the Certificate of Achievement in Financial Reporting for the Annual Comprehensive Financial Report.

## OTHER INFORMATION

### Independent Audit

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

It should be noted that the auditors included all funds in their audit, performed their audit in accordance with generally accepted auditing standards, and stated that, in their opinion, the statements herein present fairly, in all material aspects, the financial position of the City at September 30, 2023, and the results of its operations and the cash flows of its proprietary fund type for the year ended in conformity with accounting principles generally accepted in the United States of America.

### Certificate of Achievement

The Government Finance Officers Association of the United States of America and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Hudson Oaks for its annual comprehensive financial report for the fiscal year ended September 30, 2022. This was the sixth year that the government has achieved this prestigious award.

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

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

#### Acknowledgements

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

Sincerely,



Sterling Naron  
City Administrator

CITY OF HUDSON OAKS, TEXAS

MAYOR

Tom Fitzpatrick

MAYOR PRO-TEM

Daniel Cross

COUNCIL MEMBERS

Place 1 – Tom Marquardt

Place 2 – Brian Lixey

Place 3 – Marty Schrantz

Place 4 – Sean Cannon

CITY ADMINISTRATOR

Sterling Naron

DEPARTMENT DIRECTORS

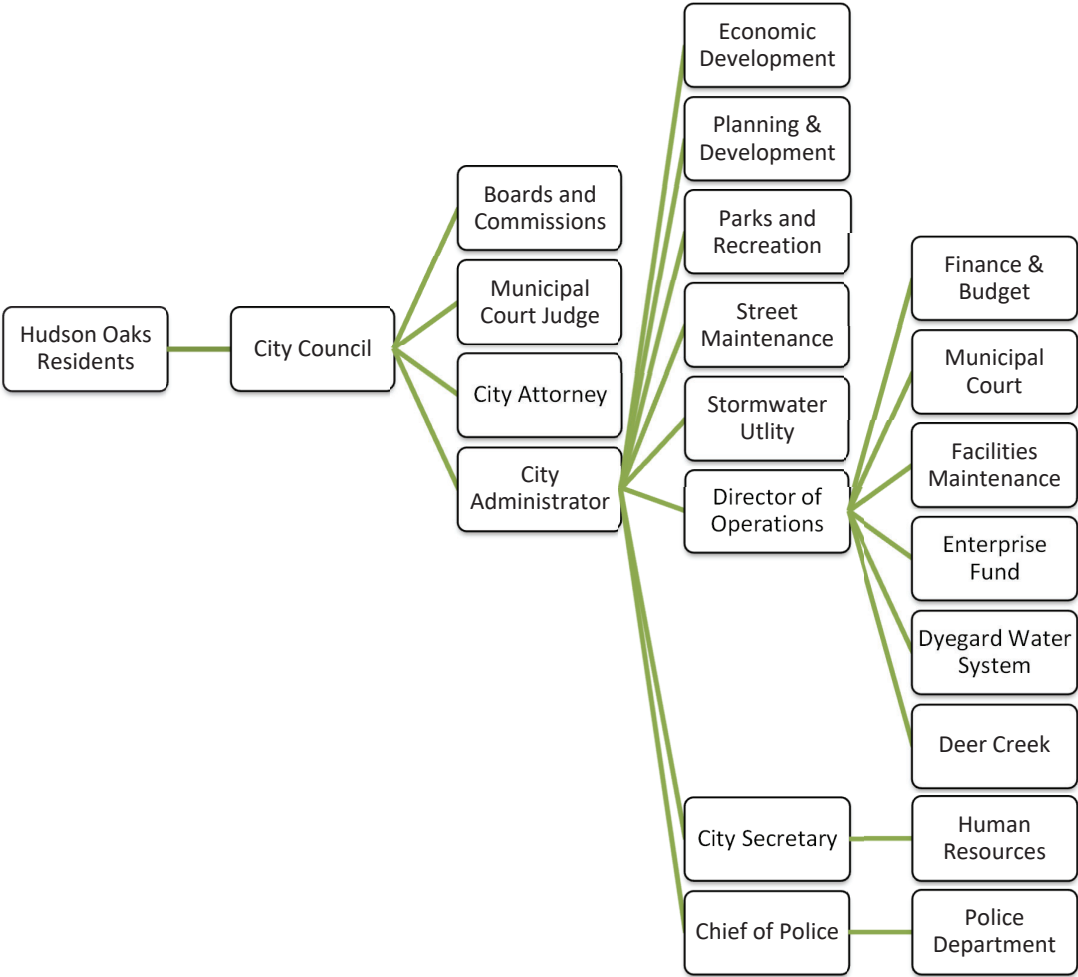
Ricky King – Public Works

Hayden Brodowsky - Operations

Shelley Scazzero – City Secretary

Paul Conner – Municipal Court Judge

ORGANIZATIONAL CHART





Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Hudson Oaks  
Texas**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

September 30, 2022

*Christopher P. Morrill*

Executive Director/CEO

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**FINANCIAL SECTION**



## **Independent Auditor's Report**

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

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

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

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

#### ***Basis for Opinions***

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

#### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

### ***Required Supplementary Information***

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

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

### ***Supplementary Information***

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

### ***Other Information***

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2024, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



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

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of The City of Hudson Oaks, Texas, we offer readers of The City of Hudson Oaks' financial statements this narrative overview and analysis of the financial activities of The City of Hudson Oaks for the year ended September 30, 2023.

### FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Hudson Oaks exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$20,843,976 (*net position*) compared to \$19,197,944 for the prior year. Of this amount, \$5,596,019 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$1,706,033. The City's operations increased the governmental activities and increased business-type activities by \$1,125,543 and \$580,490 respectively.
- As of the close of the current fiscal year, the City of Hudson Oaks' governmental funds reported combined ending fund balances of \$5,846,057 compared to \$2,888,108 for the prior year. 72% is available for spending at the City's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$4,239,175, or 112% of total general fund expenditures.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The City maintains ten individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Capital Projects Fund, PID No. 1 Fund, and the Debt Service Fund, which are considered major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report. The City adopts an annual appropriated budget for the general fund. A budgetary comparison schedule has been provided for these funds to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on Exhibits 3 through 6 of this report.

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

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

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-61 of this report.

**Other information.**

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

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

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$20,843,976 as of September 30, 2023. Below is a summary of the City’s Statement of Net Position.

**Condensed Statement of Net Position**

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

The largest portion of the City’s net position (70%) reflects its investment in capital assets (e.g. land, buildings, equipment, automobiles, improvements, infrastructure and construction in progress); less any outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay

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

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

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

**Condensed Statement of Activities**

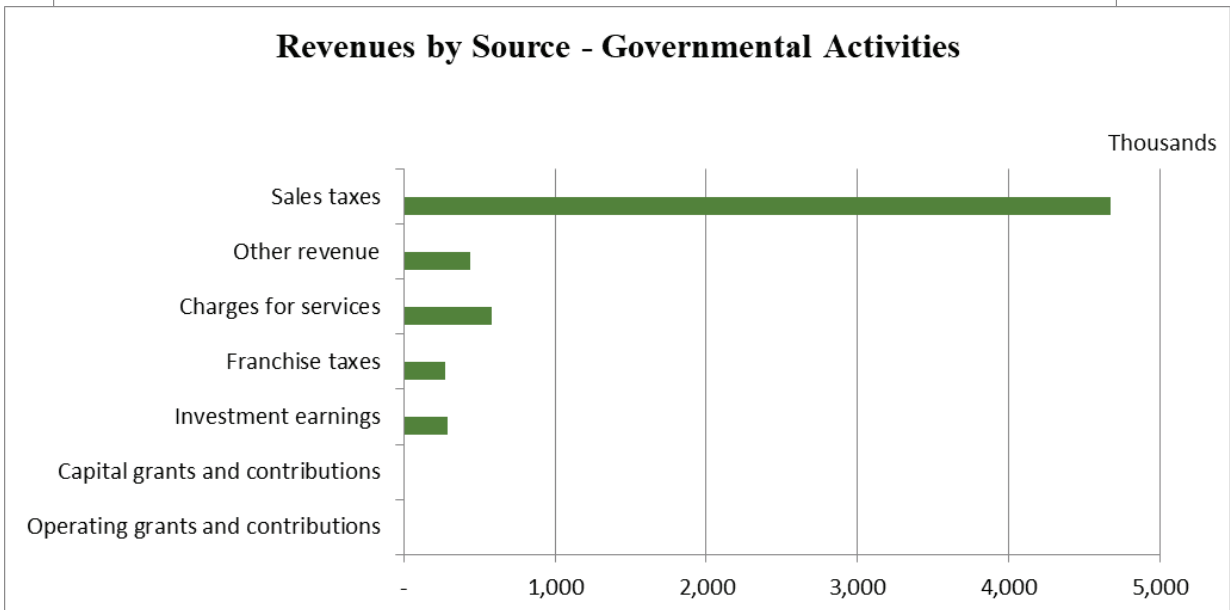
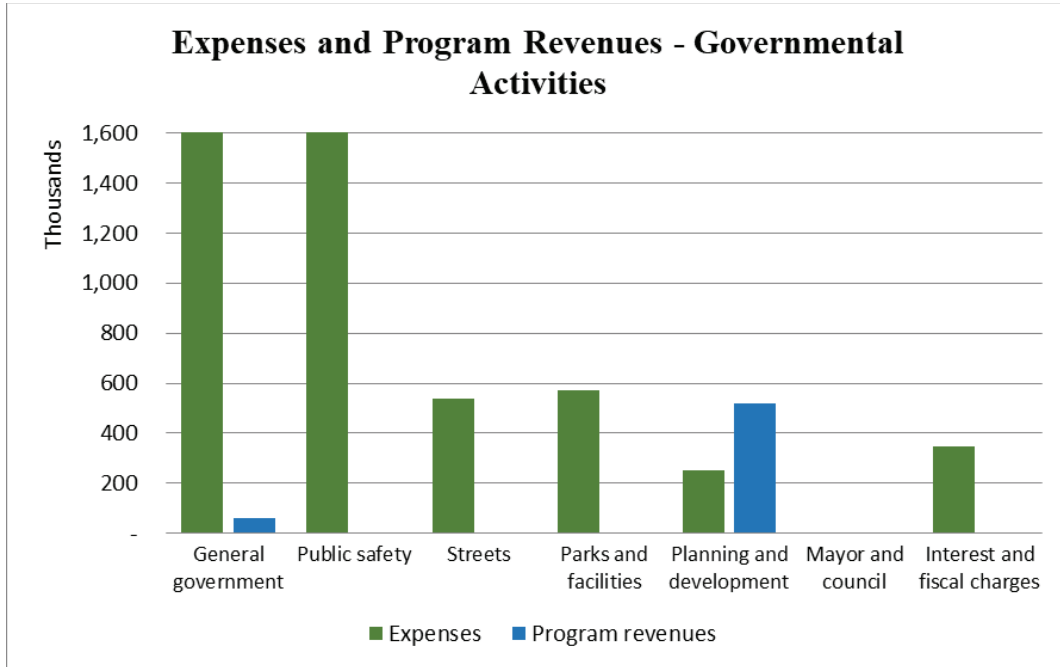
	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues:						
Charges for services	\$ 579,521	\$ 940,041	\$ 2,975,204	\$ 3,144,775	\$ 3,554,725	\$ 4,084,816
Operating grants and contributions	-	25,303	-	-	-	25,303
Capital grants and contributions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

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



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

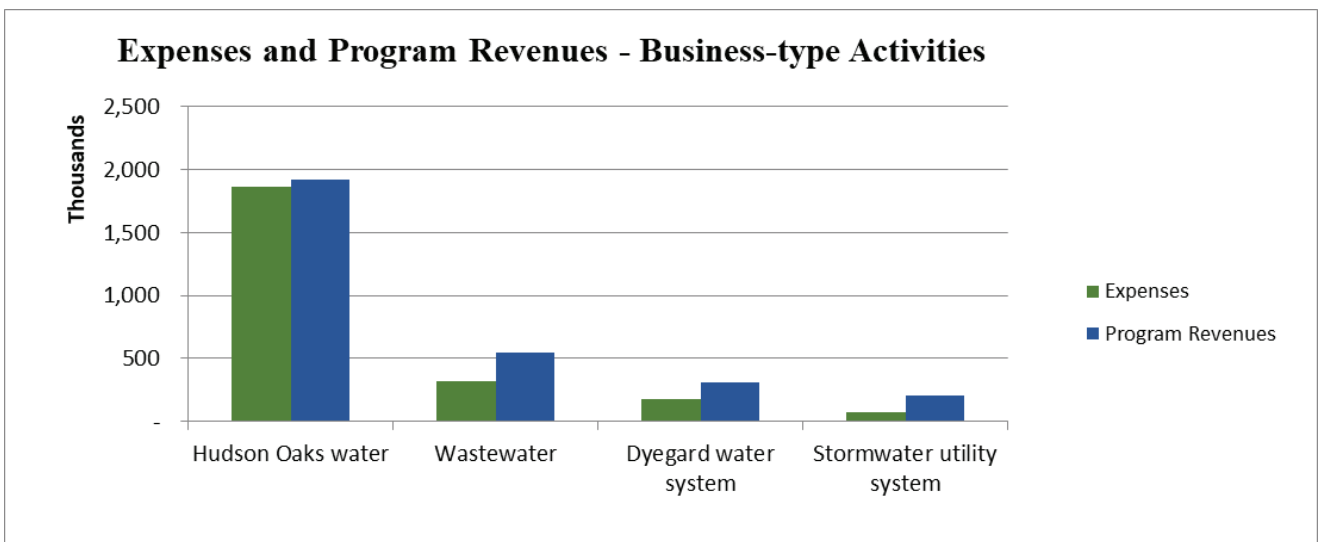
Below are two graphs summarizing governmental revenue and expense:



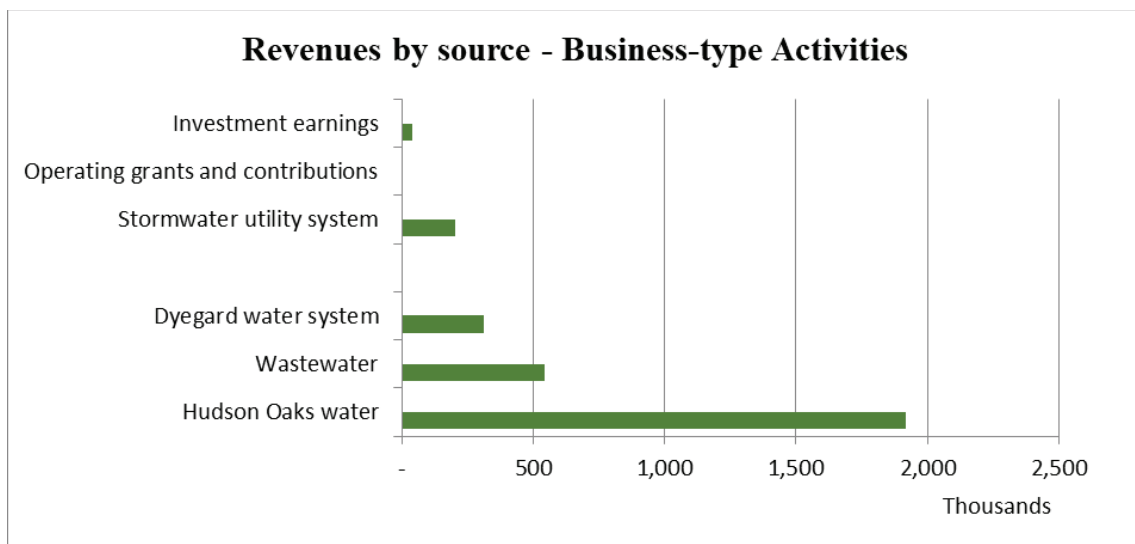
**Business-type activities.** Business-type activities increased the City's net position by \$580,490. Key elements are as follows.

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

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



\*\*\*\*\*



## **Financial Analysis of the Government's Funds**

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

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

At year end, the City's governmental funds reported combined ending fund balances of \$5,846,057. (72%) of the ending fund balance constitutes unassigned fund balance, which is available for spending at the government's discretion.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$4,239,175. During the current fiscal year, the fund balance of the City's general fund increased by \$951,150. Key factors in this increase are as follows:

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

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

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

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

**Proprietary funds.** The City’s proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the Proprietary Fund at the end of the fiscal year amounted to \$1,108,688. The change in net position was a \$580,490 increase. Other factors concerning the finances of this fund have already been addressed in the discussion of the City’s business-type activities.

**General Fund Budgetary Highlights**

The City amended the general fund budget once during fiscal year 2023. Budgeted revenues were increased \$1,208,923. Budgeted expenditures were decreased \$264,300. The most significant changes to expenditures were to decrease the streets budget and the general government. General fund budget exceeded expenditures by \$145,887.

**Capital Assets**

The City’s investment in capital assets for its governmental and business type activities as of September 30, 2023, amounts to \$37,024,191 (net of accumulated depreciation). This investment in capital assets includes land, buildings, water and wastewater systems, improvements, equipment, and infrastructure.

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

Governmental Activities:

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

Business-type activities:

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

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

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

Additional information on the City’s capital assets can be found in note 4 to the financial statements.

**Long-Term Debt**

At the end of the current fiscal year, the City of Hudson Oaks had total bonded debt, notes payable and capital leases payable of \$23,49,488.

**City of Hudson Oaks’ Outstanding Debt**

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

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

**Economic factors and the Next Year’s Budgets and Rates**

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

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

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

The fiscal year 2024 general fund budget continues the City’s conservative approach to fiscal matters. The budget includes additional funds for street maintenance, police protection, and employee retention while holding sales tax projections related to the developments to a minimum. This conservative approach will allow the City more flexibility if revenues exceed budget in the future to expand on developments to continue to grow the City. While the City expects business to continue to increase, some events have led to a more conservative approach than normal for 2024.

**Request for Information**

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

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## **BASIC FINANCIAL STATEMENTS**

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

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

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

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

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental activities:				
General government	\$ 1,695,651	\$ 58,781	\$ -	\$ -
Public safety	1,721,203	-	-	-
Streets	539,108	-	-	-
Parks and facilities	571,019	-	-	-
Planning and development	252,934	520,740	-	-
Mayor and council	1,616	-	-	-
Interest and fiscal charges	345,669	-	-	-
Total governmental activities	<u>5,127,200</u>	<u>579,521</u>	<u>-</u>	<u>-</u>
Business-type activities:				
Hudson Oaks water	1,867,322	1,918,316	-	-
Wastewater	319,822	543,538	-	-
Dyegard water system	172,537	311,688	-	-
Stormwater utility system	73,712	201,662	-	-
Total business-type activities	<u>2,433,393</u>	<u>2,975,204</u>	<u>-</u>	<u>-</u>
Total primary government	<u><u>7,560,593</u></u>	<u><u>3,554,725</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

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

Change in Net Position

Net Position October 1

Net Position September 30

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

**Exhibit 2**

Net (Expense) Revenue and Changes in Net Position		
	Primary Government	
Governmental Activities	Business-type Activities	Total
\$ (1,636,870)	\$ -	\$ (1,636,870)
(1,721,203)	-	(1,721,203)
(539,108)	-	(539,108)
(571,019)	-	(571,019)
267,806	-	267,806
(1,616)	-	(1,616)
(345,669)	-	(345,669)
(4,547,679)	-	(4,547,679)
-	50,994	50,994
-	223,716	223,716
-	139,151	139,151
-	127,950	127,950
-	541,811	541,811
(4,547,679)	541,811	(4,005,868)
4,671,021	-	4,671,021
274,220	-	274,220
291,811	38,679	330,490
436,170	-	436,170
-	-	-
5,673,222	38,679	5,711,901
1,125,543	580,490	1,706,033
11,133,162	8,004,781	19,137,943
\$ 12,258,705	\$ 8,585,271	\$ 20,843,976

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

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

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

**CITY OF HUDSON OAKS, TEXAS**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**To the Statement of Net Position**  
**September 30, 2023**

Total Fund Balances - Governmental Funds	\$ 5,846,057
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. The cost of these assets was \$23,651,130 and the accumulated depreciation was \$6,601,026.	17,050,104
Long-term liabilities, including \$10,703,289 bonds payable, \$58,144 of capital leases payable, \$86,009 of lease financing & SBITA, and \$212,316 compensated absences payable are not due and payable in the current period, and, therefore are not reported as a liability in the fund financial statements.	(11,059,758)
Interest payable is not expected to be liquidated with available financial resources and is not reported as a liability in the fund financial statements.	(57,341)
Franchise taxes receivable, sales tax receivable, and fines and fees receivable are not available soon enough to pay for the current period's expenditures and therefore are deferred revenue in the fund financial statements.	861,878
Deferred inflows on refunding is not reported as a liability in the fund financial statements. This resulted in a decrease to net position.	(41,754)
Included in the items related to noncurrent liabilities is the recognition of the City's net pension liability required by GASB 68 in the amount of \$829,565, a deferred resource inflow related to pensions of \$83,328 and a deferred resource outflow related to pensions in the amount of \$626,322. This resulted in a decrease to net position.	(286,571)
Included in the items related to noncurrent liabilities is the recognition of the City's Other Post Employment Benefits (OPEB) as required by GASB 75 in the amount of \$42,073, a deferred outflow related to OPEB of \$15,112, a deferred inflow to OPEB of \$28,658. This results in a decrease to net position.	(55,619)
The City uses an internal service fund to charge costs of reimbursements to employees for health care costs above deductible amounts. The adjustment is to reflect the consolidation of the internal service fund activities related to governmental activities.	1,709
Net Position of Governmental Activities	\$ 12,258,705

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

**CITY OF HUDSON OAKS, TEXAS**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended September 30, 2023**

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

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



**CITY OF HUDSON OAKS, TEXAS**  
**Reconciliation of Statement of Revenues,**  
**Expenditures and Changes in Fund Balances of**  
**The Governmental Funds to the Statement of Activities**  
**For the Year Ended September 30, 2023**

Total Net Change in Fund Balances - Governmental Funds	\$ 2,957,949
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including \$1,987,317 of capital outlays and \$696,248 of debt principal payments is to increase net position.	2,683,567
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(791,553)
Current year issuance of capital lease payables are other financing sources in the fund financial statements. The effect of \$32,688 increase in capital lease payable is a decrease to net position.	(32,688)
Current year issuance of bonds payable are other financing sources in the fund financial statements. The effect of \$3,425,036 increase in capital lease payable is a decrease to net position.	(3,425,036)
Current year interest payable and compensated absences of the governmental funds are not due and payable in the current period, and, therefore are not reported as liabilities in the fund financial statements. The net effect of the \$20,466 increase in interest payable, \$42,985 increase in compensated absences payable and \$18,860 amortization of deferred charges, premiums and discounts is to decrease net position.	(44,591)
Current year issuance of Subscription-Based Technology Arrangements (SBITA) payables are other financing sources in the fund financial statements. The effect of \$68,488 increase in SBITA payable is a decrease in net position.	(68,488)
Sales tax, franchise tax, fines and fees, and other intergovernmental revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the fund statements.	(35,419)
GASB required the City to recognize their net pension liability, deferred resource inflow related to pensions and deferred resource outflow related to pensions. The changes in these balances decreased net position.	(111,667)
GASB required the City to recognize their other post employment benefit liability and deferred inflows related to OPEB. The changes in these balances decreased net position.	(7,971)
The City uses and internal service fund to charge the costs of health costs reimbursable to employees to appropriate functions in other funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. The net effect of this consolidation is to decrease net position.	1,440
Change in Net Position of Governmental Activities	<u>\$ 1,125,543</u>

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

## CITY OF HUDSON OAKS, TEXAS

Statement of Net Position  
Proprietary Fund  
September 30, 2023

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

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

**CITY OF HUDSON OAKS, TEXAS**  
Statement of Revenues, Expenses and Changes in Fund Net Position  
Proprietary Fund  
For the Year Ended September 30, 2023

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

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

**CITY OF HUDSON OAKS, TEXAS**  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended September 30, 2023

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

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

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

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

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

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

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

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



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

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

A. General Statement

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

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

B. Financial Reporting Entity

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

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

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

C. Government-wide and Fund Financial Statements

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

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



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

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

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized as soon as they are measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 30 days after year-end. Expenditures generally are recorded when the related fund liability is incurred, however, debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized when payment is due.

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

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

The City reports the following major governmental funds:

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

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

The *capital projects fund* is used to account for the acquisition and construction of the government's major capital facilities and equipment, other than those financed by proprietary funds.





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

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

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

The City reports the following major proprietary funds:

The *water and wastewater fund* is used for activities which are financed and operated in a manner similar to private business enterprise where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. Combining schedules can be found on page 70 - 72 of the financial statements, under enterprise fund supplementary information. There are no external parties that require separate segment reporting for the supplementary information.

The City reports other enterprise funds as nonmajor funds:

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

Additionally, the government reports the following fund types:

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

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

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

Proprietary funds distinguish operating revenue and expense from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and wastewater fund are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.



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

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

E. Assets, Liabilities and Net Position or Equity

1) Cash, Cash Equivalents, and Investments

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

2) Receivables and Payables

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

All receivables are presented net of allowance for uncollectible accounts. Water, dyegard, wastewater, and stormwater funds accounts receivable with final status comprise the allowance for uncollectible accounts of \$31,145. In the governmental activities the fines and fees receivable are reported net of an allowance of \$135,962 which is 80% of the outstanding receivable.

3) Unbilled Services

Utility operating revenues (water, dyegard, wastewater and stormwater) are billed on monthly cycles. The City records estimated revenues for services delivered during the current fiscal year, which will be billed during the next fiscal year. \$180,458 of unbilled services is reported with accounts receivable in the proprietary fund.

4) Prepaid Items

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

5) Restricted Assets

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

6) Capital Assets

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



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

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

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

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

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

7) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualifies in this category. Deferred outflows related to pensions and deferred outflows related to OPEB, both reported in the government-wide statement of net position and proprietary funds statement of net position.

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

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



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

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

8) Compensated Absences

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

9) Pensions

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

10) Long-term Obligations

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

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



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

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

11) Fund Balances – Governmental Funds

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

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

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

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

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

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

The details of the fund balances are included in the Governmental Funds Balance Sheet (page 18). When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to be spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been first spent out of committed funds, then assigned, and finally unassigned as needed. The City's financial goal is to have sufficient balance in the General Fund with sufficient working capital and margin of safety to address local and regional emergencies without borrowing. The City strives to maintain a General Fund Balance of 30% of the City's general fund annual operating expenditures.



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

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

12) Deficit fund equity

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

13) Use of Restricted/Unrestricted Net Position

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

14) Comparative Data

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

15) Use of Estimates

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

**NOTE 2 - DEPOSITS AND INVESTMENTS:**

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

*Custodial Credit Risk – Investments:* For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investments are with the



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

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

Texas Local Government Investment Pool (“TexPool”), the Texas Short-Term Asset Reserve Investment Pool (“TexStar”), and in certificates of deposit.

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

*Credit Risk – Investments:* This is the risk that an issuer of an investment will be unable to fulfill its obligations. The ratings of securities by nationally recognized rating agencies is designed to give an indication of credit risk. It is the government’s policy to limit its investments to those investments rated at least AAAM. The credit quality rating for both TexPool and TexStar at year end was AAAM by Standard & Poor’s.

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

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

Insurance Corporation insurance. The City’s deposits were fully insured or collateralized as required by the state statutes at September 30, 2023. The collateral is held by Frost National Bank in the City’s name under a joint safekeeping agreement with First Financial Bank N.A.

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

The City controls credit risk by limiting investments to those investments authorized by both the



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

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

Public Funds Investment Act and by its investment policy.

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

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

- Property acquisitions valued at \$304,000 within City limits for economic development purposes using property brokers opinion from sales and purchases around the area (Level 3 input).

Description	Cost	Fair Value	Percentage of Total Investments	Standard & Poor's	Weighted Average Maturity	Fair Value Measurements Using
TexPool	\$ 384,639	\$ 384,639	6.13%	AAAm	28 days	Amortized Cost
TexStar	5,583,656	5,583,656	89.02%	AAAm	29 days	Amortized Cost
Land	96,526	304,000	4.85%			Level 3
	<u>\$ 6,064,821</u>	<u>\$ 6,272,295</u>	100.00%			





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

**NOTES 3 – LEASES RECEIVABLE**

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

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

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

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

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

Future payments receivable are as follows:

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



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

**NOTE 4 - CAPITAL ASSETS**

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

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



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

**NOTE 4 - CAPITAL ASSETS (continued)**

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



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

**NOTE 4 - CAPITAL ASSETS (continued)**

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

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

Intangible Assets

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

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

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

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



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

**NOTE 4 - CAPITAL ASSETS (continued)**

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

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

Aggregate Intangible Depreciation Expense:

For the year ended September 30, 2022	<u>\$ 28,548</u>
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**NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

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

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



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

**NOTE 6 – LEASES**

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

The lease agreements are summarized as follows:

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

The future lease payments under lease agreements are as follows:

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



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

**NOTE 7 – LONG-TERM DEBT**

A. Financed Purchases

Governmental Activities:

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

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

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

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

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

Business-type Activities:

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



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

**NOTE 7 – LONG-TERM DEBT (continued)**

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

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

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

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





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

**NOTE 7 – LONG-TERM DEBT (continued)**

B. Bonds Payable

Bonds, certificates of obligation payable on September 30, 2023, consist of the following individual issues:

**Governmental Activities**

\$1,800,000 2007 Certificates of Obligation, for construction of street, bridge, curb, and sidewalk improvements, together with utility relocation and drainage improvements, due in annual installments through August 1, 2027, 4.10%.	\$ 505,000
\$4,195,000 2016A Certificates of Obligation, for construction of road projects and a downtown development. The payments are due in annual installments through February 1, 2036, 2.00% - 5.00%	2,995,000
\$2,325,000 2018 Certificates of Obligation, for construction of City fiber internet lines and Public Improvements District No. 1. The payments are due in annual installments through February 1, 2038, 2.00% - 5.00%	1,950,000
\$644,000 2021A General Obligation bonds, issued to refund the 2012 Certificates of Obligation, due in annual installments through February 1, 2036, 1.33%	533,750
\$1,330,000 2021B General Obligation bonds, issued to refund the 2016B Certificates of Obligation, due in annual installments through February 1, 2036, 1.97%	1,175,000
\$1,990,000 2023 Certificate of Obligation bonds, issued for construction of general capital projects, due in annual installments through August 1, 2042, 3.5% - 6%	1,950,000
\$1,215,000 2023 Certificate of Obligation bonds, issued for construction of PID No. 1 related projects, due in annual installments through August 1, 2042, 3.5% - 6%	<u>1,190,000</u>
<b>Total Governmental Activities</b>	<b><u><u>\$ 10,298,750</u></u></b>



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

**NOTE 7 – LONG-TERM DEBT (continued)**

**Business-type Activities**

\$550,000 2016A Certificates of Obligation, for drainage projects associated with the new downtown development. The payments are due in annual installments through February 1, 2036, 2.00% - 5.00%	385,000
\$2,370,000 2020 General Obligation Refunding, issued to refund the Dyegard 2010 bonds and the 2010 General Obligation refunding bonds, due in annual installments through February 1, 2035, 1.65%.	1,785,000
\$6,986,104 2019 Certificates of Obligation 48% share, issued to fund the Fort Worth water line project in conjunction with the City of Willow Park, due in annual installments through February 1, 2040, 0.95%	6,306,283
\$1,736,000 2021A General Obligation Refunding, issued to refund the 2012 CO and the 2014 CO bonds, due in annual installments through February 1, 2035, 1.33%.	1,176,250
\$3,009,600 2021 Certificates of Obligation 48% share, issued to fund the Fort Worth water line project in conjunction with the City of Willow Park, due in annual installments through February 1, 2051, 3.25%	3,009,600
\$925,000 2023 Certificates of Obligation, issued for water and sewer projects, due in annual installments through August 1, 2032, 3.5% - 6%.	895,000
\$680,000 2023 Certificates of Obligation, issued for stormwater projects, due in annual installments through August 1, 2042, 3.5% - 6%	<u>665,000</u>
<b>Total Business-type activities</b>	<b><u><u>\$ 14,222,133</u></u></b>



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

**NOTE 7 – LONG-TERM DEBT (continued)**

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

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



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

**NOTE 7 – LONG-TERM DEBT (continued)**

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

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

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



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

**NOTE 8 – CONDUIT DEBT AGREEMENTS**

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

During the year ended December 31, 2005, the board of directors of the Hudson Oaks Education Finance Corporation (the “Corporation”) entered into a \$4,000,000 loan agreement with Lakehill Preparatory School (the “Borrower”) and Frost National Bank (the “Lender”). According to the terms of the loan agreement the Lender is making a loan to the Corporation and the Corporation is making a loan to the Borrower. The proceeds will be used by Borrower to refinance the construction, improvement, and equipping of school buildings and athletic facilities on Borrower’s campus and payment of the costs of issuance. The Corporation’s obligations under the loan agreement are payable solely from the loan payments received from the Borrower and other amounts received, if any, from the enforcement of the security provided by the Borrower Note, and do not constitute, give rise to or impose upon the Corporation or the City of Hudson Oaks, Texas, a pecuniary liability, a charge upon the general credit thereof or a pledge of the general revenues of the City or the Corporation. The Corporation has assigned the Borrower Note to the Lender; therefore, the Lender will make loan payments directly to the Lender. The City evaluated the conduit debt agreement and determined a liability is not required to be recognized using GASB No. 91, Conduit Debt Obligations criteria. The amount of Hudson Oaks Education Finance Corporation conduit debt obligations outstanding on September 30, 2023, are as follows:

Lakehill Preparatory School Loan Agreement	\$ 695,000
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June 10, 2004, the City passed an ordinance authorizing and approving the creation of the Hudson Oaks Health Development Corporation (a non-profit corporation) to acquire, construct, provide, improve, finance, and refinance health facilities to assist the maintenance of the public health, subject to the Texas Health Facilities Development Act. As of September 30, 2023, this corporation has not issued any debt.

**NOTE 9 – DEFINED BENEFIT PENSION PLANS**

A. PLAN DESCRIPTION

The City participates as one of 919 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the Texas Government Code, Title 8, Subtitle G (TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS’s defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmrs.com](http://www.tmrs.com).

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



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

**NOTE 9 – DEFINED BENEFIT PENSION PLANS (continued)**

**B. BENEFITS PROVIDED**

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

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

The plan provisions for the City for the Plan Year 2022 were as follows:

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

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

At December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

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

**C. CONTRIBUTIONS**

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



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

**NOTE 9 – DEFINED BENEFIT PENSION PLANS (continued)**

C. CONTRIBUTIONS (continued)

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 12.32% and 11.85% in calendar years 2023 and 2022, respectively. The city's contributions to TMRS for the year ended September 30, 2023, were \$221,659, and were equal to the required contributions.

D. NET PENSION LIABILITY

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

*Actuarial Assumptions:*

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

Inflation	2.5% per year
Overall payroll growth	2.75% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

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

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



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

**NOTE 9 – DEFINED BENEFIT PENSION PLANS (continued)**

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.0%	7.70%
Core-Fixed Income	6.0%	4.90%
Non-Core Fixed Income	20.0%	8.70%
Other Public and Private Markets	12.0%	8.10%
Real Estate	12.0%	5.80%
Hedge Funds	5.0%	6.90%
Private Equity	<u>10.0%</u>	11.80%
Total	100%	

*Discount Rate:*

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





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

**NOTE 9 – DEFINED BENEFIT PENSION PLANS (continued)**

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

**SENSITIVITY OF THE NET POSITION LIABILITY TO CHANGES IN THE DISCOUNT RATE**

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

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

**PENSION PLAN FIDUCIARY NET POSITION**

Detailed information about the pension plan’s Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at [www.tmrs.com](http://www.tmrs.com).



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

**NOTE 9 – DEFINED BENEFIT PENSION PLANS (continued)**

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

For the year ended September 30, 2023, the city recognized pension expense of \$307,043.

On September 30, 2023, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 160,403	\$ 95,669
Changes in actuarial assumptions	6,239	-
Differences between projected and actual investment earnings	392,411	-
Contributions subsequent to the measurement date	163,602	-
Total	\$ 722,655	\$ 95,669

\$163,602 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the subsequent fiscal year. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Net deferred outflows (inflows) of resources
2023	\$ 36,855
2024	133,799
2025	127,933
2026	164,797
2027	-
Thereafter	-
	\$ 463,384



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

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

A. PLAN DESCRIPTION

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

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

B. BENEFITS PROVIDED

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

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

C. TOTAL OPEB LIABILITY

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

*Actuarial Assumptions:*

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

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

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



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

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

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

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

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

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

*Discount Rate*

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

*Changes in the Total OPEB Liability*

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

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



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

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 4.05%, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.05%) or 1-percentage-point higher (5.05%) than the current rate:

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

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

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

On September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB for the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 3,337	\$ 6,684
Changes in assumptions and other inputs	13,249	26,218
Contributions subsequent to the measurement date	765	-
Total	\$ 17,351	\$ 32,902

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

Year ended December 31:	Net deferred outflows (inflows) of resources
2023	\$ (2,229)
2024	(2,229)
2025	(2,550)
2026	(2,712)
2027	(5,152)
Thereafter	(1,444)
	\$ (16,316)



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

**NOTE 11 – RISK MANAGEMENT**

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

**NOTE 12 – CONTINGENT LIABILITIES**

A. Federal and State Programs

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

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

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

**NOTE 13 – DEFERRED COMPENSATION PLAN**

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

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



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

**NOTE 14 – WATER AND WASTEWATER SERVICE CONTRACTS**

A. Treated Water

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

B. Wastewater Service

The City entered into a 3-year wastewater service contract with the option of a 2-year extension upon mutual agreement with the City of Weatherford on May 13, 2020 wherein the City of Weatherford agreed to extend a wastewater collection line to the Weatherford city limits just west of the Hudson Oaks city limits and to provide sewage treatment service for amounts of wastewater collected by the City and delivered to the Weatherford System. The City constructed wastewater facilities including a wastewater collection line from the point of entry of the Weatherford System into the City and related lift stations. Charges to the City are based upon a flow charge for the transmission and treatment of wastewater received from the Hudson Oaks system and a capacity charge to compensate Weatherford for the capacity in the Weatherford system necessary to accept the maximum daily flow from the Hudson Oaks system.

C. Fort Worth Water Line Agreement with Willow Park

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

D. Fort Worth Water Purchases

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

**NOTE 15 – CONTRACTS AND COMMITMENTS**

- A. In November 2014, the City created the Hudson Oaks Public Improvements District No. 1, for the purposes of designing, acquiring and constructing public improvement projects in the District. The District includes approximately 46 acres in the City. The City has committed to fund improvements of up to \$3,534,000 in the District with \$2,000,000 being funded within 120 days of issuance of a notice to proceed on a new grocery store and once the store opens the remaining actual costs up to \$1,534,000. The City issued new bonds in 2018 to fund the initial \$2,000,000. The City issued additional bonds in 2023 as part of a larger issuing to fund \$1,060,890 of further construction improvements to this project.



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

**NOTE 15 – CONTRACTS AND COMMITMENTS continued)**

In July 2015 the City levied an annual assessment of \$.46 per \$100 of net taxable value against the properties in the District through year 2023. This assessment will be used to fund the long-term debt used to fund the public improvements. The City commenced assessments on October 1, 2017.

**NOTE 16 – TAX ABATEMENTS**

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

The City entered into an economic development agreement dated November 21, 2019, with a developer to reimburse the developer the cost of developing a commercial retail building. The agreement requires the City to rebate to the developer 50% of the City's sales tax collected from the issuance of the certificate of occupancy for a period of four (4) years until the developer has been reimbursed the total sum of \$300,000, whichever occurs first. The City accrued \$70,194 on September 30, 2023 and previously paid \$75,260 in 2022 for a sales tax rebate for this economic development.

The City entered into an economic development agreement dated January 30, 2017, with a developer to construct a new facility and provide services to residents. The agreement requires the City to rebate all sales tax collected from the issuance of the certificate of occupancy for taxable services provided outside City limits. The City rebated \$109,020 for the year September 30, 2023.

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

**NOTE 17 – CORONAVIRUS LOCAL FISCAL RECOVERY FUND**

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





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

**NOTE 18 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT**

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

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

In car camera software provided by Axon Enterprises is a 5-year agreement, initiated in fiscal year 2203 with a total cost of \$37,082 and a discount rate of 4.54%.

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

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

The future subscription payments under SBITA agreements are as follows:

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

**NOTE 19 – SUBSEQUENT EVENTS**

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

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**REQUIRED SUPPLEMENTARY INFORMATION**

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Exhibit A-1

**CITY OF HUDSON OAKS, TEXAS**  
 General Fund  
 Schedule of Revenues, Expenditures and Changes in Fund Balance -  
 Budget and Actual  
 For the Year Ended September 30, 2023

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

The accompanying notes are an integral part of this schedule.

**CITY OF HUDSON OAKS, TEXAS**  
 Schedule of Changes in Net Pension Liability  
 and Related Ratios  
 For the Year Ended September 30, 2023

	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>									
Service Cost	\$ 307,372	\$ 288,820	\$ 282,323	\$ 283,930	\$ 252,831	\$ 248,257	\$ 224,824	\$ 208,249	\$ 199,076
Interest (on the Total Pension Liability)	404,672	358,917	343,534	299,378	261,963	246,144	233,278	214,601	195,208
Changes of benefit terms	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	117,340	118,397	(319,892)	83,445	66,530	(156,684)	(160,582)	36,888	(78,250)
Change of assumptions	-	-	-	39,975	-	-	-	(26,499)	-
Benefit payments, including refunds of employee contributions	(90,360)	(104,764)	(57,844)	(45,677)	(39,488)	(171,826)	(65,411)	(37,169)	(49,985)
<b>Net Change in Total Pension Liability</b>	<b>739,024</b>	<b>661,370</b>	<b>248,121</b>	<b>661,051</b>	<b>541,836</b>	<b>165,891</b>	<b>232,109</b>	<b>396,070</b>	<b>266,049</b>
<b>Total Pension Liability-Beginning</b>	<b>\$ 5,886,638</b>	<b>\$ 5,225,268</b>	<b>\$ 4,977,147</b>	<b>\$ 4,316,096</b>	<b>\$ 3,774,260</b>	<b>\$ 3,608,369</b>	<b>\$ 3,376,260</b>	<b>\$ 2,980,190</b>	<b>\$ 2,714,141</b>
<b>Total Pension Liability-Ending (a)</b>	<b>\$ 6,625,662</b>	<b>\$ 5,886,638</b>	<b>\$ 5,225,268</b>	<b>\$ 4,977,147</b>	<b>\$ 4,316,096</b>	<b>\$ 3,774,260</b>	<b>\$ 3,608,369</b>	<b>\$ 3,376,260</b>	<b>\$ 2,980,190</b>
<b>Plan Fiduciary Net Position</b>									
Contributions-Employer	209,044	199,929	210,447	201,522	190,898	196,686	173,428	152,320	134,567
Contributions-Employee	123,514	115,859	120,284	118,023	104,971	103,564	94,181	88,724	82,097
Net Investment Income	(428,517)	652,868	334,227	552,930	(102,492)	400,904	170,372	3,416	116,357
Benefit payments, including refunds of employee contributions	(90,360)	(104,764)	(57,844)	(45,677)	(39,488)	(171,826)	(65,411)	(37,169)	(49,985)
Administrative Expense	(3,701)	(3,015)	(2,158)	(3,118)	(1,979)	(2,076)	(1,923)	(2,081)	(1,214)
Other	4,416	21	(83)	(94)	(103)	(105)	(103)	(103)	(100)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>(185,604)</b>	<b>860,898</b>	<b>604,873</b>	<b>823,586</b>	<b>151,807</b>	<b>527,147</b>	<b>370,544</b>	<b>205,107</b>	<b>281,722</b>
<b>Plan Fiduciary Net Position-Beginning</b>	<b>5,858,838</b>	<b>4,997,940</b>	<b>4,393,067</b>	<b>3,569,481</b>	<b>3,417,674</b>	<b>2,890,527</b>	<b>2,519,983</b>	<b>2,314,876</b>	<b>2,033,154</b>
<b>Plan Fiduciary Net Position-Ending (b)</b>	<b>\$ 5,673,234</b>	<b>\$ 5,858,838</b>	<b>\$ 4,997,940</b>	<b>\$ 4,393,067</b>	<b>\$ 3,569,481</b>	<b>\$ 3,417,674</b>	<b>\$ 2,890,527</b>	<b>\$ 2,519,983</b>	<b>\$ 2,314,876</b>
<b>Net Pension Liability-Ending (a) - (b)</b>	<b>\$ 952,428</b>	<b>\$ 27,800</b>	<b>\$ 227,328</b>	<b>\$ 584,080</b>	<b>\$ 746,615</b>	<b>\$ 356,586</b>	<b>\$ 717,842</b>	<b>\$ 856,277</b>	<b>\$ 665,314</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	<b>85.63%</b>	<b>99.53%</b>	<b>95.65%</b>	<b>88.26%</b>	<b>82.70%</b>	<b>90.55%</b>	<b>80.11%</b>	<b>74.64%</b>	<b>77.68%</b>
<b>Covered Payroll</b>	<b>\$ 1,764,480</b>	<b>\$ 1,655,127</b>	<b>\$ 1,718,338</b>	<b>\$ 1,686,044</b>	<b>\$ 1,499,592</b>	<b>\$ 1,479,480</b>	<b>\$ 1,345,443</b>	<b>\$ 1,267,491</b>	<b>\$ 1,172,812</b>
<b>Net Pension Liability as a Percentage of Covered Payroll</b>	<b>53.98%</b>	<b>1.68%</b>	<b>13.23%</b>	<b>34.64%</b>	<b>49.79%</b>	<b>24.10%</b>	<b>53.35%</b>	<b>67.56%</b>	<b>56.73%</b>

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

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

**CITY OF HUDSON OAKS, TEXAS**  
 Schedule of Employer Contributions  
 and Related Ratios  
 For the Year Ended September 30, 2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially Determined Contribution	\$ 221,659	\$ 206,729	\$ 205,883	\$ 201,662	\$ 192,399	\$ 195,378	\$ 190,996	\$ 167,446	\$ 146,854	\$ 136,130
Contributions in relation to the actuarially determined contribution	\$ 221,659	\$ 206,729	\$ 205,883	\$ 201,662	\$ 192,399	\$ 195,378	\$ 190,996	\$ 167,446	\$ 146,854	\$ 136,130
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 1,827,371	\$ 1,732,947	\$ 1,694,100	\$ 1,662,931	\$ 1,596,310	\$ 1,507,121	\$ 1,446,119	\$ 1,325,824	\$ 1,237,245	\$ 1,204,317
Contributions as a percentage of covered payroll	12.13%	11.93%	12.15%	12.13%	12.05%	12.96%	13.21%	12.63%	11.87%	11.30%

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

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

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

	2022	2021	2020	2019	2018	2017
<b>Total Pension Liability</b>						
Service Cost	\$ 4,764	\$ 3,972	\$ 3,093	\$ 2,698	\$ 2,849	\$ 2,367
Interest (on the Total OPEB liability)	1,355	1,499	1,558	1,561	1,408	1,338
Changes of benefit terms						-
Difference between expected and actual experience	1,191	(8,810)	10,991	1,555	(1,312)	-
Changes of assumptions	(29,719)	2,568	2,793	8,896	(3,067)	3,396
Benefit payments	(1,059)	(828)	(344)	(337)	(150)	(296)
Net Change in Total OPEB Liability	(23,468)	(1,599)	18,091	14,373	(272)	6,805
Total OPEB liability - Beginning	71,772	73,371	55,280	40,907	41,179	34,374
Total OPEB liability - Ending	<u>\$ 48,304</u>	<u>\$ 71,772</u>	<u>\$ 73,371</u>	<u>\$ 55,280</u>	<u>\$ 40,907</u>	<u>\$ 41,179</u>
Covered Employee Payroll	\$ 1,764,480	\$ 1,655,127	\$ 1,718,338	\$ 1,686,044	\$ 1,499,592	\$ 1,479,480
Total OPEB Liability as a Percentage of Covered Payroll	2.74%	4.34%	4.27%	3.28%	2.73%	2.78%

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



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

NOTE 1 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1) Budget

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

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

2) Encumbrances

The City does not record encumbrances for goods and services.

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

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

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

NOTE 2- DEFINED BENEFIT PENSION PLANS

Notes to Schedule of Contributions

Valuation Date:

Notes

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method

Entry Age Normal

Amortization Method

Level Percentage of Payroll, Closed

Remaining Amortization Period

22 years (longest amortization ladder)

Asset Valuation Method

10 Year smoothed market; 12% soft corridor

Inflation

2.50%

Salary Increases

3.50% to 11.50% including inflation

Investment Rate of Return

6.75%

Retirement Age

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

Mortality

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

Other Information:

Notes

There were no benefit changes during the year.

NOTE 3 – SCHEDULE OF CHANGES IN OPEB LIABILITY

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

**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

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## **NONMAJOR GOVERNMENTAL FUNDS**

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### **SPECIAL REVENUE FUNDS**

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

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

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

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

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

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

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

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

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

**CITY OF HUDSON OAKS, TEXAS**  
**Nonmajor Funds**  
**Combining Schedule of Revenues, Expenditures and Changes**  
**In Fund Balance**  
**For the Year Ended September 30, 2023**

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



**ENTERPRISE FUND SUPPLEMENTARY INFORMATION**

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

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

## CITY OF HUDSON OAKS, TEXAS

## Water and Wastewater Fund

## Department Combining Schedule of Revenues, Expenses and Changes in Fund Net Position

For the Year Ended September 30, 2023

With Comparative Totals for the Year Ended September 30, 2022

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

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

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

**STATISTICAL SECTION (Unaudited)**

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## STATISTICAL SECTION (Unaudited)

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

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#### **Financial Trends**

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Principal Water and Wastewater Funds Revenue Sources

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



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

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

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

Sales Tax by Category	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Retail:</b>										
Motor Vehicle & Parts	\$ 702,684	\$ 869,940	\$ 672,456	\$ 513,317	\$ 424,339	\$ 383,315	\$ 378,243	\$ 2,014	\$ 266,845	\$ 268,017
Furniture & Home furnishings	6,452	7,987	6,174	4,713	3,896	3,178	4,047	3,163	986	1,538
Electronics & Appliance	72,433	89,674	69,317	52,913	43,741	40,832	30,377	2,771	1,235	2,078
Building materials	4,574	5,662	4,377	3,341	2,762	1,961	4,285	3,816	6,028	3,861
Apparel stores	9,436	11,682	9,030	6,893	5,698	6,647	332	6,423	5,798	5,637
General merchandise	1,023,012	1,266,514	979,005	1,087,215	898,757	649,684	642,848	641,719	617,950	612,194
All other Retail	172,142	213,116	164,737	125,751	103,954	255,699	249,280	636,479	208,466	191,840
<b>Total Retail</b>	<b>\$ 1,990,732</b>	<b>\$ 2,464,574</b>	<b>\$ 1,905,096</b>	<b>\$ 1,794,144</b>	<b>\$ 1,483,147</b>	<b>\$ 1,341,316</b>	<b>\$ 1,309,412</b>	<b>\$ 1,296,385</b>	<b>\$ 1,107,308</b>	<b>\$ 1,085,165</b>
Agriculture/Manufacturing/Mining	193,255	103,440	144,565	78,240	35,353	32,393	42,581	18,513	21,636	21,044
Services	643,566	401,895	725,875	980,429	710,202	277,468	230,017	260,724	245,024	276,562
Wholesalers	132,969	166,787	137,107	88,808	99,286	37,060	14,913	10,980	17,030	21,639
Accommodation & Food	453,870	461,738	436,886	338,607	342,369	279,805	237,838	224,249	191,829	164,350
All Other	1,211,511	517,141	428,462	67,348	107,290	299,961	57,894	116,499	104,891	39,769
<b>Total Sales Tax Received</b>	<b>\$ 4,625,903</b>	<b>\$ 4,115,575</b>	<b>\$ 3,777,991</b>	<b>\$ 3,347,576</b>	<b>\$ 2,777,646</b>	<b>\$ 2,268,003</b>	<b>\$ 1,892,655</b>	<b>\$ 1,927,350</b>	<b>\$ 1,687,718</b>	<b>\$ 1,608,529</b>
City Sales Tax Rate	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%

Source:  
Zactax Sales Tax Analysis

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

**WATER SALES**

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

**WASTEWATER SALES**

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

Note: Source data from monthly billing registers including adjustments.

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

**WATER SALES**

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

**WASTEWATER SALES**

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

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

**Ten Largest Water Customers**

Annual Gallons Consumed  
 (in hundreds of gallons)

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

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

**Hudson Oaks Water Rate Structure**

**Residential**

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

**Commercial**

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

**Dyegard Water Rate Structure**

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

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

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

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

**CITY OF HUDSON OAKS**  
Government Wide Outstanding Debt  
Last Ten Years  
September 30, 2023

Fiscal Year	Governmental Activities			Business-type Activities		
	General Obligation Bonds	Combined Tax & Revenue Certificates of Obligations	Financed Purchases Right-to-use equip Right-to-use SBITA	General Obligation Bonds	Combined Tax & Revenue Certificates of Obligation	Notes and Lease/Purchases
2014	\$ 810,000	\$ 2,072,250	\$ 182,099	\$ 665,000	\$ 4,607,750	\$ -
2015	\$ 730,000	\$ 1,959,850	\$ 91,922	\$ 530,000	\$ 5,620,150	\$ -
2016	\$ 444,412	\$ 7,829,045	\$ 50,211	\$ 612,519	\$ 6,079,854	\$ -
2017	\$ 348,236	\$ 7,532,570	\$ 53,248	\$ 480,640	\$ 5,810,875	\$ 22,075
2018	\$ 247,060	\$ 9,804,278	\$ 76,296	\$ 343,761	\$ 5,361,850	\$ 39,484
2019	\$ 185,884	\$ 9,388,650	\$ 58,965	\$ 261,882	\$ 4,989,124	\$ 24,180
2020	\$ 125,000	\$ 8,917,220	\$ 82,507	\$ 2,370,000	\$ 9,458,568	\$ 59,306
2021	\$ 2,059,000	\$ 6,436,983	\$ 55,382	\$ 3,911,200	\$ 10,219,430	\$ 34,341
2022	\$ 1,881,500	\$ 6,043,243	\$ 82,304	\$ 3,443,500	\$ 9,966,784	\$ 17,393
2023	\$ 1,708,750	\$ 8,994,539	\$ 144,149	\$ 2,961,250	\$ 11,384,328	\$ -



Total Government-wide Indebtedness

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Total Government-wide Indebtedness	Estimated Population	Total Debt per Capita	Per Capita Income	Debt as Percent of Personal Income
\$ 8,337,099	1966	4,240.64	\$ 45,999	9%
\$ 8,931,922	2115	4,223.13	\$ 43,821	10%
\$ 15,016,041	2225	6,748.78	\$ 44,841	15%
\$ 14,247,644	2160	6,596.13	\$ 46,146	14%
\$ 15,872,729	2345	6,768.75	\$ 45,511	15%
\$ 14,908,685	2407	6,193.89	\$ 49,170	13%
\$ 21,012,601	2174	9,665.41	\$ 48,909	20%
\$ 22,716,336	2478	9,167.21	\$ 48,909	19%
\$ 21,434,724	2478	8,650.01	\$ 53,464	16%
\$ 25,193,016	2478	10,166.67	\$ 55,350	18%

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

Fiscal Year	Principal	Interest and Charges	Total Debt Service	Total General Expenditures	Ratio of Debt Service to Total General Expenditures
2014	\$ 192,400	\$ 104,508	\$ 296,908	\$ 2,142,755	13.86%
2015	\$ 192,400	\$ 98,980	\$ 291,380	\$ 2,215,816	13.15%
2016	\$ 202,400	\$ 90,430	\$ 292,830	\$ 2,274,478	12.87%
2017	\$ 378,750	\$ 298,872	\$ 677,622	\$ 2,087,659	32.46%
2018	\$ 445,000	\$ 256,955	\$ 701,955	\$ 2,317,438	30.29%
2019	\$ 460,000	\$ 368,774	\$ 828,774	\$ 3,392,413	24.43%
2020	\$ 510,000	\$ 314,680	\$ 824,680	\$ 3,331,021	24.76%
2021	\$ 512,250	\$ 261,872	\$ 774,122	\$ 3,458,437	22.38%
2022	\$ 557,500	\$ 234,283	\$ 791,783	\$ 3,530,168	22.43%
2023	\$ 632,750	\$ 249,552	\$ 882,302	\$ 4,885,286	18.06%

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

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

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

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

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

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

Sources:

Population, school enrollment and Per capita income from <http://data.census.gov>  
Unemployment rates from Texas Workforce Commission Web site

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

**Count of Employees by Year**

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

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

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

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

Source: City of Hudson Oaks records

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

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

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

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

Source: City of Hudson Oaks records from these departments.

\* Some data not available



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

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

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**COMPLIANCE AND INTERNAL CONTROL**

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

To the City Council  
City of Hudson Oaks, Texas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Hudson Oaks, Texas (the “City”), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated March 21, 2024.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying schedule of findings as item 2023-001 that we consider to be a material weakness.

## **Report on Compliance and Other Matters**

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

### **City of Hudson Oaks, Texas's Response to Findings**

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

### **Purpose of this Report**

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



Weatherford, Texas  
March 21, 2024

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

Financial Statement Findings

2023-001 Sewer Billings

**Criteria:**

Sewer charges should be billed in accordance with approved rates.

**Condition:**

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

**Effect:**

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

**Cause:**

The sewer rate was changed in error.

**Recommendation:**

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

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

**Management's Response:**

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

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