

the comprehensive annual  
financial report of the  
**City of Hudson Oaks, TX**  
for the fiscal year ending  
September 30, 2017





**CITY OF HUDSON OAKS, TEXAS**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**Prepared by the Finance Department**

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**CITY OF HUDSON OAKS, TEXAS**  
 Comprehensive Annual Financial Report  
 For the Year Ended September 30, 2017

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## INTRODUCTORY SECTION

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March 12, 2018

Honorable Mayor and City Council  
City of Hudson Oaks, TX

Dear Mayor and City Council:

The City Administrator's Office is pleased to present the Comprehensive Annual Financial Report for the City of Hudson Oaks, Texas, for the fiscal year ended September 30, 2017.

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

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

## THE REPORT

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

## CITY PROFILE

### Location

Hudson Oaks is located in Parker County, just 20 miles west of Fort Worth. Hudson Oaks is home to approximately 2,160 people, and serves as a prime location for residents who desire a short commute time with the luxury of living in a city with no property tax. There are currently 2.6 square miles of land within the City's boundaries.

### Government Structure

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

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

Services Provided

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

ECONOMIC CONDITIONS AND OUTLOOK

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

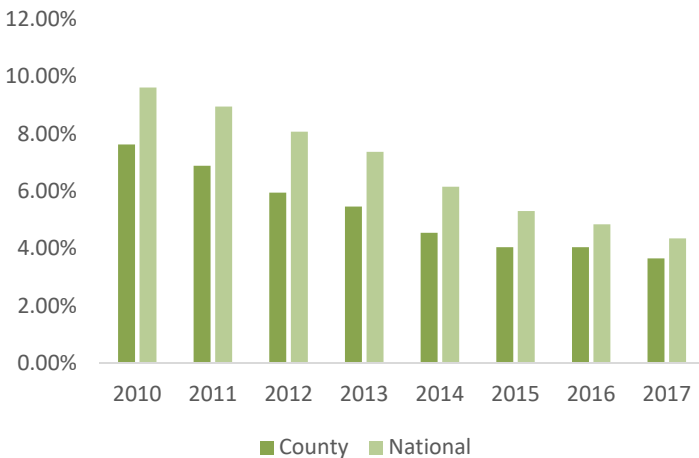
Regional Economy

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

Local Economy

Hudson Oaks is a thriving economy between Weatherford and Fort Worth. Customers come from all over to shop in Hudson Oaks. Approximately 70,000 vehicles a day travel through Hudson Oaks, which makes it an ideal place to do business. The stability of the local Wal-Mart combined with the vast amount of car dealerships consistently brings consumers to the area. These establishments, along with other retail stores and restaurants, provide outlets to meet the needs of area residents as well as a solid and growing retail base for the City. Sales tax collections declined 1.8% compared to the prior year. The sales tax revenue for 2017-2018 has been conservatively budgeted even though future growth is likely due to new businesses coming into the city. A new construction equipment dealer opened in September of 2017, a new fast food restaurant is expected in early 2018 and a new grocery store is expected the following year, all of which will increase the sales tax base.

Unemployment Rates

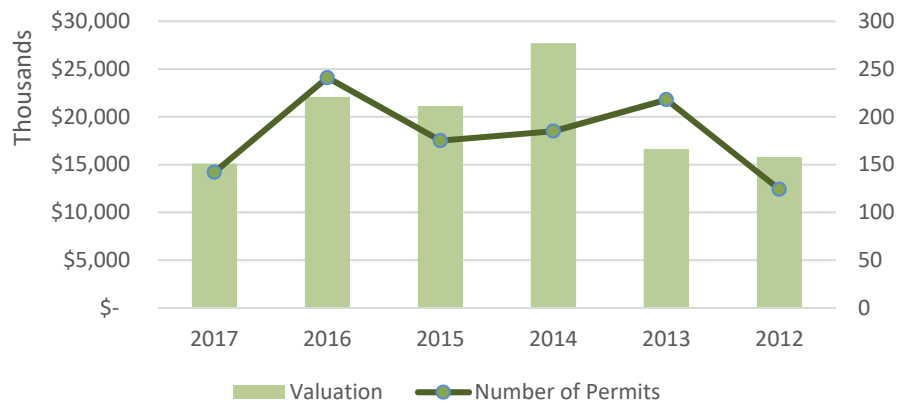


### Sales Tax Collections (in millions)



The City’s residential developments are almost at capacity which in turn has begun to generate fewer residential building permits and contributed to the decline in valuation in the current year. The City expects the valuation of permits to increase significantly as well as revenue over the next few years as larger commercial projects are developed. The City is in plans for a future mixed-use development, a new grocery store and many other commercial developments which should increase permit revenue in the future years.

### Building Permits Issued (in thousands)



## FINANCIAL INFORMATION

### Accounting System and Budgetary Control

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

In developing and maintaining the City’s accounting system, consideration is given to the adequacy of the internal control structure. Internal accounting controls are designed to provide reasonable, but no absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial

statements and maintaining accountability of assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

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

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

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

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

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

### Cash Management

As of October 1, 2014, 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, set to expire on September 30, 2017. The City is currently on the extension period.

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 2016-2017 was approximately \$3,874,105. The overall portfolio provided \$32,157 in investment income, representing interest revenue net of realized gains, unrealized gains and losses and investment expenses.

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

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

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

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

### Long-Term Financing

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

### Long-Term Financial Planning

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

### Transparency

The City has been recognized by GFOA for both the Distinguished Budget award program and the Certificate of Achievement in Financial Reporting for the Comprehensive Annual Financial Report. Also, during 2017, the City was recognized by the State of Texas for its transparency in Traditional Finances, Pensions and Debt. The City was awarded a transparency star for each of these programs.

## OTHER INFORMATION

### Independent Audit

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

It should be noted that the auditors included all funds in their audit, performed their audit in accordance with generally accepted auditing standards, and stated that, in their opinion, the statements herein present fairly, in all material aspects, the financial position of the City at September 30, 2017, and the results of its operations and the cash flows of its proprietary fund type for the year ended in conformity with accounting principles generally accepted in the United States of America.

### Certificate of Achievement

The Government Finance Officers Association of the United States of America and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Hudson Oaks for its comprehensive annual financial report for the fiscal year ended September 30, 2017. This was the first 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,



Patrick Lawler  
City Administrator



CITY OF HUDSON OAKS, TEXAS

MAYOR

Pat Deen

MAYOR PRO-TEM

Tom Fitzpatrick

COUNCIL MEMBERS

Place 1 – Tom Marquardt

Place 2 – Brian Lixey

Place 3 – Marty Schrantz

Place 5 – Marc Povero

CITY ADMINISTRATOR

Patrick Lawler

ASSISTANT CITY ADMINISTRATOR

Chad Janicek

DEPARTMENT DIRECTORS

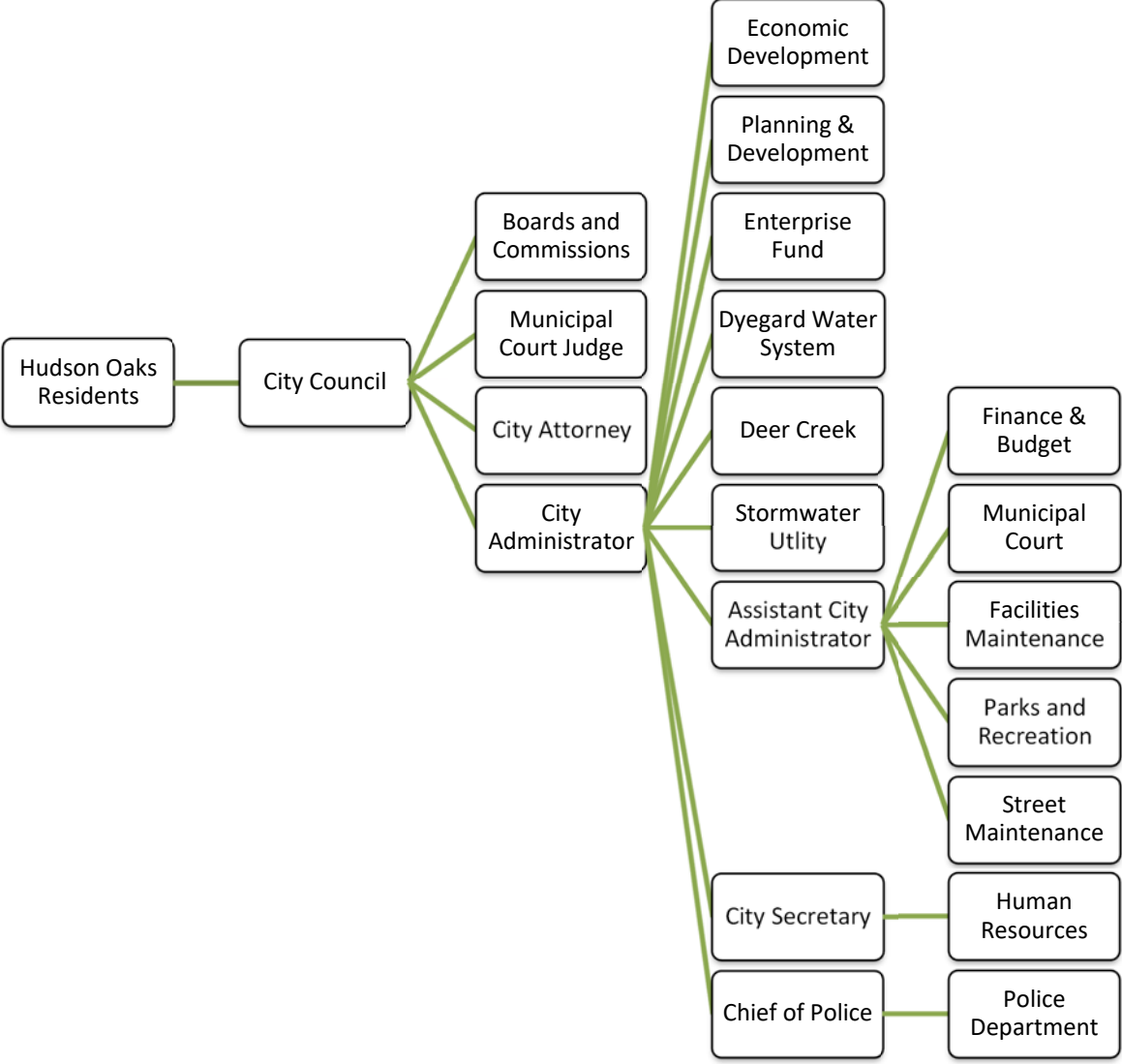
Ricky King – Public Works

Danny Woolery – Streets, Parks & Recreation

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 Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2016**

*Christopher P. Morill*

Executive Director/CEO

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**FINANCIAL SECTION**

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## **INDEPENDENT AUDITOR'S REPORT**

To the City Council  
City of Hudson Oaks, Texas

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Hudson Oaks, Texas, (the "City") as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

#### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-13 and budgetary comparison information, schedule of changes in net pension liability and related ratios, and schedule of contributions and related ratios on pages 51 – 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

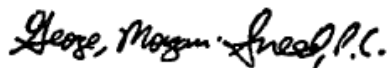
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2018, on our consideration of the City of Hudson Oaks, Texas' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Hudson Oaks, Texas' internal control over financial reporting and compliance.



Weatherford, Texas  
March 12, 2018



## 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, 2017.

### FINANCIAL HIGHLIGHTS

- The assets of the City of Hudson Oaks exceeded its liabilities at the close of the most recent fiscal year by \$12,677,154 (*net position*) compared to \$12,532,040 for the prior year. Of this amount, \$2,461,721 (*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 \$145,114. The City's operations increased the governmental activities and decreased business-type activities by \$351,461 and \$206,347 respectively.
- As of the close of the current fiscal year, the City of Hudson Oaks' governmental funds reported combined ending fund balances of \$4,186,580 compared to \$6,887,934 for the prior year. 27% is available for spending at the City's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,162,257, or 56% 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 and liabilities, with the difference between the two 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 eight 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 and General 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 one type of proprietary fund. 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. The stormwater fund is used to account for stormwater operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for reimbursements for employee health care costs. Because this service predominately benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

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

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-50 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-3.

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 exceeded liabilities by \$12,677,154 as of September 30, 2017. Below is a summary of the City's Statement of Net Position.

### Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 4,864,283	\$ 7,622,343	\$ 2,835,855	\$ 3,250,710	\$ 7,700,138	\$10,873,053
Capital assets	10,674,397	7,868,664	9,830,253	9,983,983	20,504,650	17,852,647
Total Assets	15,538,680	15,491,007	12,666,108	13,234,693	28,204,788	28,725,700
Deferred Outflow of Resources	195,009	211,426	84,120	92,780	279,129	304,206
Total Deferred Outflow of Resources	195,009	211,426	84,120	92,780	279,129	304,206
Current liabilities	312,919	257,174	175,556	157,561	488,475	414,735
Long-term liabilities	8,567,720	9,023,685	6,563,990	6,986,923	15,131,710	16,010,608
Total liabilities	8,880,639	9,280,859	6,739,546	7,144,484	15,620,185	16,425,343
Deferred Inflow of Resources	130,325	50,310	56,253	22,213	186,578	72,523
Total Deferred Inflow of Resources	130,325	50,310	56,253	22,213	186,578	72,523
Net Position:						
Net investment						
in capital assets	5,531,794	4,788,635	4,426,001	3,371,107	9,957,795	8,159,742
Restricted Net Position (expendable)	69,903	50,298	187,735	751,048	257,638	801,346
Unrestricted Net Position	1,121,028	1,532,331	1,340,693	2,038,621	2,461,721	3,570,952
Total Net Position	\$ 6,722,725	\$ 6,371,264	\$ 5,954,429	\$ 6,160,776	\$12,677,154	\$12,532,040

The largest portion of the City's net position (79%) 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 (2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$2,461,721 may be used to meet the government's ongoing obligations to citizens and creditors.

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

The following is a summary of the City's Statement of Activities.

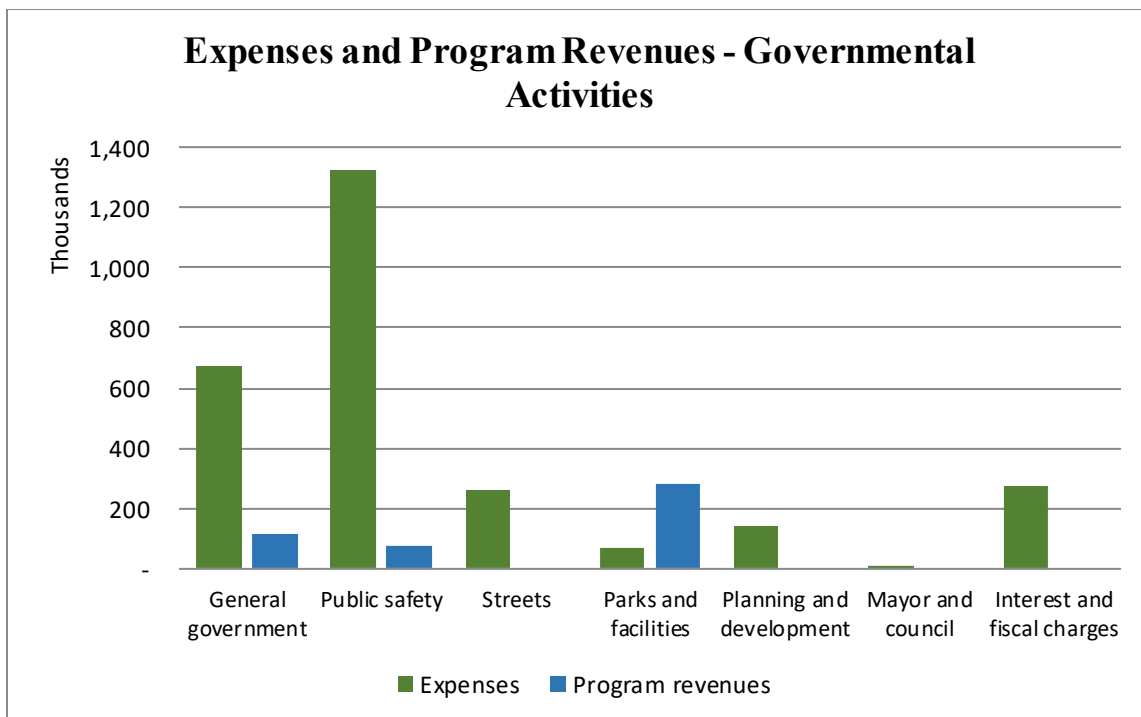
**Condensed Statement of Activities**

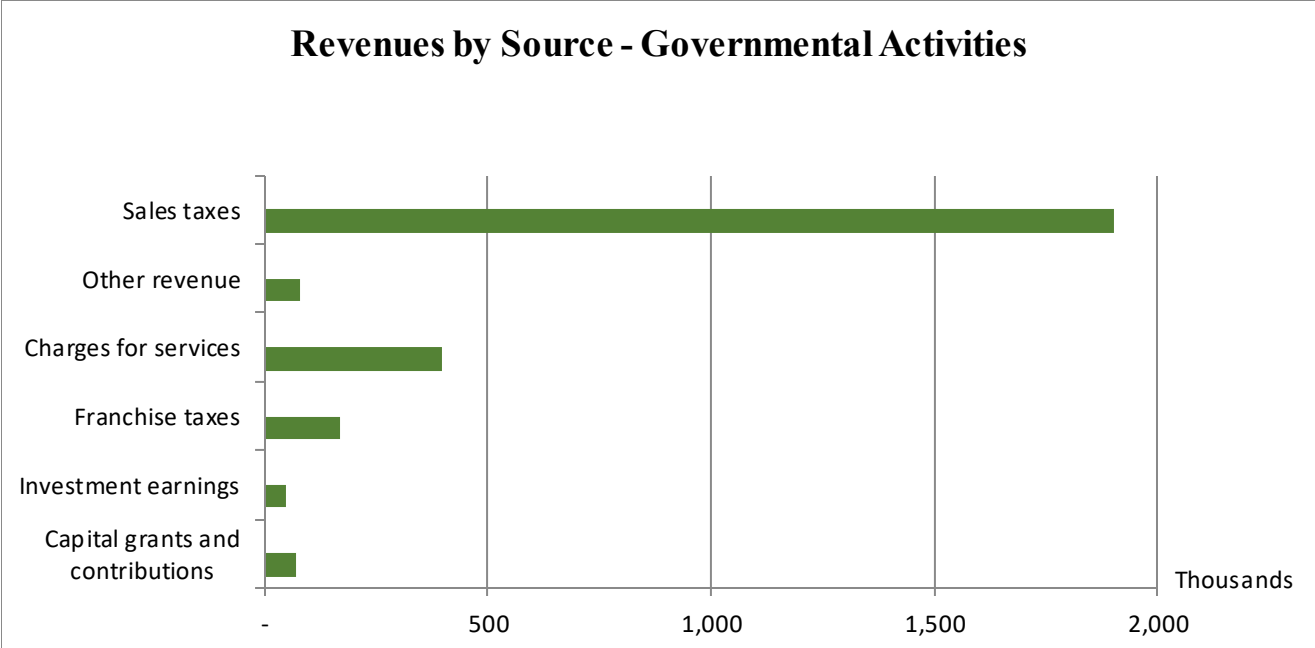
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 398,530	\$ 441,274	\$ 2,211,119	\$ 2,035,354	\$ 2,609,649	\$ 2,476,628
Operating grants and contributions	70,000	12,242	31,029	116,571	101,029	128,813
Capital grants and contributions	125,000	149,528	-	640,475	125,000	790,003
General revenues:						
Sales taxes	1,902,946	1,940,291	-	-	1,902,946	1,940,291
Franchise taxes	170,423	177,958	-	-	170,423	177,958
Investment earnings	48,843	63,084	5,327	2,192	54,170	65,276
Other Revenue	80,745	438,764	-	-	80,745	438,764
Total revenues	<u>2,796,487</u>	<u>3,223,141</u>	<u>2,247,475</u>	<u>2,794,592</u>	<u>5,043,962</u>	<u>6,017,733</u>
Expenses						
General government	673,893	666,538	-	-	673,893	666,538
Public safety	1,324,595	1,277,695	-	-	1,324,595	1,277,695
Streets	262,374	302,649	-	-	262,374	302,649
Parks and facilities	71,223	66,021	-	-	71,223	66,021
Planning and development	144,939	146,778	-	-	144,939	146,778
Mayor and council	8,244	-	-	-	8,244	-
Interest and fiscal charges	277,803	122,302	-	-	277,803	122,302
Bond issuance costs	-	184,986	-	-	-	184,986
Hudson Oaks water	-	-	1,384,187	1,547,911	1,384,187	1,547,911
Dyegard Water System	-	-	208,995	215,052	208,995	215,052
Deercreek Management	-	-	119,280	117,217	119,280	117,217
Wastewater	-	-	333,288	306,680	333,288	306,680
Stormwater	-	-	90,027	223,515	90,027	223,515
Total expenses	<u>2,763,071</u>	<u>2,766,969</u>	<u>2,135,777</u>	<u>2,410,375</u>	<u>4,898,848</u>	<u>5,177,344</u>
Increase (decrease) in net position before transfers	33,416	456,172	111,698	384,217	145,114	840,389
Transfers	318,045	136,250	(318,045)	(136,250)	-	-
Increase (decrease) in net position	<u>351,461</u>	<u>592,422</u>	<u>(206,347)</u>	<u>247,967</u>	<u>145,114</u>	<u>840,389</u>
Net Position, Beginning	6,371,264	5,778,842	6,160,776	5,987,809	12,532,040	11,766,651
Prior Period Adjustment	-	-	-	(75,000)	-	(75,000)
Net Position, Ending	<u>\$ 6,722,725</u>	<u>\$ 6,371,264</u>	<u>\$ 5,954,429</u>	<u>\$ 6,160,776</u>	<u>\$ 12,677,154</u>	<u>\$ 12,532,040</u>

**Governmental Activities.** Governmental activities increased the City's net position by \$351,461. Key elements are as follows.

- Revenues decreased \$426,654. Charges for service decreased primarily due to a decrease in permits issued for new construction in the City which caused the licenses and permits revenue to decrease approximately \$77,000. Sales tax decreased approximately \$37,000 primarily due to a comptroller adjustment. Other revenue declined mainly due to a \$205,000 reallocation of debt service in the prior year. Sponsorships for City events were also reclassified to operational grants in the current year.
- Transfers in were \$318,045 which was used to pay for a property purchase.
- Expenses decreased \$3,898. Bond issuance costs decreased \$184,986. Interest charges on debt increased \$155,501 from the prior year. Public safety expenses increased approximately \$46,900 due to additional overtime and improvements in the operational equipment. With all the construction in the City currently happening, the City spent less on general maintenance of streets by approximately \$40,275.

Below are two graphs summarizing governmental revenue and expense:

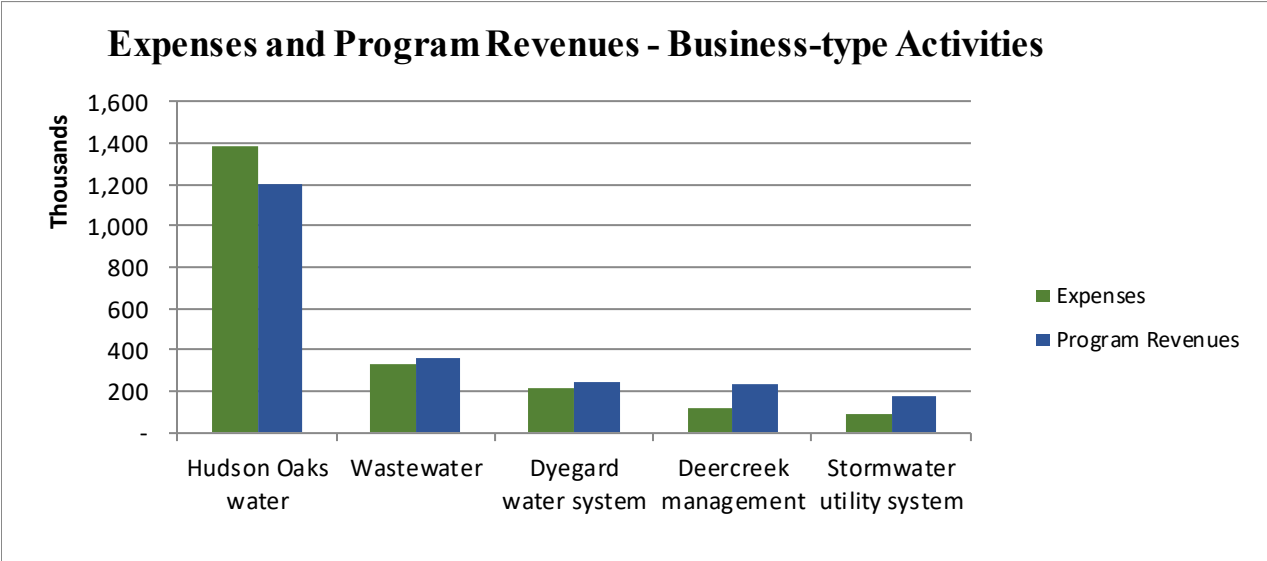




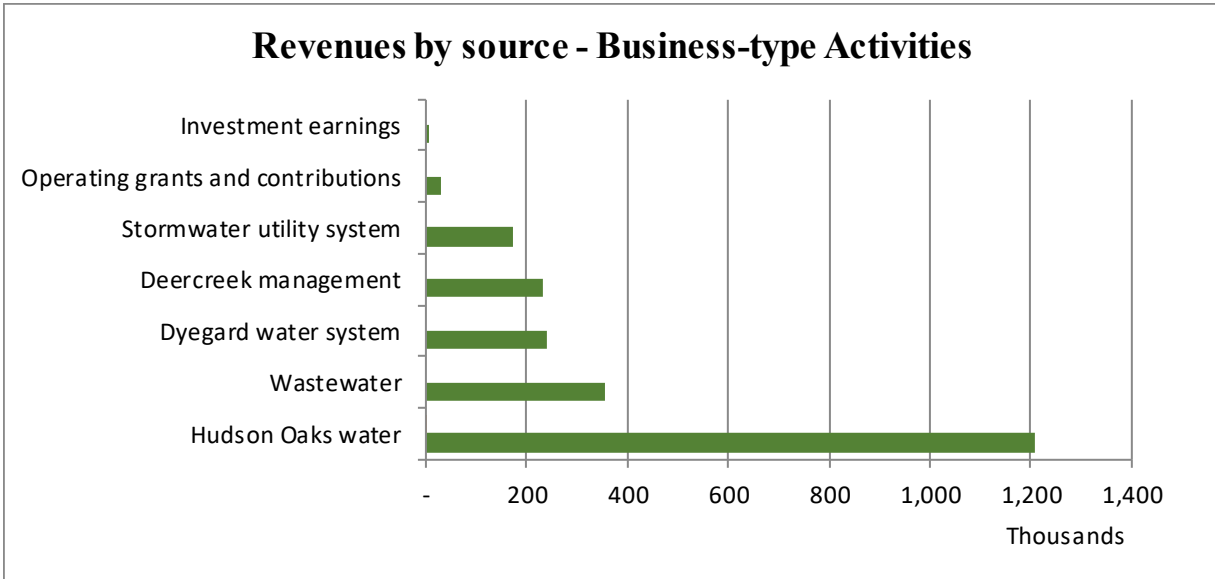
**Business-type activities.** Business-type activities decreased the City’s net position by \$206,348. Key elements are as follows.

- Revenues increased \$93,357. Charges for service increased \$175,765 due to a full year of the stormwater fee. Capital contributions consisting of developer contributions of water and wastewater system improvements decreased \$85,542.
- Expenses decreased \$274,598. Waterworks expenses decreased \$163,724 primarily due less maintenance and repairs in the current year. The stormwater expenses also declined as the stormwater study was mostly paid in the prior year.

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 \$4,186,580. (27%) of the ending fund balance constitutes unassigned fund balance, which is available for spending at the government’s discretion.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,162,257. During the current fiscal year, the fund balance of the City’s general fund decreased by \$251,742. Key factors in this decline are as follows:

- Revenues declined about 7% or \$182,400. The City’s sales tax revenues declined slightly during the year mainly due to a Comptroller assessed audit. Licenses and permits fell as the City’s residential lots available declined during the year therefore less permits were issued. Interest declined due to a fair value adjustment in the prior year.
- Expenditures declined about 8% or \$186,819. The City saw savings in the streets department as less residential streets were worked on this year. The main construction projects on streets were performed by TxDot. Debt service declined due to paying off a note in the previous year.
- Transfers out increase \$398,640 to accommodate the new debt for the fiber project and the Oakey development.

Below is a comparison of the general fund’s net change in fund balance for the fiscal year ended September 30, 2017 and September 30, 2016.

	2017	2016	Increase (Decrease)	Percent Increase (Decrease)
<b>Revenues:</b>				
Taxes				
Sales and use	\$ 1,892,655	\$ 1,927,350	\$ (34,695)	-2%
Franchise	175,008	180,364	(5,356)	-3%
Licenses and permits	278,502	355,804	(77,302)	-22%
Charges for services	7,975	755	7,220	956%
Municipal court fines	71,060	81,094	(10,034)	-12%
Interest	18,594	56,222	(37,628)	-67%
Intergovernmental	-	12,242	(12,242)	-100%
Miscellaneous	57,027	69,390	(12,363)	-18%
Total revenues	<u>2,500,821</u>	<u>2,683,221</u>	<u>(182,400)</u>	<u>-7%</u>
<b>Expenditures:</b>				
Current:				
General government	492,908	467,727	25,181	5%
Public safety	1,259,375	1,262,618	(3,243)	0%
Streets	83,678	243,852	(160,174)	-66%
Parks and facilities	70,589	66,022	4,567	7%
Planning and development	144,939	146,778	(1,839)	-1%
Mayor and council	8,244	6,516	1,728	27%
Debt service				
Principal	26,078	80,148	(54,070)	-67%
Interest and fiscal charges	1,848	817	1,031	126%
Total expenditures	<u>2,087,659</u>	<u>2,274,478</u>	<u>(186,819)</u>	<u>-3%</u>
<b>Other financing sources (uses):</b>				
Transfers In	-	68,750	(68,750)	-100%
Transfers Out	(694,020)	(295,380)	(398,640)	135%
Proceeds from capital lease	29,116	38,437	(9,321)	-24%
Net change in fund balance	<u>\$ (251,742)</u>	<u>\$ 220,550</u>	<u>\$ (472,292)</u>	<u>-214%</u>

The fund balance of the General Capital Projects fund decreased \$2,452,188 due to construction costs associated with bond projects the Hudson Oaks Bridge, Oakey development, the Fiber internet project and the construction of a new stage.

**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 \$1,340,693. The change in net position was a \$206,347 decrease. 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 2017. Budgeted revenues and transfers in were increased \$25,230 and \$114,000 respectively. Budgeted expenditures were decreased \$8,031 and transfers out were increased by \$114,550. The most significant changes to expenditures was to decrease the street budget \$155,000, and an increase the public safety budget of \$49,352.

General fund expenditures were over budgeted by \$50,148. These budget variances were funded by unassigned fund balance.

## **Capital Assets**

The City's investment in capital assets for its governmental and business type activities as of September 30, 2017, amounts to \$20,504,650 (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:**

- \$236,574 for a new stage constructed in the park.
- \$29,116 for technology upgrades in the police department.
- \$318,545 for land to be used for additional parks.
- \$2,509,419 added to construction in process for various projects ongoing throughout the City including the Hudson Oaks bridge project, Oakey development and the installation of fiber throughout the City.

### **Business-type activities:**

- \$29,196 for a new vehicle.
- \$49,230 for additional new water lines put in to serve businesses.
- 36,685 for new water well pumps and automatic water flushers.
- \$20,820 added to construction in process for the water tower repainting project.
- 198,104 in stormwater construction in progress for the ongoing Oakey development

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

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 779,032	\$ 460,487	\$ 559,867	\$ 559,867	\$ 1,338,899	\$ 1,020,354
Buildings	1,995,304	1,819,000	33,567	34,755	2,028,871	1,853,755
Water plant	-	-	2,768,433	2,849,483	2,768,433	2,849,483
Distribution systems	-	-	2,839,731	2,980,191	2,839,731	2,980,191
Wastewater systems	-	-	2,734,916	2,861,763	2,734,916	2,861,763
Automobiles	60,286	92,454	40,577	22,452	100,863	114,906
Intangible Assets	-	-	548,327	576,875	548,327	576,875
Equipment	28,023	2,668	61,577	74,263	89,600	76,931
Improvements	129,346	142,580	-	-	129,346	142,580
Infrastructure	2,469,445	2,647,933	-	-	2,469,445	2,647,933
Construction in progress	5,212,961	2,703,542	243,258	24,334	5,456,219	2,727,876
<b>Total</b>	<b>\$ 10,674,397</b>	<b>\$ 7,868,664</b>	<b>\$ 9,830,253</b>	<b>\$ 9,983,983</b>	<b>\$ 20,504,650</b>	<b>\$ 17,852,647</b>

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

**Long-Term Debt**

At the end of the current fiscal year, the City of Hudson Oaks had total bonded debt, notes payable and capital leases payable of \$14,247,644.

**City of Hudson Oaks' Outstanding Debt**

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Capital leases	\$ 53,248	\$ 50,211	\$ 22,075	\$ -	\$ 75,323	\$ 50,211
Certificates of Obligation	7,532,570	7,829,044	5,810,875	6,079,854	13,343,445	13,908,898
General Obligation bonds	348,236	444,412	480,640	612,519	828,876	1,056,931
<b>Total</b>	<b>\$ 7,934,054</b>	<b>\$ 8,323,667</b>	<b>\$ 6,313,590</b>	<b>\$ 6,692,373</b>	<b>\$ 14,247,644</b>	<b>\$ 15,016,040</b>

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

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

The City of Hudson Oaks commercial development soared in 2017. New projects that finished were Phase 2 of the Shop at Hudson Oaks, the relocation of a regional internet company headquarters to the City and the addition of a new heavy machinery commercial outlet. Sales and use tax revenue remained relatively flat year over year. This was mainly due to a Comptroller audit adjustment. Without this adjustment, the City experienced about 2% growth. The City expects continued growth in the future as more businesses are planned to enter the market space.

Residential permits declined again in fiscal year 2017 as the City continues to see its residential development available homesites being fully developed. Commercial permits kept the revenues afloat, but still less than the previous year. The City expects a significant increase in the permit revenue in the next

year as the new grocery store was publicly announced, a new apartment complex, Creekside at Hudson Oaks will soon be developing, among other commercial developments. The City also expects significant growth in an undeveloped part of the City due to the CenterPoint construction project, which is adding new frontage roads within the City, will be complete in the next year.

Looking ahead to 2018, the Oakey Corridor street improvements should be complete and ready for private development for the City's new marquee downtown area, filled with restaurants and shops. The Hudson Oaks bridge project will be complete in 2018 enhancing the traffic patterns to account for the new customers who come into our City to shop.

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 2018 general fund budget continues the City's conservative approach to fiscal matters. The budget includes additional funds for street maintenance, police protection, and employee retention while holding sales tax projections related to the aforementioned developments to a minimum. This conservative approach will allow the City more flexibility if revenues exceed budget in the future to expand on developments to continue to grow the City.

### **Request for Information**

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

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## **BASIC FINANCIAL STATEMENTS**

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**CITY OF HUDSON OAKS, TEXAS**  
**Statement of Net Position**  
**September 30, 2017**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 741,700	\$ 1,012,510	\$ 1,754,210
Investments	3,914,642	88,463	4,003,105
Receivables (Net of allowances for uncollectibles)			
Accounts	-	345,501	345,501
Sales tax	319,649	-	319,649
Franchise taxes	78,493	-	78,493
Fines	137,055	-	137,055
Miscellaneous receivables	23,996	462,062	486,058
Prepaid items	21,434	8,875	30,309
Internal Balances	(372,686)	372,686	-
Restricted assets:			
Cash and cash equivalents	-	545,758	545,758
Capital assets (net of accumulated depreciation):			
Nondepreciable	5,991,993	803,125	6,795,118
Depreciable, net of accumulated depreciation	4,682,404	9,027,128	13,709,532
<b>Total Assets</b>	<u>15,538,680</u>	<u>12,666,108</u>	<u>28,204,788</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflow Related to Pensions	195,009	84,120	279,129
<b>Total Deferred Outflow of Resources</b>	<u>195,009</u>	<u>84,120</u>	<u>279,129</u>
<b>LIABILITIES:</b>			
Accounts Payable	256,161	135,460	391,621
Accrued payroll	14,279	6,361	20,640
Accrued interest payable	42,479	33,735	76,214
Noncurrent liabilities:			
Due within one year	597,900	446,991	1,044,891
Due in more than one year	7,969,820	6,116,999	14,086,819
<b>Total Liabilities</b>	<u>8,880,639</u>	<u>6,739,546</u>	<u>15,620,185</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflow Related to Pensions	130,325	56,253	186,578
<b>Total Deferred Inflow of Resources</b>	<u>130,325</u>	<u>56,253</u>	<u>186,578</u>
<b>NET POSITION:</b>			
Net Investments in Capital Assets	5,531,794	4,426,001	9,957,795
Restricted Net Position - Public Safety	16,488	-	16,488
Restricted Net Position - Debt Service	34,085	9,108	43,193
Restricted Net Position - Impact Fees	-	178,627	178,627
Restricted Net Position - Other	19,330	-	19,330
Unrestricted Net Position	1,121,028	1,340,693	2,461,721
<b>Total Net Position</b>	<u>\$ 6,722,725</u>	<u>\$ 5,954,429</u>	<u>\$ 12,677,154</u>

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

**CITY OF HUDSON OAKS, TEXAS**  
**Statement of Net Position**  
**September 30, 2017**

<b>Functions/Programs</b>	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental activities:				
General government	\$ 673,893	\$ 47,284	\$ 70,000	\$ -
Public safety	1,324,595	72,744	-	-
Streets	262,374	-	-	-
Parks and facilities	71,223	-	-	125,000
Planning and development	144,939	278,502	-	-
Mayor and council	8,244	-	-	-
Interest and fiscal charges	277,803	-	-	-
<b>Total governmental activities</b>	<b>2,763,071</b>	<b>398,530</b>	<b>70,000</b>	<b>125,000</b>
Business-type activities:				
Hudson Oaks water	1,384,187	1,206,513	-	-
Wastewater	333,288	356,723	-	-
Dyegard water system	208,995	241,943	-	-
Deercreek management	119,280	233,093	-	-
Stormwater utility system	90,027	172,847	31,029	-
<b>Total business-type activities</b>	<b>2,135,777</b>	<b>2,211,119</b>	<b>31,029</b>	<b>-</b>
<b>Total primary government</b>	<b>4,898,848</b>	<b>2,609,649</b>	<b>101,029</b>	<b>125,000</b>

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
\$ (556,609)	\$ -	\$ (556,609)
(1,251,851)	-	(1,251,851)
(262,374)	-	(262,374)
53,777	-	53,777
133,563	-	133,563
(8,244)	-	(8,244)
(277,803)	-	(277,803)
(2,169,541)	-	(2,169,541)
-	(177,674)	(177,674)
-	23,435	23,435
-	32,948	32,948
-	113,813	113,813
-	113,849	113,849
-	106,371	106,371
(2,169,541)	106,371	(2,063,170)
1,902,946	-	1,902,946
170,423	-	170,423
48,843	5,327	54,170
80,745	-	80,745
318,045	(318,045)	-
2,521,002	(312,718)	2,208,284
351,461	(206,347)	145,114
6,371,264	6,160,776	12,532,040
\$ 6,722,725	\$ 5,954,429	\$ 12,677,154

**CITY OF HUDSON OAKS, TEXAS**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2017**

	General Fund	General Capital Projects Fund	General Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Assets:					
Cash	\$ 522,114	\$ 145,922	\$ 34,085	\$ 31,290	\$ 733,411
Investments	796,890	3,117,752	-	-	3,914,642
Receivables					
Sales Tax	319,649	-	-	-	319,649
Franchise Tax	78,493	-	-	-	78,493
Fines and fees	137,055	-	-	-	137,055
Miscellaneous	278	-	-	23,718	23,996
Prepaid items	19,586	-	-	1,848	21,434
Due from other funds	88,534	114,000	-	-	202,534
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 1,962,599</u>	<u>\$ 3,377,674</u>	<u>\$ 34,085</u>	<u>\$ 56,856</u>	<u>\$ 5,431,214</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	85,392	165,839	-	4,930	256,161
Accrued payroll	14,279	-	-	-	14,279
Due to Other Funds	114,000	420,384	-	40,837	575,221
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>213,671</u>	<u>586,223</u>	<u>-</u>	<u>45,767</u>	<u>845,661</u>
Deferred inflows of resources:					
Deferred revenue	375,255	-	-	23,718	398,973
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Fund balances:					
Nonspendable	19,586	-	-	1,848	21,434
Restricted fund balance					
Public, educational, and government access fees	6,830	-	-	-	6,830
Public Safety	-	-	-	16,488	16,488
Parks	-	-	-	12,500	12,500
Capital Projects	-	2,791,451	-	-	2,791,451
Debt Service	-	-	34,085	-	34,085
Assigned fund balance					
Construction Projects	185,000	-	-	-	185,000
Unassigned fund balance	1,162,257	-	-	(43,465)	1,118,792
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances	<u>1,373,673</u>	<u>2,791,451</u>	<u>34,085</u>	<u>(12,629)</u>	<u>4,186,580</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities, deferred inflows and fund balances	<u>\$ 1,962,599</u>	<u>\$ 3,377,674</u>	<u>\$ 34,085</u>	<u>\$ 56,856</u>	<u>\$ 5,431,214</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, 2017**

Total Fund Balances - Governmental Funds	\$	4,186,580
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 \$13,971,850 and the accumulated depreciation was \$3,297,453.		10,674,397
Long-term liabilities, including \$7,880,806 bonds payable, \$53,248 of capital leases payable and \$132,250 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.		(8,066,304)
Interest payable is not expected to be liquidated with available financial resources and is not reported as a liability in the fund financial statements.		(42,479)
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.		398,973
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 \$501,416, a deferred resource inflow related to pensions of \$130,325 and a deferred resource outflow related to pensions in the amount of \$195,009. This resulted in a decrease to net position.		(436,731)
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.		8,289
Net Position of Governmental Activities	<u>\$</u>	<u>6,722,725</u>

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

**CITY OF HUDSON OAKS, TEXAS**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended September 30, 2017**

	General Fund	General Capital Projects Fund	General Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
Taxes					
Sales and Use	\$ 1,892,655	\$ -	-	\$ -	\$ 1,892,655
Franchise	175,008	-	-	-	175,008
Licenses and permits	278,502	-	-	-	278,502
Charges for services	7,975	-	-	-	7,975
Municipal court fines	71,060	-	-	2,551	73,611
Interest	18,594	29,733	516	-	48,843
Intergovernmental	-	139,572	-	-	139,572
Miscellaneous	57,027	125,000	-	109,309	291,336
Total revenues	<u>2,500,821</u>	<u>294,305</u>	<u>516</u>	<u>111,860</u>	<u>2,907,502</u>
<b>EXPENDITURES:</b>					
Current:					
General government	492,908	-	-	124,498	617,406
Public safety	1,259,375	-	-	1,700	1,261,075
Streets	83,678	-	-	-	83,678
Parks and facilities	70,589	-	-	-	70,589
Planning and development	144,939	-	-	-	144,939
Mayor and council	8,244	-	-	-	8,244
Capital outlay	-	3,064,538	-	-	3,064,538
Debt service:					
Principal	26,078	-	378,750	-	404,828
Interest and fiscal charges	1,848	-	298,872	-	300,720
Total expenditures	<u>2,087,659</u>	<u>3,064,538</u>	<u>677,622</u>	<u>126,198</u>	<u>5,956,017</u>
Excess (deficiency) of revenues over (under) expenditures	<u>413,162</u>	<u>(2,770,233)</u>	<u>(677,106)</u>	<u>(14,338)</u>	<u>(3,048,515)</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	-	318,045	694,020	-	1,012,065
Transfers out	(694,020)	-	-	-	(694,020)
Issuance of capital lease	29,116	-	-	-	29,116
Total other financing sources (uses):	<u>(664,904)</u>	<u>318,045</u>	<u>694,020</u>	<u>-</u>	<u>347,161</u>
Net change in fund balance	(251,742)	(2,452,188)	16,914	(14,338)	(2,701,354)
Fund balance, October 1	<u>1,625,415</u>	<u>5,243,639</u>	<u>17,171</u>	<u>1,709</u>	<u>6,887,934</u>
Fund balance, September 30	<u>\$ 1,373,673</u>	<u>\$ 2,791,451</u>	<u>\$ 34,085</u>	<u>\$ (12,629)</u>	<u>\$ 4,186,580</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, 2017**

Total Net Change in Fund Balances - Governmental Funds	\$ (2,701,354)
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 \$3,093,654 of capital outlays and \$404,828 of debt principal payments is to increase net position.	3,498,482
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.	(287,921)
Current year issuance of capital lease payables are other financing sources in the fund financial statements. The effect of \$29,116 increase in capital lease payable is a decrease to net position.	(29,116)
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 \$9,015 decrease in interest payable, \$26,234 increase in compensated absences payable and \$13,902 amortization of deferred charges, premiums and discounts is to decrease net position.	(3,317)
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.	(111,015)
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.	(3,846)
The City uses and internal service fund to charge the costs of health costs reimburseable to employees to appropriate functions in other funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.	(10,452)
Change in Net Position of Governmental Activities	\$ 351,461

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

**CITY OF HUDSON OAKS, TEXAS**  
Statement of Net Position  
Proprietary Fund  
For the Year Ended September 30, 2017

	Business-type Activities			Governmental
	Water & Wastewater	Stormwater Utility	Total Enterprise Funds	Internal Service Fund
<b>Assets</b>				
Current Assets:				
Cash	\$ 997,119	\$ 15,391	\$ 1,012,510	\$ 8,289
Investments	88,463	-	88,463	-
Accounts receivable (net of allowance for doubtful accounts)	304,730	40,771	345,501	-
Miscellaneous receivables	462,062	-	462,062	-
Due from other funds	60,000	372,686	432,686	-
Prepaid expense	8,875	-	8,875	-
Restricted cash	545,616	142	545,758	-
Total current assets	<u>2,466,865</u>	<u>428,990</u>	<u>2,895,855</u>	<u>8,289</u>
Noncurrent Assets:				
Capital Assets:				
Nondepreciable	605,021	198,104	803,125	-
Depreciable, net of accumulated depreciation	9,027,128	-	9,027,128	-
Total noncurrent assets	<u>9,632,149</u>	<u>198,104</u>	<u>9,830,253</u>	<u>-</u>
Total assets	<u>12,099,014</u>	<u>627,094</u>	<u>12,726,108</u>	<u>8,289</u>
<b>Deferred Outflow of Resources</b>				
Deferred Outflow Related to Pensions	84,120	-	84,120	-
Total deferred outflow of resources	<u>84,120</u>	<u>-</u>	<u>84,120</u>	<u>-</u>
<b>Liabilities</b>				
Current Liabilities:				
Accounts payable	127,295	8,165	135,460	-
Accrued payroll	6,361	-	6,361	-
Compensated absences payable	33,971	-	33,971	-
Due to other funds	-	60,000	60,000	-
Current liabilities payable from restricted assets:				
Current portion of long-term debt	391,981	21,039	413,020	-
Accrued interest payable	31,239	2,496	33,735	-
Total current liabilities	<u>590,847</u>	<u>91,700</u>	<u>682,547</u>	<u>-</u>
Noncurrent Liabilities:				
Capital lease payable	14,913	-	14,913	-
Net pension liability	216,429	-	216,429	-
Certificates of obligation	5,357,205	528,452	5,885,657	-
Total noncurrent liabilities	<u>5,588,547</u>	<u>528,452</u>	<u>6,116,999</u>	<u>-</u>
Total liabilities	<u>6,179,394</u>	<u>620,152</u>	<u>6,799,546</u>	<u>-</u>
<b>Deferred Inflow of Resources</b>				
Deferred Inflow Related to Pensions	56,253	-	56,253	-
Total deferred outflow of resources	<u>56,253</u>	<u>-</u>	<u>56,253</u>	<u>-</u>
<b>Net Position</b>				
Net Investment in capital assets	4,404,702	21,299	4,426,001	-
Restricted for debt service (expendable)	8,966	142	9,108	-
Restricted for impact fees (expendable)	178,627	-	178,627	-
Unrestricted	1,355,192	(14,499)	1,340,693	8,289
Total net position	<u>\$ 5,947,487</u>	<u>\$ 6,942</u>	<u>\$ 5,954,429</u>	<u>\$ 8,289</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, 2017

	Business-type Activities			Governmental
	Water & Wastewater	Stormwater Utility	Total Enterprise Funds	Internal Service Fund
Operating revenues:				
Water, wastewater and Stormwater	\$ 1,718,017	\$ 172,847	\$ 1,890,864	\$ -
Management contract charges	233,093	-	233,093	-
Late payment charges	8,475	-	8,475	-
Tap Fees	16,500	-	16,500	-
Impact fees	17,943	-	17,943	-
Customer assessment fees	2,791	-	2,791	-
Intergovernmental		31,029	31,029	-
Miscellaneous fees & charges	41,453	-	41,453	47,667
Total operating revenues	<u>2,038,272</u>	<u>203,876</u>	<u>2,242,148</u>	<u>47,667</u>
Operating expenses:				
Personal services	547,578	-	547,578	-
Professional services	77,825	8,165	85,990	58,228
Supplies	59,292	-	59,292	-
Operations	506,030	38,061	544,091	-
Maintenance and repairs	94,209	25,600	119,809	-
Well utilities	86,460	-	86,460	-
Depreciation	487,759	-	487,759	-
Total operating expenses	<u>1,859,153</u>	<u>71,826</u>	<u>1,930,979</u>	<u>58,228</u>
Operating income (loss)	<u>179,119</u>	<u>132,050</u>	<u>311,169</u>	<u>(10,561)</u>
Nonoperating revenues (expenses)				
Interest	5,290	37	5,327	109
Interest expense	(186,597)	(18,201)	(204,798)	-
Total nonoperating revenues (expenses)	<u>(181,307)</u>	<u>(18,164)</u>	<u>(199,471)</u>	<u>109</u>
Contributions and transfers:				
Transfer out	(318,045)	-	(318,045)	-
	<u>(318,045)</u>	<u>-</u>	<u>(318,045)</u>	<u>-</u>
Change in net position	(320,233)	113,886	(206,347)	(10,452)
Net Position, Beginning	<u>6,267,720</u>	<u>(106,944)</u>	<u>6,160,776</u>	<u>18,741</u>
Net Position, Ending	<u>\$ 5,947,487</u>	<u>\$ 6,942</u>	<u>\$ 5,954,429</u>	<u>\$ 8,289</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, 2017

	Business-type Activities			Governmental Activities
	Water & Wastewater	Stormwater Utility	Total Enterprise Funds	Internal Service Fund
<b>Cash flows from operating activities:</b>				
Cash received from customers and users	\$ 2,214,746	\$ 193,971	\$ 2,408,717	\$ 47,667
Cash paid to suppliers	(812,155)	(63,661)	(875,816)	(58,228)
Cash paid to employees	(548,270)	-	(548,270)	-
Net cash provided (used) by operating activities	<u>854,321</u>	<u>130,310</u>	<u>984,631</u>	<u>(10,561)</u>
<b>Cash flow from noncapital financing activities:</b>				
Due to other funds	-	(74,721)	(74,721)	-
Due from other funds	74,721	198,104	272,825	-
Transfers in (out)	(318,045)	-	(318,045)	-
Net cash provided (used) by noncapital financing activities	<u>(243,324)</u>	<u>123,383</u>	<u>(119,941)</u>	<u>-</u>
<b>Cash flows from capital and related financing activities:</b>				
Principal payments - certificates of obligation	(371,250)	(20,000)	(391,250)	-
Principal payments - capital leases	(7,121)	-	(7,121)	-
Purchase of property, plant and equipment	(106,733)	(198,104)	(304,837)	-
Special assessments	89,167	-	89,167	-
(Increase) decrease in miscellaneous receivables	(539)	-	(539)	-
Interest payments	(196,898)	(20,092)	(216,990)	-
Net cash flows provided by (used in) capital and related financing activities	<u>(593,374)</u>	<u>(238,196)</u>	<u>(831,570)</u>	<u>-</u>
<b>Cash flows from investing activities:</b>				
Interest received	5,290	37	5,327	109
(Purchase) sale of investments	(611)	-	(611)	-
Net cash provided by (used in) investing activities	<u>4,679</u>	<u>37</u>	<u>4,716</u>	<u>109</u>
<b>Net increase (decrease) in cash</b>	<u>22,302</u>	<u>15,534</u>	<u>37,836</u>	<u>(10,452)</u>
<b>Cash, October 1</b>	1,520,433	-	1,520,433	18,741
<b>Cash, September 30</b>	<u>\$ 1,542,735</u>	<u>\$ 15,534</u>	<u>\$ 1,558,269</u>	<u>\$ 8,289</u>
<b>Reconciliation of income from operations to net cash provided by operating activities:</b>				
Income (loss) from operations	\$ 179,119	132,050	311,169	(10,561)
Adjustments to reconcile income from operations to net cash provided by (used in) operating activities				
Depreciation	487,759	-	487,759	-
(Increase) decrease in accounts receivable	6,062	(9,905)	(3,843)	-
(Increase) decrease in miscellaneous receivables	170,412	-	170,412	-
(Increase) decrease in prepaid expenses	-	-	-	-
(Increase) decrease in deferred outflow of resources	8,660	-	8,660	-
Increase (decrease) in accounts payable	11,661	8,165	19,826	-
Increase (decrease) in accrued payroll	758	-	758	-
Increase (decrease) in compensated absences	1,698	-	1,698	-
Increase (decrease) in net pension liability	(45,848)	-	(45,848)	-
Increase (decrease) in deferred inflow of resources	34,040	-	34,040	-
Net adjustments	675,202	(1,740)	673,462	
Net cash provided by operating activities	<u>\$ 854,321</u>	<u>\$ 130,310</u>	<u>\$ 984,631</u>	<u>\$ (10,561)</u>
<b>Noncash Investing, Capital and Financing Activities</b>				
Capital assets purchased with capital lease	<u>\$ 29,196</u>	<u>\$ -</u>	<u>\$ 29,196</u>	<u>\$ -</u>

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





**CITY OF HUDSON OAKS, TEXAS**  
**Notes to the Financial Statements**  
**September 30, 2017**

**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, 2017**

**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 *general 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, 2017**

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

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term obligation debt of governmental funds.

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 58 - 60 of the financial statements, under enterprise fund supplementary information. There are no external parties that require separate segment reporting for the supplementary information.

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

Additionally, the government reports the following fund types:

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

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

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



**CITY OF HUDSON OAKS, TEXAS**  
**Notes to the Financial Statements**  
**September 30, 2017**

**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 \$15,685. In the governmental activities the fines and fees receivable are reported net of an allowance of \$167,514 which is 55% 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. \$115,850 of unbilled services is reported with accounts receivable in the proprietary fund.

4) 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.

5) 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 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.



**CITY OF HUDSON OAKS, TEXAS**  
**Notes to the Financial Statements**  
**September 30, 2017**

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

Major outlays for capital assets and improvements are capitalized in the proprietary funds as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities and proprietary funds is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the proprietary fund during the current year was \$204,798. Of this amount, \$0 was included as part of the cost of capital assets under construction in connection with water, wastewater or stormwater construction projects.

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

6) Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position and governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resource (revenue) until that time. The City has two types of items in this category. Unavailable revenues for governmental funds and deferred inflows related to pensions 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	\$ 163,462
Franchise taxes	74,737
Court fines	137,056
Ticket sales	23,718
	<u>\$ 398,973</u>



**CITY OF HUDSON OAKS, TEXAS**  
**Notes to the Financial Statements**  
**September 30, 2017**

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

7) 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.

8) 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.

9) Long-term Obligations

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

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

10) 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.



**CITY OF HUDSON OAKS, TEXAS**  
**Notes to the Financial Statements**  
**September 30, 2017**

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

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

11) 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.

12) 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.

13) Use of Estimates

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



**CITY OF HUDSON OAKS, TEXAS**  
**Notes to the Financial Statements**  
**September 30, 2017**

**NOTE 2 - DEPOSITS AND INVESTMENTS:**

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

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

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

Under the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Federated Investors, Inc. through an agreement with the State of Texas Comptroller of Public Accounts. The State Comptroller is the sole officer, director, and shareholder of the Texas Treasurer Safekeeping Trust Company authorized to operate TexPool. TexPool is subject to annual review by an independent auditor consistent with the Public Funds Investment Act. Audited financial statements of the Pool are available at First Public, 12009 Research Blvd. Austin, Texas 78759. In addition, TexPool is subject to review by the State Auditor’s Office and by the Internal Auditor of the Comptroller’s Office. The reported value of the pool is the same as the fair value of the pool shares.

*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-





**CITY OF HUDSON OAKS, TEXAS**  
**Notes to the Financial Statements**  
**September 30, 2017**

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

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, 2017. The collateral is held by Frost National Bank in the City's name under a joint safekeeping agreement with First Financial Bank N.A.

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

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

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

The City has the following recurring fair value measurements as of September 30, 2017:

- Property acquisitions valued at \$129,000 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	\$ 347,915	\$ 347,915	8.69%	AAAm	37 days	Amortized Cost
TexStar	3,526,190	3,526,190	88.09%	AAAm	33 days	Amortized Cost
Land	78,113	129,000	3.22%			Level 3
	<u>\$ 3,952,218</u>	<u>\$ 4,003,105</u>	<u>100.00%</u>			



**CITY OF HUDSON OAKS, TEXAS**  
**Notes to the Financial Statements**  
**September 30, 2017**

**NOTE 3 - CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2017, was as follows:

Governmental Activities	Balance 09/30/2016	Additions	Retirements	Balance 09/30/2017
<b>Non - Depreciable Assets:</b>				
Land	\$ 460,487	\$ 318,545	\$ -	\$ 779,032
Construction in Progress	2,703,542	2,509,419	-	5,212,961
Total non-depreciable assets	<u>3,164,029</u>	<u>2,827,964</u>	<u>-</u>	<u>5,991,993</u>
<b>Depreciable Assets:</b>				
Equipment	304,374	29,116	(70,651)	262,839
Automobiles	218,291	-	(25,727)	192,564
Buildings	2,329,801	236,574	-	2,566,375
Improvements	267,429	-	-	267,429
Infrastructure	4,690,650	-	-	4,690,650
Total capital assets being depreciated	<u>7,810,545</u>	<u>265,690</u>	<u>(96,378)</u>	<u>7,979,857</u>
<b>Accumulated Depreciation:</b>				
Equipment	(301,706)	(3,761)	70,651	(234,816)
Automobiles	(125,837)	(32,168)	25,727	(132,278)
Buildings	(510,801)	(60,270)	-	(571,071)
Improvements	(124,849)	(13,234)	-	(138,083)
Infrastructure	(2,042,717)	(178,488)	-	(2,221,205)
Total accumulated depreciation	<u>(3,105,910)</u>	<u>(287,921)</u>	<u>96,378</u>	<u>(3,297,453)</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 7,868,664</u>	<u>\$ 2,805,733</u>	<u>\$ -</u>	<u>\$ 10,674,397</u>



**CITY OF HUDSON OAKS, TEXAS**  
**Notes to the Financial Statements**  
**September 30, 2017**

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

Business-type activities:	Balance 09/30/2016	Additions	Retirements	Balance 09/30/2017
<b>Non-Depreciable Assets:</b>				
Land	\$ 559,867	\$ -	\$ -	\$ 559,867
Construction in Progress	24,334	218,924	-	243,258
Total non-depreciable assets	<u>584,201</u>	<u>218,924</u>	<u>-</u>	<u>803,125</u>
Buildings	46,413	-	-	46,413
Water plant	4,054,667	36,685	-	4,091,352
Water distribution	4,926,538	49,230	-	4,975,768
Wastewater systems	3,799,622	-	-	3,799,622
Automobiles	122,692	29,196	-	151,888
Equipment	164,898	-	(4,140)	160,758
Intangible assets	787,886	-	-	787,886
Total capital assets being depreciated	<u>13,902,716</u>	<u>115,111</u>	<u>(4,140)</u>	<u>14,013,687</u>
<b>Accumulated Depreciation:</b>				
Buildings	(11,658)	(1,188)	-	(12,846)
Water plant	(1,205,184)	(117,735)	-	(1,322,919)
Water distribution	(1,946,347)	(189,690)	-	(2,136,037)
Wastewater lines	(937,859)	(126,847)	-	(1,064,706)
Automobiles	(100,240)	(11,071)	-	(111,311)
Equipment	(90,635)	(12,680)	4,134	(99,181)
Intangible assets	(211,011)	(28,548)	-	(239,559)
Total accumulated depreciation	<u>(4,502,934)</u>	<u>(487,759)</u>	<u>4,134</u>	<u>(4,986,559)</u>
Business-type activities capital assets, net	<u>\$ 9,983,983</u>	<u>\$ (153,724)</u>	<u>\$ (6)</u>	<u>\$ 9,830,253</u>



**CITY OF HUDSON OAKS, TEXAS**  
**Notes to the Financial Statements**  
**September 30, 2017**

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

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

Governmental activities:	
General government	\$ 48,288
Public safety	61,145
Highways and streets and parks	178,488
Total depreciation expense - governmental activities	<u>\$ 287,921</u>
Business-type activities:	
Hudson Oaks water system	\$ 245,391
Wastewater	143,732
Dyegard water system	98,636
Total depreciation expense - business-type activities	<u>\$ 487,759</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, 2017, the credit from the City of Weatherford was \$62,237.

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, 2017**

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

A summary of intangible assets as of September 30, 2017, follows:

	Term	Asset	Accumulated Depreciation	Net Asset
Depreciated intangible assets				
TRWD Raw Water Buy-in	28 years	\$ 134,839	\$ (61,706)	\$ 73,133
TRWD Raw Water Capacity	30 years	490,834	(102,271)	388,563
Legal Fees For Buy-ins	30 years	162,213	(75,582)	86,631
Total depreciated intangible assets		<u>\$ 787,886</u>	<u>\$ (239,559)</u>	<u>\$ 548,327</u>

Aggregate Intangible Depreciation Expense:

For the year ended September 30, 2017	<u>\$ 28,548</u>
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**NOTE 4 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The composition of the interfund balances for the City’s individual major funds and nonmajor funds as of September 30, 2017, is as follows:

Receivable Fund	Payable Fund	Amount
General	General capital projects	\$ 47,697
General capital projects	General	114,000
General	Other Governmental Funds	40,837
Total Governmental Funds		<u>\$ 202,534</u>
Water and wastewater	Stormwater utility	\$ 60,000
Stormwater utility	General capital projects	372,686
Total business-type activities funds		<u>\$ 432,686</u>

The composition of the interfund transfers for the City’s individual major funds and nonmajor funds as of September 30, 2017, is as follows:

Transfer In	Transfer Out	Amount	Purpose
General capital projects	Water and wastewater	\$ 318,045	Capital Outlay
Debt Service	General	694,020	Debt Service
Total Governmental Funds Transfer In		<u>\$ 1,012,065</u>	



**CITY OF HUDSON OAKS, TEXAS**  
**Notes to the Financial Statements**  
**September 30, 2017**

**NOTE 5 – LONG-TERM DEBT**

A. Capital Leases

Governmental Activities:

On October 25, 2015, the general fund acquired two police vehicles with a capital lease. The lease requires three annual payments of \$13,495 beginning October 2016. The interest rate is 2.6%. The outstanding balance as of September 30, 2017 was \$25,944.

On April 25, 2017, the general fund acquired computers for police vehicles with a capital lease. The lease requires monthly payments of \$565 beginning June 2017. The interest rate is 5%. The outstanding balance as of September 30, 2017 was \$27,304.

Business-type Activities:

On September 8, 2017, the deercreek fund acquired a vehicle with a capital lease. The lease requires three annual payments of \$7,780 beginning September 2018. The interest rate is 2.8%. The outstanding balance as of September 30, 2017 was \$22,075.

The following is an analysis of capital assets purchased under capital leases as of September 30, 2017:

	Governmental Activities	Business-type Activities
Automobiles	\$ 69,352	\$ 29,196
Equipment	29,116	-
Less accumulated depreciation	(47,505)	(487)
	\$ 50,963	\$ 28,709

The following is a schedule of future minimum lease payments under the capital leases and the present value of the net minimum lease payments at September 30, 2017:

	Governmental Activities	Business-type Activities
2018	\$ 20,274	\$ 7,780
2019	20,274	7,780
2020	6,779	7,762
2021	6,779	-
2022	4,520	-
Total minimum lease payments	58,626	23,322
Amount representing interest	(5,378)	(1,247)
Present value of future minimum payments	\$ 53,248	\$ 22,075



**CITY OF HUDSON OAKS, TEXAS**  
**Notes to the Financial Statements**  
**September 30, 2017**

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

Bonds, certificates of obligation payable at September 30, 2017, 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%.	\$ 1,105,000
\$810,000 2010 General Obligation Refunding Bonds, refunding the 2008 Tax Notes, due in annual installments through August 1, 2023, 3.00% - 4.00%.	340,000
\$722,750 2012 Certificates of Obligation, issued for middle median improvements, due in annual installments through August 1, 2032, 2.00% - 3.50%.	623,700
\$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%	4,065,000
\$1,540,000 2016B Certificates of Obligation, for construction of City fiber internet lines, due in annual installments through February 1, 2036, 2.00% - 6.00%.	<u>1,505,000</u>
<b>Total Governmental Activities</b>	<b><u><u>\$ 7,638,700</u></u></b>



**CITY OF HUDSON OAKS, TEXAS**  
**Notes to the Financial Statements**  
**September 30, 2017**

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

**Business-type Activities**

\$1,185,000 2010 General Obligation Refunding Bonds, to refund the 2000B Certificates of Obligation and 2003 Certificates of Obligation. The bonds are due in annual installments through August 1, 2023, 3.00% - 4.00%.	\$ 475,000
\$2,915,000 2010 Certificates of Obligation, for the acquisition of the Dyegard water system, due in annual installments through August 1, 2035, 2.50% - 4.25%.	2,380,000
\$2,124,300 2012 Certificates of Obligation, issued for water system improvements, due in annual installments through August 1, 2032, 2.00% - 3.50%.	1,686,300
\$1,235,000 2014 Certificates of Obligation, for the construction, expansion and improvements to the City’s sanitary wastewater system, due in annual installments through August 1, 2024, 2.15%.	1,085,000
\$550,000 2016A Certificates of Obligation, for drainage projects associated with the new downtown development. The payments are due in annual installments through February 1, 2036, 2.00% - 5.00%	530,000
<b>Total Business-type activities</b>	<b>\$ 6,156,300</b>

The annual requirements to amortize all bonded debt outstanding as of September 30, 2017 are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2018	433,750	251,102	684,852	396,250	201,791	598,041
2019	405,100	232,612	637,712	454,900	191,234	646,134
2020	425,100	213,965	639,065	464,900	179,053	643,953
2021	421,450	194,313	615,763	458,550	166,158	624,708
2021	437,800	177,609	615,409	467,200	153,057	620,257
2023 - 2027	2,243,850	667,835	2,911,685	1,716,150	566,858	2,283,008
2028 - 2032	1,831,650	349,855	2,181,505	1,533,350	301,652	1,835,002
2033 - 2037	1,440,000	88,768	1,528,768	665,000	53,485	718,485
Debt service requirements	\$ 7,638,700	\$ 2,176,059	\$ 9,814,759	\$ 6,156,300	\$ 1,813,288	\$ 7,969,588
Add: Unamortized premium	242,106	-	242,106	135,215	-	135,215
Total	\$ 7,880,806	\$ 2,176,059	\$10,056,865	\$ 6,291,515	\$ 1,813,288	\$ 8,104,803





**CITY OF HUDSON OAKS, TEXAS**  
**Notes to the Financial Statements**  
**September 30, 2017**

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

The following is a summary of long-term debt transactions of the City for the year ended September 30, 2017:

	9/30/16	Additions	Retirements	9/30/17	Due within one year
<b>Governmental Activities:</b>					
Certificates of Obligation, 2007	\$ 1,190,000	\$ -	\$ 85,000	\$ 1,105,000	\$ 90,000
General Obligation Refunding, 2010	435,000	-	95,000	340,000	100,000
2010 Premium on bond	9,412	-	1,176	8,236	1,176
Certificates of Obligation, 2012	657,450	-	33,750	623,700	33,750
2012 Premium on Bond	20,264	-	1,266	18,998	1,266
Certificates of Obligation, 2016A	4,195,000	-	130,000	4,065,000	160,000
2016A Premium on Bond	156,785	-	7,938	148,847	7,938
Certificates of Obligation, 2016B	1,540,000	-	35,000	1,505,000	50,000
2016B Premium on Bond	69,546	-	3,521	66,025	3,521
Capital Leases	50,211	29,116	26,079	53,248	17,999
Net pension liability	594,001	-	92,585	501,416	-
Compensated Absences	106,016	132,250	106,016	132,250	132,250
<b>Total Governmental Activities</b>	<b>9,023,685</b>	<b>161,366</b>	<b>617,331</b>	<b>8,567,720</b>	<b>597,900</b>
<b>Business-type Activities:</b>					
Certificates of Obligation, 2010	2,475,000	-	95,000	2,380,000	95,000
2010 Premium on bond	61,986	-	3,263	58,723	3,263
General Obligation Refunding, 2010	605,000	-	130,000	475,000	135,000
2010 Premium on bond	7,519	-	1,879	5,640	1,879
Certificates of Obligation 2012	1,777,550	-	91,250	1,686,300	91,250
2012 Premium on Bond	54,788	-	3,427	51,361	3,427
Certificates of Obligation, 2014	1,140,000	-	55,000	1,085,000	55,000
Certificates of Obligation, 2016A	550,000	-	20,000	530,000	20,000
2016A Premium on Bond	20,530	-	1,039	19,491	1,039
Capital Leases	-	29,196	7,121	22,075	7,162
Net pension liability	262,277	-	45,848	216,429	-
Compensated Absences	32,273	33,971	32,273	33,971	33,971
<b>Total Business-type Activities</b>	<b>6,986,923</b>	<b>63,167</b>	<b>486,100</b>	<b>6,563,990</b>	<b>446,991</b>
<b>Total Long-Term Debt</b>	<b>\$16,010,608</b>	<b>\$ 224,533</b>	<b>\$ 1,103,431</b>	<b>\$15,131,710</b>	<b>\$ 1,044,891</b>

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



**CITY OF HUDSON OAKS, TEXAS**  
**Notes to the Financial Statements**  
**September 30, 2017**

**NOTE 6 – CONDUIT DEBT AGREEMENTS**

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

During the year ended December 31, 2005, the board of directors of the Hudson Oaks Education Finance Corporation (the “Corporation”) entered into a \$4,000,000 loan agreement with Lakehill Preparatory School (the “Borrower”) and Frost National Bank (the “Lender”). According to the terms of the loan agreement the Lender is making a loan to the Corporation and the Corporation is making a loan to the Borrower. The proceeds will be used by Borrower to refinance the construction, improvement, and equipping of school buildings and athletic facilities on Borrower’s campus and payment of the costs of issuance. The Corporation’s obligations under the loan agreement are payable solely from the loan payments received from the Borrower and other amounts received, if any, from the enforcement of the security provided by the Borrower Note, and do not constitute, give rise to or impose upon the Corporation or the City of Hudson Oaks, Texas, a pecuniary liability, a charge upon the general credit thereof or a pledge of the general revenues of the City or the Corporation. The Corporation has assigned the Borrower Note to the Lender; therefore, the Lender will make loan payments directly to the Lender. The amount of Hudson Oaks Education Finance Corporation conduit debt obligations outstanding at September 30, 2017 are as follows:

Lakehill Preparatory School Loan Agreement	\$ 2,475,000
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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, 2017, this corporation has not issued any debt.

**NOTE 7 – DEFINED BENEFIT PENSION PLANS**

A. PLAN DESCRIPTION

The City of Hudson Oaks participates as one of 872 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS’s defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmrs.com](http://www.tmrs.com).

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



**CITY OF HUDSON OAKS, TEXAS**  
**Notes to the Financial Statements**  
**September 30, 2017**

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

**B. BENEFITS PROVIDED**

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

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

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City for 2016 and 2015 were the same and were as follows:

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

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

At December 31, 2016 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	17
Active employees	<u>23</u>
	49

**C. CONTRIBUTIONS**

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



**CITY OF HUDSON OAKS, TEXAS**  
**Notes to the Financial Statements**  
**September 30, 2017**

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

C. CONTRIBUTIONS (continued)

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 12.89% and 13.39% in calendar years 2016 and 2017, respectively. The city's contributions to TMRS for the year ended September 30, 2017, were \$192,297, and were equal to the required contributions.

D. NET PENSION LIABILITY

The city's Net Pension Liability (NPL) was measured as of December 31, 2016, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

ACTUARIAL ASSUPMTIONS:

The Total Pension Liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

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

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

Actuarial assumptions used in the December 31, 2016, valuation was based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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



**CITY OF HUDSON OAKS, TEXAS**  
**Notes to the Financial Statements**  
**September 30, 2017**

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

ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core-Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	4.15%
Real Return	10.0%	4.15%
Real Estate	10.0%	4.75%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	7.75%
Total	100%	

**DISCOUNT RATE**

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



**CITY OF HUDSON OAKS, TEXAS**  
**Notes to the Financial Statements**  
**September 30, 2017**

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

<u>Changes in the Net Pension Liability</u>	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balance at 12/31/2015	\$ 3,376,260	\$ 2,519,983	\$ 856,277
Changes for the Year			
Service Cost	224,824		224,824
Interest	233,278		233,278
Change of benefit terms	-		-
Difference between expected and actual performance	(160,582)		(160,582)
Changes of assumptions			0
Contributions- employer		173,428	(173,428)
Contributions- employee		94,181	(94,181)
Net investment income		170,372	(170,372)
Benefit payments, including refunds of employee contributions	(65,411)	(65,411)	-
Administrative expense		(1,923)	1,923
Other changes		(103)	103
Net Changes	<u>232,109</u>	<u>370,544</u>	<u>(138,435)</u>
<b>Balance at 12/31/2016</b>	<b><u>\$ 3,608,369</u></b>	<b><u>\$ 2,890,527</u></b>	<b><u>\$ 717,842</u></b>

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

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

	<u>1% Decrease in Discount Rate (5.75%)</u>	<u>Discount Rate (6.75%)</u>	<u>1% Increase in Discount Rate (7.75%)</u>
City's net pension liability	\$1,474,288	\$717,842	\$123,654

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, 2017**

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

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

For the year ended September 30, 2017, the city recognized pension expense of \$192,701.

At September 30, 2017 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	\$ 23,854	\$ 169,442
Changes in actuarial assumptions	-	-
Differences between projected and actual investment earnings	105,343	17,136
Contributions subsequent to the measurement date	136,687	-
<b>Total</b>	<b>\$ 265,884</b>	<b>\$ 186,578</b>

\$136,687 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2017. 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
2017	\$ (3,148)
2018	(3,149)
2019	(3,958)
2020	(26,913)
2021	(20,213)
Thereafter	-
	<b>\$ (57,381)</b>



**CITY OF HUDSON OAKS, TEXAS**  
**Notes to the Financial Statements**  
**September 30, 2017**

**NOTE 8 – OTHER POST EMPLOYMENT BENEFITS**

The city also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The city elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The city may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The 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); retired employees are insured for \$7,500; this coverage is an “other postemployment benefit,” or OPEB.

Your City offers supplemental death to:	Plan Year 2016	Plan Year 2017
Active employees (yes or no)	Yes	Yes
Retirees (yes or no)	Yes	Yes

Contributions

The 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.

The city’s contributions to the TMRS SDBF for the years ended 2017, 2016 and 2015 were \$1,302, \$1,193 and \$1,086, respectively, which equaled the required contributions each year.

**NOTE 9 – RISK MANAGEMENT**

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





**CITY OF HUDSON OAKS, TEXAS**  
**Notes to the Financial Statements**  
**September 30, 2017**

**NOTE 10 – CONTINGENT LIABILITIES**

A. Federal and State Programs

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

**NOTE 11 – WATER AND WASTEWATER SERVICE CONTRACTS**

A. Treated Water

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

B. Wastewater Service

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

**NOTE 12 – CONTRACTS AND COMMITMENTS**

- A. On October 25, 2007, the City issued the \$1,800,000 Combination Tax and Revenue Certificates of Obligation, Series 2007. The certificates were issued to fund street, bridge, curb, and sidewalk improvements, consisting principally of the Hudson Oaks Bridge Project (formerly the Lakeshore Bridge project). As of September 30, 2017, \$2,386,974 has been incurred on the project. Additional proceeds from the Combination Tax and Revenue Certificates of Obligation, 2016A were used to cover the overage in the project.
- B. On August 26, 2010 the City entered into an interlocal agreement with the Town of Annetta, Texas in whereby the City agreed to assist Annetta in the operations and management of Annetta's water system.
- C. 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



**CITY OF HUDSON OAKS, TEXAS**  
**Notes to the Financial Statements**  
**September 30, 2017**

**NOTE 12 – CONTRACTS AND COMMITMENTS (continued)**

the remaining actual costs up to \$1,534,000. The City will issue new bonds to fund the initial \$2,000,000. There was no activity during the year ended September 30, 2017.

In July 2015 the City levied an annual assessment of \$.46 per \$100 of net taxable value against the properties in the District through year 2019. This assessment will be used to fund the long-term debt used to fund the public improvements. The City commenced assessments on October 1, 2017.

- D. On June 1, 2016, the City issued 2016A Certificates of Obligation. The certificates were issued to fund a new downtown development within the City, the Oakey Corridor. As of September 30, 2017, \$717,068 has been incurred on the project.
- E. On June 1, 2016, the City issued 2016B Certificates of Obligation. The certificates were issued to fund a fiber optic cable upgrades throughout the City to connect the City facilities. As of September 30, 2017, \$309,691 has been incurred on the project. The City intends to enter into a lease agreement to lease the fiber cable to a third-party provider.

**NOTE 13 – TAX ABATEMENTS**

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

The City entered into an economic development agreement dated November 14, 2016, with a developer to reimburse the developer the cost of developing a commercial retail building. The agreement requires the City to rebate to the developer 50% of the City's sales tax collected from the issuance of the certificate of occupancy for a period of four (4) years until the developer has been reimbursed the total sum of \$60,000, whichever occurs first. The City did not rebate any sales tax for the year ended September 30, 2017 to the developer because a Certificate of occupancy has not been issued.

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 did not rebate any sales tax for the year ended September 30, 2017 to the developer because a Certificate of occupancy has not been issued.



**CITY OF HUDSON OAKS, TEXAS**  
**Notes to the Financial Statements**  
**September 30, 2017**

**NOTE 14 – SUBSEQUENT EVENTS**

Subsequent events were evaluated through March 12, 2018, which is the date the financial statements were available to be issued.

On January 25, 2018 the City submitted a notice of intent for the issuance of Public Improvement District No. 1 bonds. The issuance is expected to close on or around April 19, 2018. The amount of issuance authorized is not to exceed \$2,500,000.

**NOTE 15 - NEW ACCOUNTING PRONOUNCEMENTS**

GASB Statement No. 77, *Tax Abatement Disclosures* will improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial users.

**NOTE 16 - FUTURE ACCOUNTING PRONOUNCEMENTS**

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

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* replaces the requirements of Statements No. 45 and No. 57 for accounting and financial reporting of postemployment benefits other than pensions. This Statement is effective for fiscal years beginning after June 15, 2017.

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

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**CITY OF HUDSON OAKS, TEXAS**  
 General Fund  
 Schedule of Revenues, Expenditures and Changes in Fund Balance -  
 Budget and Actual  
 For the Year Ended September 30, 2017

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 2,100,300	\$ 2,091,975	\$ 2,067,663	\$ (24,312)
Licenses and permits	219,500	267,400	278,502	11,102
Charges for services	3,700	7,250	7,975	725
Municipal court fines	82,065	63,800	71,060	7,260
Interest	4,000	13,000	18,594	5,594
Miscellaneous	65,435	56,805	57,027	222
Total revenues	<u>2,475,000</u>	<u>2,500,230</u>	<u>2,500,821</u>	<u>591</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	452,796	480,306	492,908	(12,602)
Public safety	1,160,407	1,209,759	1,259,375	(49,616)
Streets	262,339	107,339	83,678	23,661
Parks and facilities	59,000	68,700	70,589	(1,889)
Planning and development	106,000	137,500	144,939	(7,439)
Mayor and council	5,000	8,200	8,244	(44)
<b>Debt service:</b>				
Principal	-	24,266	26,078	(1,812)
Interest and fiscal charges	-	1,441	1,848	(407)
Total expenditures	<u>2,045,542</u>	<u>2,037,511</u>	<u>2,087,659</u>	<u>(50,148)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>429,458</u>	<u>462,719</u>	<u>413,162</u>	<u>(49,557)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	114,000	-	(114,000)
Transfers out	(579,458)	(694,008)	(694,020)	(12)
Issuance of capital lease	-	-	29,116	29,116
Total other financing sources (uses):	<u>(579,458)</u>	<u>(580,008)</u>	<u>(664,904)</u>	<u>(84,896)</u>
Net change in fund balance	(150,000)	(117,289)	(251,742)	(134,453)
Fund balance, October 1	<u>1,625,415</u>	<u>1,625,415</u>	<u>1,625,415</u>	<u>-</u>
Fund balance, September 30	<u>\$ 1,475,415</u>	<u>\$ 1,508,126</u>	<u>\$ 1,373,673</u>	<u>\$ (134,453)</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, 2017

	2016	2015	2014
<b>Total Pension Liability</b>			
Service Cost	\$ 224,824	\$ 208,249	\$ 199,076
Interest (on the Total Pension Liability)	233,278	214,601	195,208
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(160,582)	36,888	(78,250)
Change of assumptions	-	(26,499)	-
Benefit payments, including refunds of employee contributions	(65,411)	(37,169)	(49,985)
<b>Net Change in Total Pension Liability</b>	232,109	396,070	266,049
<b>Total Pension Liability-Beginning</b>	<u>\$ 3,376,260</u>	<u>\$ 2,980,190</u>	<u>\$ 2,714,141</u>
<b>Total Pension Liability-Ending (a)</b>	<u><u>\$ 3,608,369</u></u>	<u><u>\$ 3,376,260</u></u>	<u><u>\$ 2,980,190</u></u>
<b>Plan Fiduciary Net Position</b>			
Contributions-Employer	173,428	152,320	134,567
Contributions-Employee	94,181	88,724	82,097
Net Investment Income	170,372	3,416	116,357
Benefit payments, including refunds of employee contributions	(65,411)	(37,169)	(49,985)
Administrative Expense	(1,923)	(2,081)	(1,214)
Other	(103)	(103)	(100)
<b>Net Change in Plan Fiduciary Net Position</b>	370,544	205,107	281,722
<b>Plan Fiduciary Net Position-Beginning</b>	<u>2,519,983</u>	<u>2,314,876</u>	<u>2,033,154</u>
<b>Plan Fiduciary Net Position-Ending (b)</b>	<u><u>\$ 2,890,527</u></u>	<u><u>\$ 2,519,983</u></u>	<u><u>\$ 2,314,876</u></u>
<b>Net Pension Liability-Ending (a) - (b)</b>	<u><u>\$ 717,842</u></u>	<u><u>\$ 856,277</u></u>	<u><u>\$ 665,314</u></u>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	80.11%	74.64%	77.68%
<b>Covered Employee Payroll</b>	\$ 1,345,443	\$ 1,267,491	\$ 1,172,812
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	53.35%	67.56%	56.73%

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

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



**CITY OF HUDSON OAKS, TEXAS**  
 Schedule of Employer Contributions  
 and Related Ratios  
 For the Year Ended September 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially Determined Contribution	\$ 190,996	\$ 167,446	\$ 146,854	\$ 136,130
Contributions in relation to the actuarially determined contribution	<u>\$ 190,996</u>	<u>\$ 167,446</u>	<u>\$ 146,854</u>	<u>\$ 136,130</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 1,446,119	\$ 1,325,824	\$ 1,237,245	\$ 1,204,317
Contributions as a percentage of covered employee payroll	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**  
**Notes to Required Supplementary Information**  
**September 30, 2017**

NOTE 1 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1) Budget

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

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

2) Encumbrances

The City does not record encumbrances for goods and services.

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

General government, public safety and planning and development had expenditures in excess of appropriations. Public safety excess was funded partially by capital lease proceeds. Total general fund expenditures were \$50,418 more the appropriations and were funded with unassigned fund balance.

**CITY OF HUDSON OAKS, TEXAS**  
**Notes to Required Supplementary Information**  
**September 30, 2017**

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

27 years

Asset Valuation Method

10 Year smoothed market; 15% soft corridor

Inflation

2.50%

Salary Increases

3.50% to 10.50% including inflation

Investment Rate of Return

6.75%

Retirement Age

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

Mortality

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

Other Information:

Notes

There were no changes during the year.

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**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.

**CITY OF HUDSON OAKS, TEXAS**  
**Nonmajor Funds**  
**Combining Balance Sheet**  
**September 30, 2017**

	Police Seizure Forfeiture Fund	Municipal Court Technology Fund	Court Building Security Fund	Park Dedication Fund	Special Events Fund	Total Special Revenue Funds	Total Nonmajor Governmental Funds
<b>Assets</b>							
Cash	\$ 3,587	\$ 1,399	\$ 11,502	\$ 12,500	\$ 2,302	\$ 31,290	\$ 31,290
Miscellaneous receivable	-	-	-	-	23,718	23,718	23,718
Prepaid items	-	-	-	-	1,848	1,848	1,848
<b>Total assets</b>	<u>3,587</u>	<u>1,399</u>	<u>11,502</u>	<u>12,500</u>	<u>27,868</u>	<u>56,856</u>	<u>56,856</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>							
<b>Liabilities:</b>							
Accounts payable	-	-	-	-	4,930	4,930	4,930
Due to Other Funds	-	-	-	-	40,837	40,837	40,837
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,767</u>	<u>45,767</u>	<u>45,767</u>
<b>Deferred inflows of resources:</b>							
Deferred revenue	-	-	-	-	23,718	23,718	23,718
<b>Fund Balance:</b>							
Nonspendable	-	-	-	-	1,848	1,848	1,848
Restricted fund balance	3,587	1,399	11,502	12,500	-	28,988	28,988
Unassigned fund balance	-	-	-	-	(43,465)	(43,465)	(43,465)
<b>Total Fund Balance</b>	<u>3,587</u>	<u>1,399</u>	<u>11,502</u>	<u>12,500</u>	<u>(41,617)</u>	<u>(12,629)</u>	<u>(12,629)</u>
<b>Total Liabilities, deferred inflows and Fund Balance</b>	<u>\$ 3,587</u>	<u>\$ 1,399</u>	<u>\$ 11,502</u>	<u>\$ 12,500</u>	<u>\$ 27,868</u>	<u>\$ 56,856</u>	<u>\$ 56,856</u>



## CITY OF HUDSON OAKS, TEXAS

## Nonmajor Funds

## Combining Statement of Revenues, Expenditures and Changes

## In Fund Balance

For the Year Ended September 30, 2017

	Police Seizure Forfeiture Fund	Municipal Court Technology Fund	Court Building Security Fund	Park Dedication Fund	Special Events Fund	Total Special Revenue Funds	Total Nonmajor Governmental Funds
Revenue:							
Municipal court fines	\$ -	\$ 1,436	\$ 1,115	\$ -	\$ -	\$ 2,551	\$ 2,551
Miscellaneous	-	-	-	-	109,309	109,309	109,309
Total Revenues	-	1,436	1,115	-	109,309	111,860	111,860
Expenditures:							
Current							
General Government	-	-	-	-	124,498	124,498	124,498
Public safety	-	1,700	-	-	-	1,700	1,700
Total Expenditures	-	1,700	-	-	124,498	126,198	126,198
Net change in fund balance	-	(264)	1,115	-	(15,189)	(14,338)	(14,338)
Fund balance, October 1	3,587	1,663	10,387	12,500	(26,428)	1,709	1,709
Fund balance, September 30	\$ 3,587	\$ 1,399	\$ 11,502	\$ 12,500	\$ (41,617)	\$ (12,629)	\$ (12,629)

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**ENTERPRISE FUND SUPPLEMENTARY INFORMATION**

**CITY OF HUDSON OAKS, TEXAS**  
Water and Wastewater Fund  
Department Combining Statement of Net Position  
September 30, 2017  
With Comparative Totals for the Year Ended September 30, 2016

	Hudson Oaks		Dyegard	Deer Creek	Utility	Totals	
	Water	Wastewater	Water System	Management	Capital Projects	2017	2016
<b>Assets</b>							
<b>Current Assets:</b>							
Cash	\$ 368,531	\$ 509,435	\$ (29,242)	\$ 148,395	\$ -	\$ 997,119	\$ 1,022,899
Investments	88,463	-	-	-	-	88,463	87,852
Accounts receivable (net of allowance for doubtful accounts)	170,640	49,702	35,930	48,458	-	304,730	290,787
Miscellaneous	83,721	378,341	-	-	-	462,062	741,107
Due from other funds	-	-	-	-	60,000	60,000	134,721
Prepaid items	8,875	-	-	-	-	8,875	8,875
Restricted Cash	-	-	-	-	545,616	545,616	497,534
<b>Total current assets</b>	<b>720,230</b>	<b>937,478</b>	<b>6,688</b>	<b>196,853</b>	<b>605,616</b>	<b>2,466,865</b>	<b>2,783,775</b>
<b>Noncurrent Assets:</b>							
<b>Capital Assets:</b>							
Nondepreciable	-	-	-	-	605,021	605,021	584,201
Depreciable, net of accumulated depreciation	-	-	-	-	9,027,128	9,027,128	9,399,782
<b>Total assets</b>	<b>720,230</b>	<b>937,478</b>	<b>6,688</b>	<b>196,853</b>	<b>10,237,765</b>	<b>12,099,014</b>	<b>12,767,758</b>
<b>Deferred Outflow of Resources</b>							
Deferred Outflow Related to Pensions	67,639	-	-	16,481	-	84,120	92,780
<b>Total deferred outflow of resources</b>	<b>67,639</b>	<b>-</b>	<b>-</b>	<b>16,481</b>	<b>-</b>	<b>84,120</b>	<b>92,780</b>
<b>Liabilities</b>							
<b>Current Liabilities:</b>							
Accounts payable	99,960	24,043	279	806	2,207	127,295	115,634
Accrued payroll	5,121	-	-	1,240	-	6,361	5,603
Compensated absences payable	28,689	-	-	5,282	-	33,971	32,273
Due to other funds	-	-	-	-	-	-	-
<b>Current liabilities payable from restricted assets:</b>							
Current portion of long-term debt	-	-	-	-	391,981	391,981	391,250
Accrued interest payable	-	-	-	-	31,239	31,239	32,975
<b>Total current liabilities</b>	<b>133,770</b>	<b>24,043</b>	<b>279</b>	<b>7,328</b>	<b>425,427</b>	<b>590,847</b>	<b>577,735</b>
<b>Noncurrent Liabilities:</b>							
Capital lease payable	-	-	-	-	14,913	14,913	-
Net pension liability	172,569	-	-	43,860	-	216,429	262,277
Certificates of obligation	-	-	-	-	5,357,205	5,357,205	5,730,593
<b>Total liabilities</b>	<b>306,339</b>	<b>24,043</b>	<b>279</b>	<b>51,188</b>	<b>5,797,545</b>	<b>6,179,394</b>	<b>6,570,605</b>
<b>Deferred Inflow of Resources</b>							
Deferred Inflow Related to Pensions	44,853	-	-	11,400	-	56,253	22,213
<b>Total deferred outflow of resources</b>	<b>44,853</b>	<b>-</b>	<b>-</b>	<b>11,400</b>	<b>-</b>	<b>56,253</b>	<b>22,213</b>
<b>Net Position</b>							
Net Investment in capital assets	-	-	-	-	4,404,702	4,404,702	3,371,107
Restricted for debt service (expendable)	-	-	-	-	8,966	8,966	6,501
Restricted for capital projects (expendable)	-	-	-	-	-	-	625,754
Restricted for impact fees	178,627	-	-	-	-	178,627	118,793
Unrestricted	258,050	913,435	6,409	150,746	26,552	1,355,192	2,145,565
<b>Total net position</b>	<b>\$ 436,677</b>	<b>\$ 913,435</b>	<b>\$ 6,409</b>	<b>\$ 150,746</b>	<b>\$ 4,440,220</b>	<b>\$ 5,947,487</b>	<b>\$ 6,267,720</b>

## CITY OF HUDSON OAKS, TEXAS

## Water and Wastewater Fund

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

For the Year Ended September 30, 2017

With Comparative Totals for the Year Ended September 30, 2016

	Hudson Oaks		Dyegard	Deer Creek	Utility	Elimination	Totals	
	Water	Wastewater	Water	Management	Capital Projects		2017	2016
Operating revenues:								
Water & Wastewater sales	\$ 1,124,593	\$ 353,223	\$ 240,201	\$ -	\$ -	\$ -	\$ 1,718,017	\$ 1,695,966
Management contract charges	-	-	-	233,093	-	-	233,093	219,390
Late payment charges	6,733	-	1,742	-	-	-	8,475	13,615
Tap Fees	13,000	3,500	-	-	-	-	16,500	26,500
Impact fees	17,943	-	-	-	-	-	17,943	24,317
Customer assessment fees	2,791	-	-	-	-	-	2,791	10,638
Miscellaneous fees & Charges	41,453	-	-	-	-	-	41,453	44,928
Total operating revenues	<u>1,206,513</u>	<u>356,723</u>	<u>241,943</u>	<u>233,093</u>	<u>-</u>	<u>-</u>	<u>2,038,272</u>	<u>2,035,354</u>
Operating expenses:								
Personal services	439,187	-	-	108,391	-	-	547,578	533,911
Professional services	66,573	5,000	6,252	-	-	-	77,825	63,945
Supplies	57,619	-	618	1,055	-	-	59,292	44,537
Operations	353,972	148,016	2,093	1,949	-	-	506,030	520,203
Maintenance and repairs	75,409	10,837	696	7,267	-	-	94,209	65,282
Well utilities	81,717	1,193	3,550	-	-	-	86,460	81,603
Depreciation	-	-	-	-	487,759	-	487,759	474,809
Total operating expenses	<u>1,074,477</u>	<u>165,046</u>	<u>13,209</u>	<u>118,662</u>	<u>487,759</u>	<u>-</u>	<u>1,859,153</u>	<u>1,784,290</u>
Operating income (loss)	<u>132,036</u>	<u>191,677</u>	<u>228,734</u>	<u>114,431</u>	<u>(487,759)</u>	<u>-</u>	<u>179,119</u>	<u>251,064</u>
Nonoperating revenues (expenses)								
Interest	609	-	-	-	4,681	-	5,290	2,192
Interest expense	-	-	-	-	(186,597)	-	(186,597)	(197,570)
Debt issuance costs	-	-	-	-	-	-	-	(205,000)
Total nonoperating revenues (expenses)	<u>609</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(181,916)</u>	<u>-</u>	<u>(181,307)</u>	<u>(400,378)</u>
Income (loss) before transfers	<u>132,645</u>	<u>191,677</u>	<u>228,734</u>	<u>114,431</u>	<u>(669,675)</u>	<u>-</u>	<u>(2,188)</u>	<u>(149,314)</u>
Contributions and transfers:								
Capital Contribution	-	-	-	-	-	-	-	640,475
Transfers In	-	-	-	-	662,374	(662,374)	-	-
Transfers out	(455,212)	(232,785)	(210,481)	(81,941)	-	662,374	(318,045)	(136,250)
Change in net position	(322,567)	(41,108)	18,253	32,490	(7,301)	-	(320,233)	354,911
Net Position, Beginning	759,244	954,543	(11,844)	118,256	4,447,521	4,447,521	6,267,720	5,987,809
Prior Period Adjustment	-	-	-	-	-	-	-	(75,000)
Net Position, Ending	<u>\$ 436,677</u>	<u>\$ 913,435</u>	<u>\$ 6,409</u>	<u>\$ 150,746</u>	<u>\$ 4,440,220</u>	<u>\$ 4,447,521</u>	<u>\$ 5,947,487</u>	<u>\$ 6,267,720</u>

**CITY OF HUDSON OAKS, TEXAS**  
Water and Wastewater Fund  
Department Combining Statement of Cash Flows  
For the Year Ended September 30, 2017  
With Comparative Totals for the Year Ended September 30, 2016

	Hudson Oaks	Wastewater	Dyegard	Deer Creek	Utility	Total	
	Water		Water System	Management	Capital Projects	2017	2016
<b>Cash flows from operating activities:</b>							
Cash received from customers and users	\$ 1,402,343	\$ 363,433	\$ 244,330	\$ 204,640	\$ -	\$ 2,214,746	\$ 2,206,544
Cash paid to suppliers	(609,704)	(166,501)	(13,370)	(10,888)	(11,692)	(812,155)	(822,244)
Cash paid to employees	(439,265)	-	-	(109,005)	-	(548,270)	(509,853)
Net cash provided (used) by operating activities	<u>353,374</u>	<u>196,932</u>	<u>230,960</u>	<u>84,747</u>	<u>(11,692)</u>	<u>854,321</u>	<u>874,447</u>
<b>Cash flow from noncapital financing activities:</b>							
Due to other funds	-	-	-	-	-	-	(1,650)
Due from other funds	-	-	-	-	74,721	74,721	(134,721)
Transfers in (out)	(455,212)	(232,785)	(210,481)	(81,941)	662,374	(318,045)	(136,250)
Net cash provided (used) by noncapital financing activities	<u>(455,212)</u>	<u>(232,785)</u>	<u>(210,481)</u>	<u>(81,941)</u>	<u>737,095</u>	<u>(243,324)</u>	<u>(272,621)</u>
<b>Cash flows from capital and related financing activities:</b>							
Principal payments - certificates of obligation	-	-	-	-	(371,250)	(371,250)	(357,600)
Principal payments - capital leases	-	-	-	-	(7,121)	(7,121)	-
(Increase) decrease in miscellaneous receivables	(539)	-	-	-	-	(539)	-
Purchase of property, plant and equipment	-	-	-	-	(106,733)	(106,733)	(422,467)
Special assessments	-	89,167	-	-	-	89,167	21,174
Interest payments	-	-	-	-	(196,898)	(196,898)	(205,840)
Net cash flows provided by (used in) capital and related financing activities	<u>(539)</u>	<u>89,167</u>	<u>-</u>	<u>-</u>	<u>(682,002)</u>	<u>(593,374)</u>	<u>(964,733)</u>
<b>Cash flows from investing activities:</b>							
Interest received	609	-	-	-	4,681	5,290	2,192
(Purchase) sale of investments	(611)	-	-	-	-	(611)	(252)
Net cash provided by (used in) investing activities	<u>(2)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,681</u>	<u>4,679</u>	<u>1,940</u>
<b>Net increase (decrease) in cash</b>	<b>(102,379)</b>	<b>53,314</b>	<b>20,479</b>	<b>2,806</b>	<b>48,082</b>	<b>22,302</b>	<b>(360,967)</b>
<b>Cash, October 1</b>	<b>470,910</b>	<b>456,121</b>	<b>(49,721)</b>	<b>145,589</b>	<b>497,534</b>	<b>1,520,433</b>	<b>1,881,400</b>
<b>Cash, September 30</b>	<b>\$ 368,531</b>	<b>\$ 509,435</b>	<b>\$ (29,242)</b>	<b>\$ 148,395</b>	<b>\$ 545,616</b>	<b>\$ 1,542,735</b>	<b>\$ 1,520,433</b>
<b>Reconciliation of income from operations to net cash provided by operating activities:</b>							
Income (loss) from operations	\$ 132,036	\$ 191,677	\$ 228,734	\$ 114,431	\$ (487,759)	\$ 179,119	\$ 251,064
Adjustments to reconcile income from operations to net cash provided by (used in) operating activities							
Depreciation	-	-	-	-	487,759	487,759	474,809
(Increase) decrease in accounts receivable	25,418	6,710	2,387	(28,453)	-	6,062	14,292
(Increase) decrease in miscellaneous receivables	170,412	-	-	-	-	170,412	156,898
(Increase) decrease in prepaid expenses	-	-	-	-	-	-	-
(Increase) decrease in deferred outflow of resources	6,370	-	-	2,290	-	8,660	(51,079)
Increase (decrease) in accounts payable	25,586	(1,455)	(161)	(617)	(11,692)	11,661	(37,164)
Increase (decrease) in accrued payroll	655	-	-	103	-	758	2,228
Increase (decrease) in compensated absences	3,123	-	-	(1,425)	-	1,698	255
Increase (decrease) in net pension liability	(37,304)	-	-	(8,544)	-	(45,848)	60,487
Increase (decrease) in deferred inflow of resources	27,078	-	-	6,962	-	34,040	2,657
Net adjustments	<u>221,338</u>	<u>5,255</u>	<u>2,226</u>	<u>(29,684)</u>	<u>476,067</u>	<u>675,202</u>	<u>623,383</u>
Net cash provided by operating activities	<u>\$ 353,374</u>	<u>\$ 196,932</u>	<u>\$ 230,960</u>	<u>\$ 84,747</u>	<u>\$ (11,692)</u>	<u>\$ 854,321</u>	<u>\$ 874,447</u>
<b>Noncash Investing, Capital and Financing Activities</b>							
Capital assets purchased with capital lease	\$ -	\$ -	\$ -	\$ -	\$ 29,196	\$ 29,196	\$ 151,793

**STATISTICAL SECTION (Unaudited)**

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## STATISTICAL SECTION (Unaudited)

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

### Contents

#### **Financial Trends**

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

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Fund Balances, Governmental Funds	65 - 66
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Principal Sources of Revenue	69 - 70

#### **Revenue Capacity**

These schedules contain information to help the reader assess the City's most significant local revenue sources.

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#### **Debt Capacity**

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Government-wide Outstanding Debt	76 - 77
Ratio of Annual Debt Service to Total General Expenditures	78
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#### **Demographic and Economic Information**

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

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

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

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

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

2013	2012	2011	2010	2009	2008
\$ 3,945,645	\$ 3,572,025	\$ 3,457,023	\$ 3,116,516	\$ 2,860,525	\$ 2,493,355
26,372	12,764	14,228	-	-	-
1,349,162	1,442,408	1,546,941	2,023,326	2,072,919	2,589,491
<u>\$ 5,321,179</u>	<u>\$ 5,027,197</u>	<u>\$ 5,018,192</u>	<u>\$ 5,139,842</u>	<u>\$ 4,933,444</u>	<u>\$ 5,082,846</u>
\$ 4,845,486	\$ 4,743,012	\$ 4,977,526	\$ 4,921,044	\$ 4,993,315	\$ 5,043,241
132,025	197,820	53,565	31,056	18,283	11,208
727,281	881,405	747,361	749,107	789,660	791,892
<u>\$ 5,704,792</u>	<u>\$ 5,822,237</u>	<u>\$ 5,778,452</u>	<u>\$ 5,701,207</u>	<u>\$ 5,801,258</u>	<u>\$ 5,846,341</u>
\$ 8,791,131	\$ 8,315,037	\$ 8,434,549	\$ 8,037,560	\$ 7,853,840	\$ 7,536,596
158,397	210,584	67,793	31,056	18,283	11,208
2,076,443	2,323,813	2,294,302	2,772,433	2,862,579	3,381,383
<u>\$ 11,025,971</u>	<u>\$ 10,849,434</u>	<u>\$ 10,796,644</u>	<u>\$ 10,841,049</u>	<u>\$ 10,734,702</u>	<u>\$ 10,929,187</u>

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

	2017	2016	2015	2014
<b>Expenses</b>				
<b>Governmental Activities</b>				
General government	\$ 673,893	\$ 666,538	\$ 705,554	\$ 695,185
Public safety	1,324,595	1,277,695	1,140,082	1,127,251
Streets	262,374	368,670	292,149	296,496
Parks and facilities	71,223			
Planning and development	144,939	146,778	165,319	-
Mayor and council	8,244			
Economic development grants	-	-	-	-
Interest and fiscal charges	277,803	122,302	91,412	117,554
Bond issuance costs	-	184,986	-	-
Total governmental activities expenses	<u>\$ 2,763,071</u>	<u>\$ 2,766,969</u>	<u>\$ 2,394,516</u>	<u>\$ 2,236,486</u>
<b>Business-type activities</b>				
Water	\$ 1,384,187	\$ 1,547,911	\$ 1,054,715	\$ 999,905
Economic development grants	-			
Wastewater	333,288	306,680	-	-
Dyegard water system	208,995	215,052	297,909	292,818
Deercreek management	119,280	117,217	111,352	121,835
Stormwater	90,027	223,515	258,116	288,412
Total business-type activities net position	<u>2,135,777</u>	<u>2,410,375</u>	<u>1,722,092</u>	<u>1,702,970</u>
Total primary government expenses	<u>\$ 4,898,848</u>	<u>\$ 5,177,344</u>	<u>\$ 4,116,608</u>	<u>\$ 3,939,456</u>
<b>Program Revenues</b>				
<b>Governmental Activities</b>				
Charges for services	\$ 398,530	\$ 441,274	\$ 423,587	\$ 537,689
Operating grants and contributions	70,000	12,242	-	-
Capital grants and contributions	125,000	149,528	375,567	-
Total governmental activities	<u>\$ 593,530</u>	<u>\$ 603,044</u>	<u>\$ 799,154</u>	<u>\$ 537,689</u>
<b>Business-type activities</b>				
Water and sewer sales	\$ 2,211,119	\$ 2,035,354	\$ 2,016,359	\$ 1,866,868
Operating grants and contributions	31,029	116,571		
Capital grants and contributions	-	640,475	188,161	113,440
Total business-type activities	<u>2,242,148</u>	<u>2,792,400</u>	<u>2,204,520</u>	<u>1,980,308</u>
Total primary government revenues	<u>\$ 2,835,678</u>	<u>\$ 3,395,444</u>	<u>\$ 3,003,674</u>	<u>\$ 2,517,997</u>
<b>Net (Expense) Revenue</b>				
Governmental Activities	\$ (2,169,541)	\$ (2,163,925)	\$ (1,595,362)	\$ (1,698,797)
Business-type Activities	106,371	382,025	482,428	277,338
Total primary government net expense	<u>\$ (2,063,170)</u>	<u>\$ (1,781,900)</u>	<u>\$ (1,112,934)</u>	<u>\$ (1,421,459)</u>
<b>General Revenues and Other Changes in Net Position</b>				
<b>Governmental Activities</b>				
Sales tax	\$ 1,902,946	\$ 1,940,291	\$ 1,703,568	\$ 1,615,229
Franchise tax	170,423	177,958	193,272	169,518
Investment earnings	48,843	63,084	3,478	4,464
Other revenue	80,745	438,764	96,822	57,541
Transfers	318,045	136,250	187,536	115,556
Extraordinary items	-	-	-	-
Gain on sale of capital assets	-	-	8,200	-
Total governmental activities	<u>\$ 2,521,002</u>	<u>\$ 2,756,347</u>	<u>\$ 2,192,876</u>	<u>\$ 1,962,308</u>
<b>Business-type activities</b>				
Investment earnings	\$ 5,327	\$ 2,192	\$ 898	\$ 814
Transfers	(318,045)	(136,250)	(187,536)	(115,556)
Total business-type activities	<u>\$ (312,718)</u>	<u>\$ (134,058)</u>	<u>\$ (186,638)</u>	<u>\$ (114,742)</u>
Total primary government	<u>\$ 2,208,284</u>	<u>\$ 2,622,289</u>	<u>\$ 2,006,238</u>	<u>\$ 1,847,566</u>
<b>Change in Net Position</b>				
Governmental Activities	\$ 351,461	\$ 592,422	\$ 597,514	\$ 263,511
Business-type Activities	(206,347)	247,967	295,790	162,596
Total primary government	<u>\$ 145,114</u>	<u>\$ 840,389</u>	<u>\$ 893,304</u>	<u>\$ 426,107</u>

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

2013	2012	2011	2010	2009	2008
\$ 622,322	\$ 611,863	\$ 555,859	\$ 572,233	\$ 569,225	\$ 788,582
1,032,743	1,004,471	971,556	852,514	1,047,950	1,050,286
248,484	316,225	338,921	292,173	229,557	208,020
-	-	-	-	-	-
150,000	-	-	-	-	-
111,547	106,219	106,873	114,881	132,368	96,799
-	-	-	-	-	-
<u>\$ 2,165,096</u>	<u>\$ 2,038,778</u>	<u>\$ 1,973,209</u>	<u>\$ 1,831,801</u>	<u>\$ 1,979,100</u>	<u>\$ 2,143,687</u>
\$ 1,151,086	\$ 1,069,189	\$ 1,065,916	\$ 900,658	\$ 878,212	\$ 862,805
150,000	-	-	-	-	-
-	-	-	-	-	-
256,581	249,488	291,458	-	-	-
132,622	135,193	114,719	-	-	-
240,266	242,478	239,880	189,660	186,509	174,176
1,930,555	1,696,348	1,711,973	1,090,318	1,064,721	1,036,981
<u>\$ 4,095,651</u>	<u>\$ 3,735,126</u>	<u>\$ 3,685,182</u>	<u>\$ 2,922,119</u>	<u>\$ 3,043,821</u>	<u>\$ 3,180,668</u>
\$ 460,030	\$ 352,724	\$ 277,133	\$ 430,174	\$ 290,717	\$ 469,887
-	-	35,760	34,959	32,370	57,963
301,627	-	-	41,407	-	-
<u>\$ 761,657</u>	<u>\$ 352,724</u>	<u>\$ 312,893</u>	<u>\$ 506,540</u>	<u>\$ 323,087</u>	<u>\$ 527,850</u>
\$ 1,831,601	\$ 1,730,715	\$ 1,781,677	\$ 990,090	\$ 954,547	\$ 933,941
82,450	-	-	-	-	292,269
1,914,051	1,730,715	1,781,677	990,090	954,547	1,226,210
<u>\$ 2,675,708</u>	<u>\$ 2,083,439</u>	<u>\$ 2,094,570</u>	<u>\$ 1,496,630</u>	<u>\$ 1,277,634</u>	<u>\$ 1,754,060</u>
\$ (1,403,439)	\$ (1,686,054)	\$ (1,660,316)	\$ (1,325,261)	\$ (1,656,013)	\$ (1,615,837)
(16,504)	34,367	69,704	(100,228)	(110,174)	189,229
<u>\$ (1,419,943)</u>	<u>\$ (1,651,687)</u>	<u>\$ (1,590,612)</u>	<u>\$ (1,425,489)</u>	<u>\$ (1,766,187)</u>	<u>\$ (1,426,608)</u>
\$ 1,527,473	\$ 1,443,331	\$ 1,364,008	\$ 1,349,689	\$ 1,369,692	\$ 1,432,180
137,113	161,210	150,734	124,812	136,827	122,466
7,004	7,519	12,639	20,613	33,377	88,253
71,699	82,999	11,285	36,545	31,081	117,400
(93)	-	-	-	(64,365)	-
-	-	-	-	-	-
-	-	-	-	-	1,655,864
<u>\$ 1,743,196</u>	<u>\$ 1,695,059</u>	<u>\$ 1,538,666</u>	<u>\$ 1,531,659</u>	<u>\$ 1,506,612</u>	<u>\$ 3,416,163</u>
\$ 182	\$ 9,418	\$ 7,541	\$ 177	\$ 726	\$ 2,965
93	-	-	-	64,365	-
<u>\$ 275</u>	<u>\$ 9,418</u>	<u>\$ 7,541</u>	<u>\$ 177</u>	<u>\$ 65,091</u>	<u>\$ 2,965</u>
<u>\$ 1,743,471</u>	<u>\$ 1,704,477</u>	<u>\$ 1,546,207</u>	<u>\$ 1,531,836</u>	<u>\$ 1,571,703</u>	<u>\$ 3,419,128</u>
\$ 339,757	\$ 9,005	\$ (121,650)	\$ 206,398	\$ (149,401)	\$ 1,800,326
(16,229)	43,785	77,245	(100,051)	(45,083)	192,194
<u>\$ 323,528</u>	<u>\$ 52,790</u>	<u>\$ (44,405)</u>	<u>\$ 106,347</u>	<u>\$ (194,484)</u>	<u>\$ 1,992,520</u>

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

	2017	2016	2015	2014	2013
General Fund					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, Designated	-	-	-	-	-
Unreserved, Undesignated	-	-	-	-	-
Nonspendable	19,586	12,196	34,170	-	8,396
Restricted	6,830	4,990	2,740	1,732	1,732
Committed	-	-	-	-	-
Assigned	185,000	335,000	235,000	-	-
Unassigned	1,162,257	1,273,229	1,132,955	1,115,147	1,025,655
<b>Total general fund</b>	<b><u>\$ 1,373,673</u></b>	<b><u>\$ 1,625,415</u></b>	<b><u>\$ 1,404,865</u></b>	<b><u>\$ 1,116,879</u></b>	<b><u>\$ 1,035,783</u></b>
All Other Governmental funds					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, Designated	-	-	-	-	-
Unreserved, Undesignated	-	-	-	-	-
Nonspendable	1,848	2,533	-	-	-
Restricted	2,854,524	5,288,947	191,057	692,152	859,124
Committed	-	-	-	-	-
Assigned	-	-	-	43,231	53,563
Unassigned	(43,465)	(28,961)	(9,441)	-	-
<b>Total other governmental funds</b>	<b><u>\$ 2,812,907</u></b>	<b><u>\$ 5,262,519</u></b>	<b><u>\$ 181,616</u></b>	<b><u>\$ 735,383</u></b>	<b><u>\$ 912,687</u></b>

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

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

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

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

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

2012	2011	2010	2009	2008
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	333,792	333,792	296,636
-	-	769,543	615,496	697,361
-	-	-	-	-
886	-	-	-	-
-	-	-	-	-
27,745	-	-	-	-
1,014,467	1,174,811	-	-	-
<u>\$ 1,043,098</u>	<u>\$ 1,174,811</u>	<u>\$ 1,103,335</u>	<u>\$ 949,288</u>	<u>\$ 993,997</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	1,844,808	31,422	70,831
-	-	-	2,487,500	2,894,343
-	-	-	-	-
1,775,663	1,085,857	-	-	-
-	-	-	-	-
70,855	57,773	-	-	-
-	-	-	-	-
<u>\$ 1,846,518</u>	<u>\$ 1,143,630</u>	<u>\$ 1,844,808</u>	<u>\$ 2,518,922</u>	<u>\$ 2,965,174</u>

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

	2017	2016	2015	2014
<b>Revenues</b>				
Taxes	\$ 2,067,663	\$ 2,107,714	\$ 1,871,133	\$ 1,773,967
Licenses, fees, permits	278,502	355,804	339,196	414,691
Fines and penalties	73,611	84,302	113,374	103,801
Charges for services	7,975	755	751	15,146
Intergovernmental	139,572	12,242	129,280	-
Investment earnings	48,843	63,031	3,478	4,464
Other revenues	291,336	186,156	96,822	57,541
<b>Total revenues</b>	<b>\$ 2,907,502</b>	<b>\$ 2,810,004</b>	<b>\$ 2,554,034</b>	<b>\$ 2,369,610</b>
<b>Expenditures</b>				
General government	\$ 617,406	\$ 607,996	\$ 729,223	\$ 653,351
Public safety	1,261,075	1,264,984	1,074,111	1,111,307
Streets	83,678	309,874	176,048	299,554
Parks and facilities	70,589	-	-	-
Planning and development	144,939	146,778	165,319	-
Mayor and council	8,244	-	-	-
Capital outlay	3,064,538	758,915	659,038	174,276
Other	-	-	-	-
Debt service:				
Principal	404,828	282,548	282,577	266,232
Interest	300,720	91,354	106,034	110,874
Bond issuance costs	-	184,986	-	-
<b>Total expenditures</b>	<b>\$ 5,956,017</b>	<b>\$ 3,647,435</b>	<b>\$ 3,192,350</b>	<b>\$ 2,615,594</b>
<b>Other financing sources (uses)</b>				
Proceeds from sale of capital assets	\$ -	\$ -	\$ 185,000	\$ -
Proceeds from borrowings	29,116	6,002,633	-	34,220
Other resources	-	-	-	-
Transfers in	1,012,065	431,630	544,003	406,378
Transfers out	(694,020)	(295,380)	(356,467)	(290,822)
<b>Total other financing sources (uses)</b>	<b>\$ 347,161</b>	<b>\$ 6,138,883</b>	<b>\$ 372,536</b>	<b>\$ 149,776</b>
<b>Net change in fund balances</b>	<b>\$ (2,701,354)</b>	<b>\$ 5,301,452</b>	<b>\$ (265,780)</b>	<b>\$ (96,208)</b>
<b>Debt service as a percentage of noncapital expenditures</b>	24.65%	13.78%	16.88%	16.93%



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

2013	2012	2011	2010	2009	2008
\$ 1,669,995	\$ 1,598,179	\$ 1,518,938	\$ 1,459,645	\$ 1,517,316	\$ 1,544,875
322,735	240,289	162,110	200,229	151,918	268,749
121,207	103,065	137,495	166,567	151,991	135,836
7,390	4,084	1,288	3,515	1,769	2,302
216,000	-	-	-	-	-
7,004	7,519	12,639	20,613	33,377	88,253
78,965	69,055	48,443	73,065	67,127	203,673
<u>\$ 2,423,296</u>	<u>\$ 2,022,191</u>	<u>\$ 1,880,913</u>	<u>\$ 1,923,634</u>	<u>\$ 1,923,498</u>	<u>\$ 2,243,688</u>

\$ 584,677	\$ 598,326	\$ 513,843	\$ 505,215	\$ 510,772	\$ 745,896
964,123	1,004,933	952,699	796,753	974,369	964,872
496,790	207,942	229,355	308,554	261,292	260,229
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,149,639	289,173	190,273	411,807	107,903	2,372,332
150,000	-	210,000	-	-	-
110,797	80,846	320,806	305,446	362,670	98,366
114,572	100,590	93,638	115,926	133,089	80,388
-	21,280	25,903	-	-	74,500
<u>\$ 3,570,598</u>	<u>\$ 2,303,090</u>	<u>\$ 2,536,517</u>	<u>\$ 2,443,701</u>	<u>\$ 2,350,095</u>	<u>\$ 4,596,583</u>

\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,260,000
206,250	852,074	25,902	-	-	3,662,547
	-	-	-	-	(462,500)
197,279	194,423	120,771	131,750	1,103,960	1,821,926
(197,372)	(194,423)	(120,771)	(131,750)	(1,168,325)	(1,821,926)
<u>\$ 206,157</u>	<u>\$ 852,074</u>	<u>\$ 25,902</u>	<u>\$ -</u>	<u>\$ (64,365)</u>	<u>\$ 5,460,047</u>

<u>\$ (941,145)</u>	<u>\$ 571,175</u>	<u>\$ (629,702)</u>	<u>\$ (520,067)</u>	<u>\$ (490,962)</u>	<u>\$ 3,107,152</u>
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9.31%	9.01%	17.66%	20.74%	22.11%	8.04%
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**CITY OF HUDSON OAKS**  
Principal Sources of Revenue  
Government-Wide  
Last Ten Fiscal Years  
(Unaudited)

Revenue Source	2017	2016	2015	2014
<b>Principal General Government Revenue Sources</b>				
Sales Tax	\$ 1,892,655	\$ 1,927,350	\$ 1,687,718	\$ 1,608,529
Franchise Tax	175,008	180,364	183,415	165,438
Licenses and Permits	278,502	355,804	339,196	414,691
All Other Sources	561,337	346,486	343,705	180,952
<b>Total General Government Revenue</b>	<b>\$ 2,907,502</b>	<b>\$ 2,810,004</b>	<b>\$ 2,554,034</b>	<b>\$ 2,369,610</b>

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

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

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

**Principal Water and Wastewater Funds Revenue Sources**

Water Sales - Hudson Oaks	\$ 1,124,593	\$ 1,126,216	\$ 1,133,462	\$ 1,011,033
Wastewater Sales	353,223	323,193	323,332	333,576
All Other Sources	560,456	585,945	559,565	522,259
<b>Total Enterprise Fund Revenue</b>	<b>\$ 2,038,272</b>	<b>\$ 2,035,354</b>	<b>\$ 2,016,359</b>	<b>\$ 1,866,868</b>

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

2013	2012	2011	2010	2009	2008	Change: 2008-2017
\$ 1,524,171	\$ 1,439,506	\$ 1,375,636	\$ 1,328,584	\$ 1,386,912	\$ 1,424,371	32.88%
145,824	158,673	143,302	131,061	130,404	120,504	45.23%
322,735	240,289	162,110	200,229	151,918	268,749	3.63%
430,566	183,723	199,865	263,760	254,264	430,064	30.52%
<u>\$ 2,423,296</u>	<u>\$ 2,022,191</u>	<u>\$ 1,880,913</u>	<u>\$ 1,923,634</u>	<u>\$ 1,923,498</u>	<u>\$ 2,243,688</u>	
;						
\$ 980,713	\$ 927,508	\$ 930,997	\$ 748,413	\$ 736,755	\$ 696,819	61.39%
334,771	271,811	222,902	183,420	179,969	170,064	107.70%
516,117	531,396	627,778	58,257	37,823	67,058	735.78%
<u>\$ 1,831,601</u>	<u>\$ 1,730,715</u>	<u>\$ 1,781,677</u>	<u>\$ 990,090</u>	<u>\$ 954,547</u>	<u>\$ 933,941</u>	

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

Sales Tax by Category	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Retail:</b>										
Motor Vehicle & Parts	\$ 378,243	\$ 400,780	\$ 266,845	\$ 268,017	\$ 255,229	\$ 209,362	\$ 194,096	\$ 162,868	\$ 171,483	\$ 158,213
Furniture & Home Furnishings	4,047	3,163	986	1,538	271	318	770	488	386	824
Electronics & Appliance	30,377	2,771	1,235	2,078	16,314	12,725	10,908	10,812	404	877
Building Materials	4,285	3,816	6,028	3,861	5,010	2,541	7,863	9,489	7,965	1,559
Apparel Stores	332	6,423	5,798	5,637	5,822	2,386	1,445	1,598	1,195	1,260
General Merchandise	642,848	641,719	617,950	612,194	615,866	595,896	562,376	575,871	566,340	590,012
All other Retail	249,280	237,713	208,466	191,840	144,591	148,558	189,883	177,188	203,386	296,968
<b>Total Retail</b>	<b>\$ 1,309,412</b>	<b>\$ 1,296,385</b>	<b>\$ 1,107,308</b>	<b>\$ 1,085,165</b>	<b>\$ 1,043,103</b>	<b>\$ 971,786</b>	<b>\$ 967,341</b>	<b>\$ 938,314</b>	<b>\$ 951,159</b>	<b>\$ 1,049,713</b>
Agriculture/Manufacturing/Mining	42,581	18,513	21,636	21,044	22,199	22,013	12,151	7,891	10,732	33,654
Services	230,017	260,724	245,024	276,562	256,082	229,122	200,475	202,190	193,282	196,262
Wholesalers	14,913	10,980	17,030	21,639	22,745	27,359	26,469	22,054	19,552	30,562
Accommodation & Food	237,838	224,249	191,829	164,350	167,072	158,141	145,369	131,543	106,832	104,327
All Other	57,894	116,499	104,891	39,769	12,970	31,085	23,831	26,592	105,355	9,853
<b>Total Sales Tax Received</b>	<b>\$ 1,892,655</b>	<b>\$ 1,927,350</b>	<b>\$ 1,687,718</b>	<b>\$ 1,608,529</b>	<b>\$ 1,524,171</b>	<b>\$ 1,439,506</b>	<b>\$ 1,375,636</b>	<b>\$ 1,328,584</b>	<b>\$ 1,386,912</b>	<b>\$ 1,424,371</b>
City Sales Tax Rate	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%

Source:  
2014 - 2017 - Zactax Sales tax analysis  
2008 - 2013 - MuniServices Sales Tax Analysis and Reporting Service

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

**WATER SALES**

Type of Customer	2017	2016	2015	2014
Residential	\$ 991,231	\$ 942,041	\$ 1,021,365	\$ 933,875
Commercial	\$ 362,011	\$ 397,720	\$ 356,589	\$ 307,777
Other	\$ 11,552	\$ 33,012	\$ 91,573	\$ 112,740
<b>Total</b>	<b>\$ 1,364,794</b>	<b>\$ 1,372,773</b>	<b>\$ 1,469,527</b>	<b>\$ 1,354,392</b>

**WASTEWATER SALES**

Type of Customer	2017	2016	2015	2014
Residential	\$ 54,554	\$ 37,447	\$ 41,515	\$ 40,257
Commercial	\$ 297,021	\$ 276,746	\$ 281,817	\$ 293,219
Other	\$ 1,648	\$ 9,000	\$ 10,500	\$ 7,000
<b>Total</b>	<b>\$ 353,223</b>	<b>\$ 323,193</b>	<b>\$ 333,832</b>	<b>\$ 340,476</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**

2013	2012	2011	2010	2009	2008
\$ 897,228	\$ 930,683	\$ 963,707	\$ 578,745	\$ 570,233	\$ 569,402
\$ 311,011	\$ 236,309	\$ 218,917	\$ 169,668	\$ 166,522	\$ 127,417
\$ 107,591	\$ 94,162	\$ 157,651	\$ 40,217	\$ 32,547	\$ 52,508
<u>\$ 1,315,830</u>	<u>\$ 1,261,154</u>	<u>\$ 1,340,275</u>	<u>\$ 788,630</u>	<u>\$ 769,302</u>	<u>\$ 749,327</u>

**WASTEWATER SALES**

2013	2012	2011	2010	2009	2008
\$ 50,308	\$ 40,969	\$ 31,040	\$ 14,655	\$ 8,166	\$ 8,358
\$ 284,463	\$ 230,842	\$ 191,862	\$ 168,765	\$ 171,802	\$ 161,706
\$ 9,000	\$ 7,000	\$ 1,500	\$ 18,040	\$ 5,276	\$ 14,550
<u>\$ 343,771</u>	<u>\$ 278,811</u>	<u>\$ 224,402</u>	<u>\$ 201,460</u>	<u>\$ 185,244</u>	<u>\$ 184,614</u>

**CITY OF HUDSON OAKS**  
 Top Ten Utility Rate Payers  
 by Rate Type  
 Compared to Five Years Ago  
 (Unaudited)  
 September 30, 2017

Ten Largest Water Customers	Annual Gallons Consumed (in hundreds of gallons)			
	Rank	2017	Rank	2012
Jerry's Express Car Wash	1	467,340	1	260,270
Splash Kingdom	2	261,060		245,530
Jerry's Chevrolet - Main Building	3	222,460	2	209,790
Southwest Nissan	4	187,050	4	194,650
Jerry's Hyundai	5	175,750	3	200,620
Durant Toyota	6	172,910	7	157,740
Wal-Mart Stores	7	158,710	5	193,610
Wal-Mart Stores	8	144,040	6	169,190
Boo-Rays Restaurant	9	140,570		
Wal-Mart Stores	10	128,760		
Jerry's Collision Center			8	155,670
Durant Toyota Parking Lot			9	150,160
Jerry's Pontiac Buick GMC			10	148,990



**CITY OF HUDSON OAKS**  
 Utility Service Rates  
 Water, Dyegard Water and Wastewater  
 September 30, 2017  
 (Unaudited)

**Hudson Oaks Water Rate Structure**

**Residential**

<b>Base Rate - Meter Charge</b>		<b>Usage Charges - Consumption</b>	
0.75 inch meter	\$35.50	Monthly Consumption	Monthly Rate
1.00 inch meter	\$70.00	0 to 5,000	\$3.21 per 1,000 gallons
1.50 inch meter	\$100.00	5,001 to 10,000	\$3.71 per 1,000 gallons
2.00 inch meter	\$220.00	10,001 to 30,000	\$4.74 per 1,000 gallons
3.00 inch meter	\$270.00	30,001 to above	\$5.34 per 1,000 gallons

**Commercial**

<b>Base Rate - Meter Charge</b>		<b>Usage Charges - Consumption</b>	
0.75 inch meter	\$35.50	Monthly Consumption	Monthly Rate
1.00 inch meter	\$70.00	0 to 15,000	\$4.12 per 1,000 gallons
1.50 inch meter	\$100.00	15,001 to 35,000	\$5.42 per 1,000 gallons
2.00 inch meter	\$220.00	35,001 to 65,000	\$6.37 per 1,000 gallons
3.00 inch meter	\$270.00	65,001 and above	\$7.01 per 1,000 gallons

**Dyegard Water Rate Structure**

<b>Base Rate - Meter Charge</b>		<b>Usage Charges - Consumption</b>	
0.75 inch meter	\$56.00	Monthly Consumption	Monthly Rate
1.00 inch meter	\$77.00	0 to 5,000	\$3.40 per 1,000 gallons
1.50 inch meter	\$109.00	5,001 to 10,000	\$3.93 per 1,000 gallons
		10,001 to 30,000	\$5.02 per 1,000 gallons
		30,001 to above	\$5.66 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, 2017

Fiscal Year	Governmental Activities			Business-type Activities		
	General Obligation Bonds	Combined Tax & Revenue Certificates of Obligation	Notes and Lease/Purchases	General Obligation Bonds	Combined Tax & Revenue Certificates of Obligation	Notes and Lease/Purchases
2008	\$ -	\$ 3,550,000	\$ 78,922	\$ -	\$ 1,350,000	\$ 117,483
2009	\$ -	\$ 3,255,000	\$ 11,252	\$ -	\$ 1,250,000	\$ 579,428
2010	\$ -	\$ 2,955,000	\$ 5,806	\$ -	\$ 4,065,000	\$ 490,834
2011	\$ 890,000	\$ 1,565,000	\$ -	\$ 1,050,000	\$ 2,915,000	\$ 490,834
2012	\$ 890,000	\$ 2,280,700	\$ 30,198	\$ 925,000	\$ 4,954,300	\$ 65,745
2013	\$ 890,000	\$ 2,179,650	\$ 226,701	\$ 795,000	\$ 4,785,350	\$ 31,773
2014	\$ 810,000	\$ 2,072,250	\$ 182,099	\$ 665,000	\$ 4,607,750	\$ -
2015	\$ 730,000	\$ 1,959,850	\$ 91,922	\$ 530,000	\$ 5,620,150	\$ -
2016	\$ 444,412	\$ 7,829,045	\$ 50,211	\$ 612,519	\$ 6,079,854	\$ -
2017	\$ 348,236	\$ 7,532,570	\$ 53,248	\$ 480,640	\$ 5,810,875	\$ 22,075

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
\$ 5,096,405	2082	2,447.84	\$ 36,941	7%
\$ 5,095,680	2178	2,339.61	\$ 38,829	6%
\$ 7,516,640	1684	4,463.56	\$ 40,717	11%
\$ 6,910,834	1741	3,969.46	\$ 42,605	9%
\$ 9,145,943	1870	4,890.88	\$ 44,847	11%
\$ 8,908,474	1659	5,369.79	\$ 47,645	11%
\$ 8,337,099	1871	4,455.96	\$ 45,999	10%
\$ 8,931,922	1952	4,575.78	\$ 43,821	10%
\$ 15,016,041	2160	6,951.87	\$ 44,841	16%
\$ 14,247,644	2160	6,596.13	\$ 46,146	14%

**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
2008	\$ 295,000	\$ 125,186	\$ 420,186	\$ 2,087,267	20.13%
2009	\$ 300,000	\$ 115,183	\$ 415,183	\$ 1,774,686	23.39%
2010	\$ 315,000	\$ 104,942	\$ 419,942	\$ 1,614,073	26.02%
2011	\$ 70,000	\$ 94,065	\$ 164,065	\$ 1,670,016	9.82%
2012	\$ 101,050	\$ 113,322	\$ 214,372	\$ 1,991,797	10.76%
2013	\$ 187,400	\$ 109,831	\$ 297,231	\$ 2,205,826	13.47%
2014	\$ 192,400	\$ 104,508	\$ 296,908	\$ 2,142,755	13.86%
2015	\$ 192,400	\$ 98,980	\$ 291,380	\$ 2,215,816	13.15%
2016	\$ 202,400	\$ 90,430	\$ 292,830	\$ 2,274,478	12.87%
2017	\$ 378,750	\$ 298,872	\$ 677,622	\$ 2,087,659	32.46%

**CITY OF HUDSON OAKS**

Estimated Direct and Overlapping Supported Gross Debt Schedule  
as of September 30, 2017  
(unaudited)

Government Subdivision	Gross Debt	Estimated Percent Applicable (1)	Direct and Estimated Overlapping Bonded Debt
Direct:			
City of Hudson Oaks	\$ 7,934,052	100%	\$ 7,934,052
Total direct debt			<u>\$ 7,934,052</u>
Overlapping:			
Weatherford Independent School District	126,434,074	7.59%	9,596,346
Parker County	125,055,000	2.86%	3,576,573
Parker County Junior College District	5,035,000	2.86%	<u>144,001</u>
Total gross overlapping debt			<u>\$ 13,316,920</u>
Total gross overlapping debt and direct debt			<u>\$ 21,250,972</u>
Direct and overlapping gross debt per capita A.			<u>\$ 9,838</u>

A. Based on population estimate of 2160 as of 9/30/17.

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
2008	2082	4.4%	Unavailable	\$ 36,941
2009	2178	7.6%	Unavailable	\$ 38,829
2010	1684	7.6%	365	\$ 40,717
2011	1741	6.9%	416	\$ 42,605
2012	1870	5.9%	488	\$ 44,847
2013	1659	5.5%	355	\$ 47,645
2014	1871	4.6%	368	\$ 45,999
2015	1952	4.2%	431	\$ 43,821
2016	2160	4.3%	453	\$ 44,841
2017	2160	3.7%	509	\$ 46,146

Sources:

Population, school enrollment and Per capita income from <http://factfinder2.census.gov>  
Unemployment rates from Texas Workforce Commission Web site ([www.tracer2.com](http://www.tracer2.com))

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

**Count of Employees by Year**

<b>Job Classification</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Waterworkers	6	7	7	8	6	7	7	4	5	6
Police Officers	11	11	11	11	11	11	12	11	14	12
Clerical-Office	6	6	7	8	9	7	7	8	8	7
<b>Total</b>	<b>23</b>	<b>24</b>	<b>25</b>	<b>27</b>	<b>26</b>	<b>25</b>	<b>26</b>	<b>23</b>	<b>27</b>	<b>25</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 2017</u>	<u>FY 2016</u>	<u>FY 2015</u>	<u>FY 2014</u>
City-owned Equipment				
Vehicles	13	12	14	14
Mobile Equipment	5	5	4	4
Street Department				
Miles of Roadway	21.86 miles	21.86 miles	21.46 miles	21.46 miles
City Parks				
Maintained Public Parks	4 acres	4 acres	4 acres	4 acres
Water Department				
Water Lines (in miles)	26.23	25.73	25.53	24.46
Wells	27	27	27	27
Water Plant	8	8	8	8
Wastewater Department				
Lift Stations	6	5	5	5
Sewer Lines (in miles)	11.51	10.71	10.51	9.7

Source: City of Hudson Oaks records



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

<u>FY 2013</u>	<u>FY 2012</u>	<u>FY 2011</u>	<u>FY 2010</u>	<u>FY 2009</u>	<u>FY 2008</u>
14	14	14	12	12	10
4	3	3	2	2	2
21.46 miles	21.46 miles	21.31 miles	21.31 miles	21.31 miles	21.31 miles
4 acres	4 acres	4 acres	4 acres	4 acres	4 acres
21.22	21.22	21.22	21.22	21.22	21.22
27	27	27	19	19	19
8	8	8	5	5	5
5	5	4	4	4	4
9.7	9.7	8.9	8.9	7.4	7.4

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

	FY 2017	FY 2016	FY 2015	FY 2014
Municipal Court				
Citations issued	470	634	739	931
Police Department				
Calls for Service	4,123	6,679	7,791	9,361
Arrests	151	123	156	197
Accidents	227	170	167	160
Community Services				
Building Permits Issued	142	241	175	185
Building Permits Value	\$ 15,089,718	\$ 22,081,434	\$ 21,121,918	\$ 27,702,865
Utility Department				
Water Connections	1,143	1,124	1,123	1,099
Sewer Connections	172	163	147	126
Water Department, in gallons (000)				
Water purchased or pumped	188,959,200	191,223,700	195,881,380	187,782,000
Water sold to customers	172,927,000	180,189,000	176,945,792	173,770,113

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

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

FY 2013	FY 2012	FY 2011	FY 2010	FY 2009	FY 2008
1,023	808	1,073	1,297	994	960
11,218	12,214	12,841	11,720	11,272	12,104
252	407	328	326	273	314
131	87	77	73	69	64
218	124	148	127	141	122
\$ 16,627,435	\$ 15,778,748	\$ 15,513,979	\$ 20,977,889	\$ 25,632,936	\$ 81,206,525
1,063	1,019	987	734	733	711
110	97	84	76	64	57
303,751,900	178,441,100	184,669,900	152,864,468	145,797,700	152,826,700
175,366,617	175,470,230	178,692,200	128,961,390	125,155,500	122,013,459

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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, 2017, 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 12, 2018.

**Internal Control over Financial Reporting**

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

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

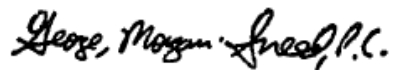
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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



Weatherford, Texas  
March 12, 2018





March 12, 2018

Honorable Mayor and City Council Members  
City of Hudson Oaks

Ladies and Gentlemen:

We have audited 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 for the year ended September 30, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated May 19, 2017. Professional standards also require that we communicate to you the following related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Hudson Oaks, Texas are described in Note 1 to the financial statements. The City changed accounting policies by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 77, *Tax Abatement Disclosures* as described in notes 13 and 15 to the financial statements. We noted no transaction entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City's financial statements were the estimate of the allowance for uncollectible receivables as described in Note 1 to the financial statements. We have performed tests of the allowance for uncollectible receivables to satisfy ourselves as to their reasonableness in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. See the attached list of misstatements detected as a result of audit procedures that were corrected by management.

### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction that could be significant to the City's financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated March 12, 2018.

### *Management Consultation with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City of Hudson Oaks, Texas' auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Other Matters

We applied certain limited procedures to the Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund and the Schedule of Changes and Net Pension Liability and Related Ratios and Schedule of Employer Contributions and Related Ratios, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquires of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

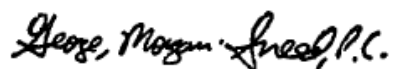
We were engaged to report on the Nonmajor Governmental Funds Supplementary Information, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the Introductory, Enterprise Fund Supplementary Information or Statistical sections, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

### Restriction of Use

This information is intended solely for the use of the City Council and management of the City of Hudson Oaks, Texas, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



GEORGE, MORGAN & SNEED, P.C.

## City of Hudson Oaks Adjusting Journal Entries

Reference	Type	Date Account Number	Description	Debit	Credit	Net Income Effect
GMS01	Adjusting	09/30/17				
		100-5-01110-52-1200	AUDITING & ACCOUNTING	2,800.00		
		100-5-02110-52-1200	AUDITING & ACCOUNTING	700.00		
		100-5-03110-52-1200	AUDITING & ACCOUNTING	700.00		
		505-5-04110-52-1200	AUDITING & ACCOUNTING	2,800.00		
		100-2-21010-00-0000	AP PENDING (DUE TO POOL C.		4,200.00	
		505-2-21010-00-0000	AP PENDING (DUE TO POOL C.		2,800.00	
						(7,000.00)
			To record accounts payable not recorded at year end (reverse 10/1/17)			
GMS02	Adjusting	09/30/17				
		100-2-33000-00-0000	DEFERRED REVENUE	3,276.66		
		100-4-02110-35-1300	COURT ADMINISTRATIVE FEE		3,276.66	
						3,276.66
			Adjust deferred revenue to actual.			
GMS03	Adjusting	09/30/17				
		505-1-13000-00-0000	DEFERRED OUTFLOW OF RES	4,937.00		
		505-5-04110-51-2200	TMRS-P.W. DEPT		4,937.00	
		506-1-13000-00-0000	DEFERRED OUTFLOW OF RES	394.00		
		506-5-04110-51-2200	TMRS-ANNETTA		394.00	
						5,331.00
			Adjust for TMRS contributions after the measurement date.			
GMS04	Adjusting	09/30/17				
		225-4-01420-38-3000	TICKET SALES	23,718.33		
		225-2-33000-00-0000	Deferred Revenue		23,718.33	
						(23,718.33)
			Adjust for Craft and Cork ticket sales for next fiscal year.			
GMS05	Adjusting	09/30/17				
		100-4-01110-60-1001	TRANSFER IN	114,000.00		
		100-2-21001-00-0000	DUE TO OTHER FUNDS		114,000.00	
		311-5-04110-60-1001	TRANSFER OUT/GENERAL FU		114,000.00	
		311-1-11120-00-0000	DUE FROM OTHER FUNDS	114,000.00		
						0.00
			To reclassify amount transferred from bond funds to general fund.			
		<b>TOTAL</b>		<u>267,325.99</u>	<u>267,325.99</u>	<u>(22,110.67)</u>