

**CITY OF HOOKS, TX
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
SEPTEMBER 30, 2020**

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ANNUAL FINANCIAL REPORT
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**CITY OF HOOKS, TX
CITY DIRECTORY**

MAYOR

Al Turnage

CITY COUNCIL

William Felty

Sherry Phillips

Gary Wright

Marc Reiter

Vicki Murchinson

CITY OFFICIALS

Andria Whitehurst, City Secretary

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To the City Council
City of Hooks, TX

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hooks, TX as of and for the year ended September 30, 2020, 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. 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hooks, TX, as of September 30, 2020, 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, budgetary comparison information, and TMRS Pension and OPEB Schedules on pages 4-12, 45 and 46-49 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.

Christopher A. Turner, PLLC CPA

Christopher A Turner, CPA

June 15, 2021

CITY OF HOOKS, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

The management's Discussion and Analysis (MD&A) for the City of Hooks, Texas is designed to:

1. Assist the reader in focusing on significant financial issues.
2. Provide an overview of the City's financial activities.
3. Identify changes in the City's overall financial position and results of operations and assist the user in determining whether financial position has improved or deteriorated as a result of the year's operations.
4. Identify any significant variations from the original, amended, and final budget amounts and include any currently known reasons for those variations that are expected to have significant effect on future services or liquidity; and
5. Identify individual fund issues or concerns.

The information contained within this MD&A should be considered only as part of a greater whole. The readers of this statements should take time to read and evaluate all sections of this report, including the footnotes that are provided in addition to this MD&A.

Overview of the Financial Statements

The MD&A requires supplementary information that introduces the reader to the basic financial statements and provides an overview of the City's financial activities. The City's basic financial statements consist of the following components:

1. Government-wide financial statements,
2. Fund financial statements, and
3. Notes to the financial statements.

A general description of the components of the basic financial statements follows.

Government-Wide Financial Statements

The Government-Wide Financial Statements are designed to present the financial operations of the City as a whole in a format similar to private sector companies. All governmental and business-type activities are consolidated into columns which add to a total for the Primary Government. If the City determines that presentation of a component unit (which are other governmental units for which the City can exercise significant influence or for which the Primary Government financial statements would be misleading if component unit information is not presented) is necessary to allow the reader to determine the relationship of the component unit and primary government, the component unit information is presented in a separate column of the financial statements or in a separate footnote.

The focus is on the government -wide (entity-wide) Statement of Net Position and Statement of Activities to give the reader a broad overview of the City's financial position and results of operations.

CITY OF HOOKS, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

The Statement of Net Position presents information on the City's Assets and liabilities using the accrual basis of accounting, in a manner like the accounting used by private business enterprises. The difference between the assets and liabilities is reported as net position. Over time, the increase or decrease in net position (and changes in the components of net position) may serve as a useful indicator of whether the financial position of the City is improving or weakening. Although the focus of this MD&A will be on the analysis of the overall changes to net position, the reader should refer to Note A – Significant Accounting Policies for an explanation of the components of net position.

The Statement of Activities presents information showing how the government's net position changes 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 the related cash flows. The format for the statement of activities presents the expenses for each function (general and administrative, police protection, fire protection, court services, public works, and sanitation) reduced by the Program Revenue (charges for services, operating grants and contributions, and capital grants and contributions) directly related to each respective function, to determine net costs of each function. The net costs of each function are normally covered by general revenues.

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 and legal requirements. The City of Hooks, Texas uses two categories of funds to account for financial transactions: governmental funds and proprietary funds.

Governmental funds are used to account for most of the basic services and projects reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows in and out of those funds and the balances that are left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and financial resources that can be spent in the near future to finance the City's programs. The City's governmental funds include the General Fund for accounting for the City's basic services, and the Street Fund for accounting for the financing of the construction and maintenance of City's streets and bridges.

The Proprietary Funds account for water, sewer, and sanitation services for the City. Enterprise funds are used to account for the same functions as business-type activities presented in the government-wide financial statements, but the fund presentation provides more detail.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, there are differences in the information presented for government funds and for governmental activities in the government-wide financial statements. Review of these differences provides the reader of the financial statements insight on the long-term impact of the City's more

CITY OF HOOKS, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

immediate decisions on the current use of financial resources. We describe the differences between government-wide financial statements (reported in the Statement of Net Position and Statement of Activities) and Governmental funds in reconciliation schedules following each of the fund financial statements.

Notes to the Financial Statements

The Notes to the Financial Statements, in particular Note A – Significant Accounting Policies, presents information on the significant accounting policies of the City and additional explanations on how the various financial statements are reported and relate to each other. The MD&A should be read in conjunction with the basic financial statements and the related notes to the financial statements.

City Highlights

Net position as of September 30, 2020 in the governmental activities (including the General Fund and Street Fund) increased from \$1,736,764 to \$1,7347,984. The business-type activities (consisting of the City's Water and Sewer Fund and Sanitation Fund) net position increased from \$1,457,892 to \$1,703,196.

- For governmental activities, the total net investment in capital assets (after subtracting out debt owed on capital assets) decreased from \$1,160,625 to \$1,128,747.

For business type activities, the total of net investment capital assets decreased from \$1,735,632 to \$941,259.

- For governmental activities, the City's long-term debt decreased from \$323,277 to \$205,074.

For business-type activities, the City's long-term debt increased from \$378,417 to \$1,024,361.

- The most significant continuing revenue sources for governmental activities of the City consisted of \$701,581 in property tax and related revenues, \$60,999 in franchise fees, \$267,560 in sales tax revenues, \$44,058 in police revenues, \$52,157 in court revenues, and \$16,369 in interest and other.
- Charges for business-type activities of the utility fund (water, sewer, and sanitation charges) totaled \$1,320,961 and \$975 in interest and other.

CITY OF HOOKS, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Government-Wide Financial Analysis – Statement of Net Position

Included is a Statement of Net Position for the City of Hooks, Texas. The format allows the reader to view the overall financial position of the City.

City of Hooks, Texas
Net Position

	Governmental Activities		Business-Type Activities		Component Unit	
	2020	2019	2020	2019	2020	2019
Other Assets	\$ 941,536	887,425	\$ 1,313,578	\$ 509,061	\$ 345,446	\$ 572,031
Capital Assets	1,333,821	1,483,902	1,965,620	2,114,049	965,285	479,016
Total Assets	2,275,357	2,371,327	3,279,198	2,623,110	1,310,731	1,051,047
Deferred Outflows of Resources	103,564	89,337	71,969	62,424	-	-
Other Liabilities	111,691	109,161	405,940	647,436	-	-
Long-term Liabilities	205,074	323,277	1,024,361	378,417	238,651	-
OPEB Liability	24,685	17,384	17,110	12,036	-	-
TMRS Net Pension Liability	188,662	235,126	130,496	162,785	-	-
Total Liabilities	530,112	684,948	1,577,907	1,200,674	238,651	-
Deferred Inflows of Resources	100,825	38,952	70,064	26,968	-	-
Net Position						
Net Investment in Capital Assets	1,128,747	1,160,625	941,259	1,735,632	726,634	479,016
Restricted	404,615	149,296	934,020	38,153	-	-
Unrestricted	214,622	426,843	(172,083)	(315,893)	345,446	572,031
Total Net Position	\$ 1,747,984	\$ 1,736,764	\$ 1,703,196	\$ 1,457,892	\$ 1,072,080	\$ 1,051,047

Governmental Activities – Statement of Net Position

The major component of the other asset's category consists of cash equivalents of \$832,806. Of this amount, approximately \$328,731 is restricted bond proceeds that will be used for future capital improvements along with amounts restricted for debt service. The balance in this category is comprised of various receivables (amounts due) for taxes and for revenues due from intergovernmental agencies.

Capital assets totaling \$1,333,821 (net of accumulated depreciation) is the largest component of assets and represents the City's investment in capital assets necessary to provide services to citizens of the City. The major categories of fixed assets (land and buildings, machinery, equipment and vehicles, streets, parks, and improvements) reflect assets necessary to provide services to the City's residents.

Long-term debt outstanding at fiscal year-end consists of \$205,074 for loans for buildings, machinery, equipment, and vehicles and bonds payable for the construction of streets, building and improvements.

CITY OF HOOKS, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Business-Type Activities – Statement of Net Position

For business-type activities (utility funds) there are two major components of other assets. Cash and cash equivalents and certificates of deposit, totaling \$1,032,033, of which approximately \$934,020 is restricted bond proceeds that will be used for future capital improvements. Accounts receivable balances of \$254,478 represent outstanding water, sewer, and sanitation billings at fiscal year-end.

Capital assets totaling \$1,965,620 (net of accumulated depreciation) represent the City's investment in equipment, vehicles, and systems and improvement for the water and sewer systems. Long-term debt outstanding consists of \$1,024,361 for bonds and notes payable to support operations of the utility system. Other liabilities at fiscal year-end consist primarily of accounts payable, accrued expenses and other liabilities, and customer meter deposits payable.

Net investment in capital assets is the major component of net position for business-type activities (utility funds) at a total of \$941,259. The remaining net position balance is comprised of \$827,875 restricted for bond reserve, \$38,153 restricted for LTWSC capital improvements, and (\$172,083) of unrestricted net position.

CITY OF HOOKS, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Statement of Activities

A Statement of Activities for the City is presented below listing the major categories of revenues and expenses for the fiscal year ended September 30, 2020 and 2019. An explanation of the components of this statement is included immediately following the table.

City of Hooks, Texas Statement of Activities						
	Governmental Activities		Business-Type Activities		Component Unit	
	2020	2019	2020	2019	2020	2019
Program Revenues						
Charges for Services	\$ 96,215	\$ 85,688	\$ 1,320,961	\$ 1,121,095	\$ 13,300	\$ 13,682
Operating Grants and Contributions	-	-	-	-	-	-
Capital Grants and Contributions	-	-	-	-	-	-
General Revenues						
Property Taxes & Related Revenues	701,581	755,085	-	-	-	-
Franchise Fees	60,999	49,118	-	-	-	-
Sales Tax Revenues	267,560	246,532	-	-	88,747	82,178
Interest and Other	16,369	30,574	975	-	3,292	3,129
Total Revenue	<u>1,142,724</u>	<u>1,166,997</u>	<u>1,321,936</u>	<u>1,121,095</u>	<u>105,339</u>	<u>98,989</u>
Program Expenses						
General and Administrative	269,157	262,846	-	-	-	-
Police Department	526,217	513,878	-	-	-	-
Fire Department	72,600	70,898	-	-	-	-
Court	33,890	33,095	-	-	-	-
Streets	101,079	98,709	-	-	-	-
Debt	13,261	12,950	-	-	-	-
Water and Sewer	-	-	892,270	848,808	-	-
Sanitation	-	-	299,662	292,534	-	-
Economic Development	-	-	-	-	70,797	68,528
Total Expenses	<u>1,016,204</u>	<u>992,376</u>	<u>1,191,932</u>	<u>1,141,342</u>	<u>70,797</u>	<u>68,528</u>
Increase (Decrease) in Net Position						
Before Transfers	126,520	174,621	130,004	(20,247)	21,033	30,461
Transfers From (To) Other Funds	<u>(115,300)</u>	<u>(111,700)</u>	<u>115,300</u>	<u>111,700</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in Net Position	11,220	62,921	245,304	91,453	21,033	30,461
Net Position at Beginning of Year	<u>1,736,764</u>	<u>1,673,843</u>	<u>1,457,892</u>	<u>1,366,439</u>	<u>1,051,047</u>	<u>1,020,586</u>
Net Position at End of Year	<u>\$ 1,747,984</u>	<u>\$ 1,736,764</u>	<u>\$ 1,703,196</u>	<u>\$ 1,457,892</u>	<u>\$ 1,072,080</u>	<u>\$ 1,051,047</u>

CITY OF HOOKS, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Government-Wide Review of Statement Activities

The Statement of Activities presents revenues, expenses, and changes in net position separately for governmental activities and business-type activities. The format allows for presentation of program revenues (charges for services, operating grants and contributions, and capital grants and contributions) followed by a listing of general revenues to support the City's overall governmental or business-type activities. Expenses are presented on a functional basis, with depreciation on fixed assets directly allocated to the related expense (general and administrative, court, etc.).

Governmental Activities – Statement of Activities

As noted above, there are two categories of revenues on the Statement of Activities – program revenues and general revenues. Program revenues derive directly from the program itself or from parties outside the City's taxpayers or citizenry, as a whole; they reduced the net cost of the function to be financed from the governments general revenues. Program revenues are further divided into charges for services, operating grants and contributions, and capital grants and contributions. For governmental activities, the major revenues for the City in the charges for services are \$44,058 for police revenues and \$52,157 for court revenues.

General revenues include all revenues not required to be reported as program revenues. All taxes are reported by type tax. For the City, the major tax revenues are property tax and related revenues of \$701,581, franchise fees of \$60,999 and sales tax revenues of \$267,560. Property tax revenues decreased from the prior year due to a decrease in the amount of late fees and interest charged and collected.

Program expenses are presented in the above Statement of Activities by function and total \$1,016,204 (including interest on long-term debt) for the current fiscal year. Revenues less expenses plus transfers presented in this statement total to a change in net position of \$11,220.

Business-Type Activities – Statement of Activities

Business-type activities provided by the City of Hooks, Texas consist of water, sewer, and sanitation services. All revenues are in the category of program revenues, with the exception of interest income which is reported as general revenue. Program revenues for the current fiscal year in the charges for services subcategory consist of billings of \$1,011,221 for water and sewer services and \$309,740 for sanitation services. Business-type revenues increased due to an increase in customer accounts during the year which resulted in more water, sewer, and garbage fees billed and collected.

The City reports the total amount of expenses for operation of the utility system as \$1,191,932 for the fiscal year ended September 30, 2020. The change in net position (revenues less expenses and transfers) for the current fiscal year was an increase in net position of \$245,304.

CITY OF HOOKS, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Governmental Funds

At year-end, the City's governmental funds, consisting of the General Fund and Street Fund reported combined fund balances of \$823,575 with \$4,657 as non-spendable prepaids, \$404,615 recorded as restricted, \$28,596 recorded as committed, and \$385,707 recorded as unassigned. Under the modified accrual basis utilized for governmental fund financial statements, the emphasis is on accounting for current financial resources of the City. Assets consist primarily of \$832,805 of unrestricted and restricted cash and cash equivalents. The remaining fund assets consist of taxes and warrants receivable. Liabilities for the City consist primarily of accounts payable, accrued expenses and other liabilities and sales taxes due to component units.

The governmental fund reporting format presents in the Statement of Revenues, Expenditures, and Changes in Fund Balance all revenue types followed by the expenses of the City, presented on a functional basis. However, for the fund financial statements, the City reports capital purchases as current year capital expenditures and does not report depreciation on capital assets. Principal payments on loans are reported as a current year expenditure rather than decreases in long-term debt. The major revenue sources are similar to the government-wide presentation above, with additional detail provided for services for which the City receives a fee or charge for services (licenses and permits, fines, court fees, and parks and recreation fees). The General Fund is reporting an increase in fund balance of \$65,447 for the year. Fund balance at the end of the current fiscal year for the General Fund was \$705,224. The Street Fund is reporting an increase in fund balance of \$4,813 for the year. Fund balance at the end of the fiscal year for the Stee Fund was \$118,351.

Proprietary Fund

The total amounts presented for the Proprietary Funds (utility funds for water, sewer and sanitation services) are identical to the government-wide presentation. Statement of Revenues, Expenses, and Changes in Fund Net Position, presents a more detailed listing of expenses than presented in the government-wide statements, to report activities of the water, sewer and sanitation systems on a functional basis. The major operating expense of these funds include \$707,293 for water services, \$299,662 for sanitation services, \$1,135 for sewer services, and \$160,370 of depreciation expense. Non-operating revenues and expenses consist of \$975 in interest revenue and \$23,472 in interest expense and fees on bonds and notes payable. Water revenues exceeded the budgeted amounts by \$32,505 due to the increased water usage from new water and sewer accounts at various times in the year and new rates in effect for the year end from the prior year.

CITY OF HOOKS, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Capital Assets and Long-Term Debt

Capital Assets

At the end of the fiscal year 2020, governmental activities had \$1,333,821 (net of accumulated depreciation) invested in a broad range of capital assets. Governmental activities capital assets additions during the year were primarily related to the purchase of two trucks for use in the fire department.

Business-type activities have \$1,965,620 (net of accumulated depreciation) invested in capital assets. Business-type activities capital assets additions during the year were primarily related to the purchase of a new server and a four camera systems for the police department.

More detailed information about the City's capital assets is presented in Note F to the financial statements.

Long-Term Debt

At year-end, the City had \$205,074 in notes and bonds payable in the governmental activities and \$1,024,361 in notes and bonds payable in the business-type activities. More detailed information about the City's long-term liabilities is presented in Note H to the financial statements.

Next Year's Budget and Economic Factors

The City of Hooks management approach is conservative yet accommodating to economic development. Whenever possible, the management is actively pursuing grants and other funding in order to provide more and improved services for the City while relying on existing revenues and living with the approved budget. During the FY21 budget meeting, the City Council decided to reduce the Tax Rate from 0.918803/\$100 to 0.9109/\$100, reduce the Maintenance Rate from 0.591517/\$100 to 0.5865/\$100, and reduce the Interest and Sinking Rate from 0.327286/\$100 to 0.3244/\$100.

Request for Information

This financial report is designed to provide a general overview of the City of Hooks, Texas finances and to demonstrate the City's accountability. If you have questions regarding this report or need additional information, contact the City of Hooks, Texas, at 601 E Ave E, Hooks, Texas 75561. The phone number for the City is (903) 547-2261.

CITY OF HOOKS, TX
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

	Primary Government			Hooks SIDC	Hooks CDC
	Governmental	Business-Type	Total	Component Unit	Component Unit
	Activities	Activities			
ASSETS					
CURRENT ASSETS					
Cash and Cash Equivalents	\$ 428,191	\$ -	\$ 428,191	\$ 210,987	\$ 35,527
Certificates of Deposit	-	98,013	98,013	-	-
Receivables (net)	-	254,478	254,478	-	-
Delinquent Property Taxes Receivable (net)	19,811	-	19,811	-	-
Franchise Fees Receivables	12,791	-	12,791	-	-
Sales Taxes Receivable	45,483	-	45,483	-	-
Warrants Receivable (net)	35,709	-	35,709	-	-
Other Receivables	5,440	5,499	10,939	-	-
Internal Balances	(15,161)	-	(15,161)	11,371	3,790
Prepaid Expense	4,657	2,582	7,239	-	-
Inventories	-	18,986	18,986	-	-
RESTRICTED ASSETS					
Cash and Cash Equivalents	404,615	870,873	1,275,488	-	-
Certificates of Deposit	-	24,995	24,995	-	-
LTWSC Restricted Capital Improvement Deposits	-	38,152	38,152	-	-
CAPITAL ASSETS					
Non-Depreciable Land & Construction in Progress	176,746	28,189	204,935	919,321	-
Depreciable Assets, Net of Depreciation	1,157,075	1,937,431	3,094,506	45,964	-
TOTAL CAPITAL ASSETS	<u>1,333,821</u>	<u>1,965,620</u>	<u>3,299,441</u>	<u>965,285</u>	<u>-</u>
TOTAL ASSETS	<u>2,275,357</u>	<u>3,279,198</u>	<u>5,554,555</u>	<u>1,271,414</u>	<u>39,317</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Outflow Related to Pension	98,115	68,182	166,297	-	-
Deferred Outflow Related to OPEB	5,449	3,787	9,236	-	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 103,564</u>	<u>\$ 71,969</u>	<u>\$ 175,533</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES					
CURRENT LIABILITIES					
Accounts Payable	2,837	36,422	39,259	-	-
Book Overdraft	-	241,545	241,545	-	-
Accrued Expenses and Other Liabilities	24,946	9,909	34,855	-	-
Due to Other Governmental Agencies	17,854	-	17,854	-	-
Customer Water Deposits	-	108,016	108,016	-	-
LONG TERM LIABILITIES					
Due Within One Year					
Bonds, Capital Leases and Notes	116,845	205,293	322,138	21,110	-
Due in More than One Year					
Bonds, Capital Leases and Notes	88,229	819,068	907,297	217,541	-
Compensated Absences	66,054	10,048	76,102	-	-
Net Pension Liability	188,662	130,496	319,158	-	-
Net OPEB Liability	24,685	17,110	41,795	-	-
TOTAL LIABILITIES	<u>530,112</u>	<u>1,577,907</u>	<u>2,108,019</u>	<u>238,651</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflow Related to Pension	97,875	68,014	165,889	-	-
Deferred Inflow Related to OPEB	2,950	2,050	5,000	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 100,825</u>	<u>\$ 70,064</u>	<u>\$ 170,889</u>	<u>\$ -</u>	<u>\$ -</u>
NET POSITION					
Net Investment in Capital Assets	1,128,747	941,259	2,070,006	726,634	-
Restricted for:					
Bond Reserve	-	827,875	827,875	-	-
Capital Improvements	328,731	-	328,731	-	-
Customer Deposits	-	67,993	67,993	-	-
Debt Service	75,673	-	75,673	-	-
Police Seizure	211	-	211	-	-
LTWSC Capital Improvement Deposits	-	38,152	38,152	-	-
Unrestricted	214,622	(172,083)	42,539	306,129	39,317
TOTAL NET POSITION	<u>\$ 1,747,984</u>	<u>\$ 1,703,196</u>	<u>\$ 3,451,180</u>	<u>\$ 1,032,763</u>	<u>\$ 39,317</u>

See Independent Auditor's Report and Accompanying Notes to the Financial Statements

CITY OF HOOKS, TX
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

		Program Revenues			Net (Expense) Revenue and Changes in Net Position				
		Charges for	Operating	Capital	Governmental	Primary Government	Total	Hooks SIDC	Hooks CDC
	Expenses	Services	Grants and	Grants and	Activities	Business-type		Component Unit	Component Unit
			Contributions	Contributions		Activities			
FUNCTIONS/PROGRAMS									
PRIMARY GOVERNMENT									
GOVERNMENTAL ACTIVITIES									
Administrative	\$ 269,157	\$ -	\$ -	\$ -	\$ (269,157)	\$ -	\$ (269,157)	\$ -	\$ -
Police	526,217	44,058	-	-	(482,159)	-	(482,159)	-	-
Fire & Emergency Services	72,600	-	-	-	(72,600)	-	(72,600)	-	-
Code Enforcement	33,890	52,157	-	-	18,267	-	18,267	-	-
Streets	101,079	-	-	-	(101,079)	-	(101,079)	-	-
Interest Expense	13,261	-	-	-	(13,261)	-	(13,261)	-	-
TOTAL GOVERNMENTAL ACTIVITIES	1,016,204	96,215	-	-	(919,989)	-	(919,989)	-	-
BUSINESS-TYPE ACTIVITIES									
Water and Sewer	892,270	1,011,221	-	-	-	118,951	118,951	-	-
Sanitation	299,662	309,740	-	-	-	10,078	10,078	-	-
TOTAL BUSINESS-TYPE	1,191,932	1,320,961	-	-	-	129,029	129,029	-	-
TOTAL PRIMARY ACTIVITY	\$ 2,208,136	\$ 1,417,176	\$ -	\$ -	\$ (919,989)	\$ 129,029	\$ (790,960)	\$ -	\$ -
COMPONENT UNITS									
Hooks SIDC	81,819	13,300	-	-	-	-	-	(68,519)	-
Hooks CDC	2,487	-	-	-	-	-	-	-	(2,487)
TOTAL COMPONENT UNITS	\$ 84,306	\$ 13,300	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (68,519)	\$ (2,487)
GENERAL REVENUES									
Property Taxes					685,313	-	685,313	-	-
Sales and Use Taxes					267,560	-	267,560	66,735	22,012
Franchise Taxes					60,999	-	60,999	-	-
Penalty and Interest					16,268	-	16,268	-	-
Unrestricted Investment Earnings					950	975	1,925	3,242	-
Miscellaneous					15,419	-	15,419	-	50
Transfers					(115,300)	115,300	-	-	-
TOTAL GENERAL REVENUES					931,209	116,275	1,047,484	69,977	22,062
CHANGE IN NET POSITION					11,220	245,304	256,524	1,458	19,575
NET POSITION - BEGINNING					1,736,764	1,457,892	3,194,656	1,031,305	19,742
NET POSITION - ENDINGS					\$ 1,747,984	\$ 1,703,196	\$ 3,451,180	\$ 1,032,763	\$ 39,317

See Independent Auditor's Report and Accompanying Notes to the Financial Statements

**CITY OF HOOKS, TX
GOVERNMENTAL FUNDS
BALANCE SHEET
SEPTEMBER 30, 2020**

	General Fund	Street Fund	Total Governmental Fund
ASSETS			
Cash and Cash Equivalents	\$ 428,191	\$ -	\$ 428,191
Accounts Receivable	-	5,440	5,440
Property Taxes Receivable (net)	12,425	7,386	19,811
Franchise Tax Receivable	12,791	-	12,791
Sales Tax Receivable	45,483	-	45,483
Warrants Receivable (net)	35,709	-	35,709
Prepaid Expense	4,657	-	4,657
Restricted Assets - Cash and Cash Equivalents and CD	294,052	110,563	404,615
TOTAL ASSETS	<u>\$ 833,308</u>	<u>\$ 123,389</u>	<u>\$ 956,697</u>
LIABILITIES			
Accounts Payable	\$ 2,837	\$ -	\$ 2,837
Wages and Salaries Payable	24,179	-	24,179
Compensated PTO Payable, current	41,694	-	41,694
Intergovernmental Payable	17,854	-	17,854
Due to Component Unit	15,161	-	15,161
TOTAL LIABILITIES	<u>101,725</u>	<u>-</u>	<u>101,725</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Property Tax Revenues	8,505	5,038	13,543
Unavailable Warrant Revenues	17,854	-	17,854
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>26,359</u>	<u>5,038</u>	<u>31,397</u>
FUND BALANCES			
Non-spendable Prepaids	4,657	-	4,657
Restricted Fund Balance:			
Capital Improvements	293,841	34,890	328,731
Police Seizure	211	-	211
Debt Service	-	75,673	75,673
Committed Fund Balance:			
Volunteer Fire Department	27,218	-	27,218
Police Department	1,378	-	1,378
Unassigned Fund Balance	377,919	7,788	385,707
TOTAL FUND BALANCES	<u>705,224</u>	<u>118,351</u>	<u>823,575</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u>\$ 833,308</u>	<u>\$ 123,389</u>	<u>\$ 956,697</u>

See Independent Auditor's Report and Accompanying Notes to the Financial Statements

CITY OF HOOKS, TX
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2020

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$	823,575
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, cost of these assets was \$4,449,454 and the accumulated depreciation was \$2,965,552.		
The net effect of including the beginning balances for capital increase net position.		1,483,902
Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. The ending balance totaled \$205,074. Long-term debt in the governmental activities is to decrease net position.		(205,074)
The 2020 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to (decrease) net position.		(194,200)
Capital Outlay Expenditures are additions to Capital Assets and therefore not reported as expenditures in governmental activities. The net effect of capital outlay expenditures are increases to net position for governmental activities.		44,119
The net effect of including the long-term amounts associated with pension related items not recorded in the fund financials. These include net pension liability \$188,662; deferred outflows \$103,564; and deferred inflows \$100,825; OPEB Liability \$24,685.		(210,608)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, and recognizing the assets and liabilities associated with capitalized debt issuance costs and accrued interest payable. The net effect of these reclassifications and recognitions is to decrease net position.		
Deferred Property Taxes from Prior Year Levies	13,543	
Deferred Warrants Revenue Recognized as Income	17,854	
Accrued interest payable	(767)	
Noncurrent Compensated Absences Recorded as Liability	(24,360)	
		6,270
NET POSITION OF GOVERNMENTAL ACTIVITIES		\$ 1,747,984

See Independent Auditor's Report and Accompanying Notes to the Financial Statements

CITY OF HOOKS, TX
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	General Fund	Street Fund	Total Governmental Funds
REVENUES			
Property Taxes	\$ 448,307	\$ 249,437	\$ 697,744
General Sales and Use Taxes	267,560	-	267,560
Franchise Tax	60,999	-	60,999
Penalties and Interest	14,838	1,430	16,268
Court Revenue	37,508	-	37,508
 Licenses and Permits	 7,737	 -	 7,737
Charges for Services	44,058	-	44,058
Investment Earnings	950	-	950
Other Revenue	20,419	-	20,419
TOTAL REVENUES	902,376	250,867	1,153,243
 EXPENDITURES			
Current			
General Government			
Administrative	167,545	-	167,545
Economic Development	82,232	-	82,232
Public Safety			
Police	467,655	-	467,655
Fire and Emergency Services	47,847	-	47,847
Code Enforcement	34,837	-	34,837
Capital Outlay	44,118	-	44,118
Debt Service	22,204	96,000	118,204
Interest Expense	4,004	6,054	10,058
TOTAL EXPENDITURES	870,442	102,054	972,496
 Excess (Deficiency) of Revenues over (under) Expenditures	 31,934	 148,813	 180,747
 OTHER FINANCING SOURCES (USES)			
Operating Transfer From (To) Other Funds	28,700	(144,000)	(115,300)
TOTAL OTHER FINANCING SOURCES (USES)	28,700	(144,000)	(115,300)
 NET CHANGE IN FUND BALANCE	 60,634	 4,813	 65,447
 FUND BALANCE - BEGINNING OF YEAR	 644,590	 113,538	 758,128
FUND BALANCE - END OF YEAR	\$ 705,224	\$ 118,351	\$ 823,575

See Independent Auditor's Report and Accompanying Notes to the Financial Statements

CITY OF HOOKS, TX
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ 65,447
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 the 2020 capital outlays of \$44,118 less net disposal of capital assets \$0 plus debt principal payments of \$118,204 is to increase net position. Proceeds for issuance of long-term debt of \$0 provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.	162,322
The 2020 despreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to (decrease) net position.	(194,200)
The net effect of change in pension liability and the net effect of the change in deferred outflows in the governmental activities is to (decrease) net position.	(8,482)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transfers, and recognizing the liabilities associated with capitalized debt issuance costs and accrued interest payable. The net effect of these reclassifications and recognition is to (decrease) net position	
Deferred Property Taxes Collected from Prior Year Levies	(12,431)
Deferred Warrants Revenue Recognized as Income	1,912
Decrease (Increase) in Noncurrent Compensated Absences Recorded as Liability	(3,348)
	(13,867)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 11,220

See Independent Auditor's Report and Accompanying Notes to the Financial Statements

**CITY OF HOOKS, TX
PROPRIETARY FUND
STATEMENT OF FUND NET POSITION
SEPTEMBER 30, 2020**

	<u>Water and Sewer</u>	<u>Sanitation</u>	<u>Totals</u>
ASSETS			
CURRENT ASSETS			
Certificates of Deposit	98,013	-	98,013
Accounts Receivable (net)	71,329	37,400	108,729
Unbilled Receivables (net)	106,699	39,050	145,749
Other Receivables (net)	5,499	-	5,499
Prepaid Expense	2,582	-	2,582
Inventories	18,986	-	18,986
Restricted - Cash and Cash Equivalents - Meter Deposits	42,998	-	42,998
Restricted - Certificates of Deposit - Meter Deposits	24,995	-	24,995
TOTAL CURRENT ASSETS	<u>371,101</u>	<u>76,450</u>	<u>447,551</u>
NONCURRENT ASSETS			
Restricted - Bond Reserve	827,875	-	827,875
Restricted - LTWSC Capital Improvement Deposits	38,152	-	38,152
TOTAL NONCURRENT ASSETS	<u>866,027</u>	<u>-</u>	<u>866,027</u>
CAPITAL ASSETS			
Land	28,189	-	28,189
Water and Sewer System	4,683,674	-	4,683,674
Machinery, Equipment and Vehicles	370,919	716	371,635
Undivided Interest in LTWSC Fixed Assets	62,192	-	62,192
Less Accumulated Depreciation	(3,179,354)	(716)	(3,180,070)
TOTAL CAPITAL ASSETS (NET)	<u>1,965,620</u>	<u>-</u>	<u>1,965,620</u>
TOTAL ASSETS	<u>\$ 3,202,748</u>	<u>\$ 76,450</u>	<u>\$ 3,279,198</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflow Related to OPEB	3,787	-	3,787
Deferred Outflow Related to Pensions	68,182	-	68,182
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 71,969</u>	<u>\$ -</u>	<u>\$ 71,969</u>
LIABILITIES			
CURRENT LIABILITIES			
Book Overdraft	222,358	19,187	241,545
Accounts Payable	3,549	32,873	36,422
Accrued Expenses and Other Liabilities	8,128	1,781	9,909
Customer Meter Deposits	108,016	-	108,016
Compensated Absence Liability	10,048	-	10,048
Bonds, Notes, and Capital Lease Payable (Current Portion)	205,293	-	205,293
TOTAL CURRENT LIABILITIES	<u>557,392</u>	<u>53,841</u>	<u>611,233</u>
NONCURRENT LIABILITIES			
Bonds, Notes, and Capital Lease Payable (Noncurrent Portion)	819,068	-	819,068
OPEB Liability	17,110	-	17,110
Net Pension Liability (TMRS)	130,496	-	130,496
TOTAL NONCURRENT LIABILITIES	<u>966,674</u>	<u>-</u>	<u>966,674</u>
TOTAL LIABILITIES	<u>\$ 1,524,066</u>	<u>\$ 53,841</u>	<u>\$ 1,577,907</u>
DEFERRED INFLOWS OR RESOURCES			
Deferred Inflows Related to OPEB	2,050	-	2,050
Deferred Inflows Related to Pensions	68,014	-	68,014
TOTAL DEFERRED INFLOWS OR RESOURCES	<u>\$ 70,064</u>	<u>\$ -</u>	<u>\$ 70,064</u>
NET POSITION			
Net Investment in Capital Assets	941,259	-	941,259
Restricted for Bond Reserve	827,875	-	827,875
Restricted for LTWSC Capital Improvements	38,152	-	38,152
Restricted for Customer Deposits	67,993	-	67,993
Unrestricted	(194,692)	22,609	(172,083)
TOTAL NET POSITION	<u>\$ 1,680,587</u>	<u>\$ 22,609</u>	<u>\$ 1,703,196</u>

See Independent Auditor's Report and Accompanying Notes to the Financial Statements

**CITY OF HOOKS, TX
PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	<u>Water and Sewer</u>	<u>Sanitation</u>	<u>Total</u>
OPERATING REVENUES			
Charge for Services	\$ 1,011,221	\$ 309,740	\$ 1,320,961
TOTAL OPERATING REVENUES	<u>1,011,221</u>	<u>309,740</u>	<u>1,320,961</u>
OPERATING EXPENSES			
Water	707,293	-	707,293
Sewer	1,135	-	1,135
Sanitation	-	299,662	299,662
Depreciation	160,370	-	160,370
TOTAL OPERATING EXPENSES	<u>868,798</u>	<u>299,662</u>	<u>1,168,460</u>
OPERATING INCOME (LOSS)	<u>142,423</u>	<u>10,078</u>	<u>152,501</u>
NONOPERATING REVENUES (EXPENSES)			
Interest Revenue	975	-	975
Interest Expense and Fees	(23,472)	-	(23,472)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(22,497)</u>	<u>-</u>	<u>(22,497)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	119,926	10,078	130,004
CONTRIBUTIONS AND TRANSFERS			
Transfers From (To) Other Funds	<u>144,000</u>	<u>(28,700)</u>	<u>115,300</u>
CHANGE IN NET POSITION	263,926	(18,622)	245,304
TOTAL NET POSITION - BEGINNING	1,416,661	41,231	1,457,892
TOTAL NET POSITION - ENDING	<u>\$ 1,680,587</u>	<u>\$ 22,609</u>	<u>\$ 1,703,196</u>

See Independent Auditor's Report and Accompanying Notes to the Financial Statements

**CITY OF HOOKS, TX
PROPRIETARY FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	<u>Water and Sewer</u>	<u>Sanitation</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts From Customers	1,004,130	312,084	1,316,214
Payments to Suppliers	(698,605)	(318,557)	(1,017,162)
Cash Paid to Employees	3,571	-	3,571
NET CASH USED BY OPERATING ACTIVITIES	<u>309,096</u>	<u>(6,473)</u>	<u>302,623</u>
CASH FLOWS FROM NONCAPITAL AND FINANCING ACTIVITIES			
Change in Book Overdraft	(248,846)	19,187	(229,659)
Operating Transfers In (Out)	144,000	(28,700)	115,300
NET CASH USED BY NONCAPITAL AND FINANCING ACTIVITIES	<u>(104,846)</u>	<u>(9,513)</u>	<u>(114,359)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of Capital Assets	(11,941)	-	(11,941)
Proceeds Received on Bonds	850,000	-	850,000
Bond, Note and Lease Principal Payments	(204,056)	-	(204,056)
Interest Payments	(23,472)	-	(23,472)
NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>610,531</u>	<u>-</u>	<u>610,531</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Income	975	-	975
Purchase of Certificate of Deposit	(827,875)	-	(827,875)
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>(826,900)</u>	<u>-</u>	<u>(826,900)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(12,119)	(15,986)	(28,105)
CASH - BEGINNING OF YEAR	55,117	15,986	71,103
CASH - END OF YEAR	<u>\$ 42,998</u>	<u>\$ -</u>	<u>\$ 42,998</u>
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating Income (Loss)	\$ 142,423	\$ 10,078	\$ 152,501
Depreciation Expense	160,370	-	160,370
Changes in Assets and Liabilities:			
(Increase) Decrease in Receivables	(7,091)	2,344	(4,747)
(Increase) Decrease in Net Pension Asset/Liability	6,336	-	6,336
Increase (Decrease) in Accounts Payable	3,063	(18,895)	(15,832)
Increase (Decrease) in Accrued Expenses and Other Liabilities	(2,765)	-	(2,765)
Increase (Decrease) in Customer Meter Deposits	6,760	-	6,760
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ 309,096</u>	<u>\$ (6,473)</u>	<u>\$ 302,623</u>

See Independent Auditor's Report and Accompanying Notes to the Financial Statements

CITY OF HOOKS, TEXAS
NOTE TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Hooks, Texas (the City) was incorporated on September 8, 1941, under the provisions of Title 28 of the revised Civil Statutes of the State of Texas, 1925 as amended (Home Ruling Enabling Act). The City operates under a Council-Mayor form of government and provides the following services as authorized by its state statutes: public safety, highways, and streets, water, sewer, sanitation, public improvements, and general administrative services.

The accounting and reporting policies of the City relating to the amounts included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles prescribed by the Government 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.

Reporting Entity

The City's basic financial statements include the accounts of all City operations. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the City of Hooks, Texas.

The criteria used by the City for including activities (component units) in preparing its financial statements is in conformity with Government Accounting Standards Board Statements 14 and 39 as amended by GASB Statement 61 *"The Financial Reporting Entity: Omnibus."*

Based on these criteria, the City has the following component units:

Hooks Special Industrial Developmental Corporation (HSIDC) – HSIDC is a nonprofit Type A industrial development corporation established on July 25, 1995 pursuant to the provisions of Chapter 504 of the Texas Local Government Code. The Board of Directors of HSIDC is appointed by the City Council of the City of Hooks, Texas. Its mission is to promote the economic growth of the City and promote commercial development through assistance with business for additional jobs and growth in the City of Hooks, Texas. The citizens enacted a special sales tax to support HSIDC. The sales tax is to be used for future economic development of the City and is legally restricted to expenditures for this purpose. The HSIDC is reported as a discretely presented component unit in the government-wide financial statements. Financial statements for HSIDC may be obtained by contacting the City offices.

Hooks Community Development Corporation (HCDC) – HCDC is a nonprofit type B economic development corporation established on February 12, 2018 pursuant to the provisions of Chapter 505 of the Texas Local Government Code. The Board of Directors of HCDC is appointed by the City Council of the City of Hooks. Its mission is to promote programs that support community development. The citizens enacted a special sales tax to support HCDC. The sales tax is to be used for economic development activities for the City as authorized under chapters 501 through 505 of the Texas Local Government Code and is legally restricted to expenditures for these purposes. The HCDC is reported as a discretely presented component unit in the government-wide financial statements. Financial statements for HCDC may be obtained by contacting the City offices.

CITY OF HOOKS, TEXAS
NOTE TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Overview of Financial Statements

The government-wide financial statements (the statement of net positions and the statement of activities) report information on all of the activities of the City. The effect of interfund activity, within the governmental and business-type activities columns 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 program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that restricted to meeting the operational or capital requirements of a particular program.

Fund Financial Statements

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City has presented the following major governmental funds:

General fund- the General Fund is the main operating fund of the City, the fund is used to account for all financial resources not accounted for in other funds. All general Tax revenues and other receipts that are not restricted by law or contractual agreement to some other funds 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.

Street fund- the Street Fund is established to account for resources devoted to financing the construction and maintenance of the City's street and bridges. Dedicated property tax revenues for the repayment of bonded debt for street improvements are included in this fund.

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the statement of net position. The City has presented the following major proprietary funds:

Water and sewer fund- the water and sewer fund is used to account for the provision of water and sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water and sewer system, and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of long-term debt.

Sanitation fund- the sanitation fund is used to account for operations of solid waste collection and disposal services. All costs are financed through charges to sanitation customers.

CITY OF HOOKS, TEXAS
NOTE TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Proprietary funds distinguish operating revenues and expenses from non-operating 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. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expense not meeting this definition are reported as non-operating revenues and expenses.

Basis of Accounting and Measurement Focus

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statement. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of the net position and the operating statements present increases(revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the *current financial resources focus* measurement and are accounted for using the *modified accrual basis of accounting*. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for recognition of all other Government Fund revenues. Expenditures are recorded when the related fund liabilities are incurred. However, debt service expenditures, except for interest payable accrued at the debt issuance date for which cash is received with the debt proceeds, as well as expenditures related to compensated absences and arbitrage are recorded only when payment has matured and will be payable shortly after year-end.

The revenues susceptible to accrual are property taxes, franchise taxes, licenses, charges for service, interest income and intergovernmental revenues. Sales taxes collected and held by the state at year-end on behalf of the government are also recognized as revenue. All other governmental fund revenues are recognized when received, as they are deemed immaterial.

Budget and Budgetary Accounting

The City Council adopts a budget each year by ordinances. As the year progresses, resolutions are adopted by the City Council for changes to the original budgeted amounts. The resolutions are incorporated into an ordinance at year-end to legalize any approved changes to the original budget.

The Budgetary Comparison Schedule for the General Fund presents a comparison of budgetary data to actual results. The General Fund utilizes the same basis of accounting for both budgetary purposes and actual results. Actual expenditures exceeded budgeted expenditures in the General Fund in the amount of \$2,970.

CITY OF HOOKS, TEXAS
NOTE TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Cash and Investments

For purpose of the statement of cash flows, the City considers are highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents include demand deposit accounts and deposits in TexStar whose average maturity is less than three months. Investments consist of certificates of deposit, which are stated at cost, the approximated market value of the investments. Investments, when applicable are stated at fair value within the fair value hierarchy established by generally accepted accounting principles.

Allowance for Doubtful Accounts

Significant receivables include amounts due from customers primarily for property taxes, warrants, and utility services. These receivables are due within one year. The City provides allowances for uncollectible receivables for property taxes and charges for services provided.

The allowances for uncollectible receivables as of September 30, 2020 were:

General Fund – property taxes	\$64,963
General Fund – warrants	35,709
Street Fund – property taxes	38,481
Water and Sewer Fund – charges for services	11,854
Sanitation Fund – charges for services	5,357

Inventory

Inventories are valued at cost on the first-in, first-out method of cost valuation. Inventories in the enterprise fund consist of repair materials and spare parts. Under the consumption method of accounting for inventories, materials are capitalized until used.

Restricted Assets

Restricted assets are assets whose use is subject to constraints that are either (a) externally imposed by grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first and then unrestricted resources as they are needed.

The cash and cash equivalents and certificates of deposit restrictions as of September 30, 2020 were as follows:

	General Fund	Street Fund	Total Government Funds	Water and Sewer Fund
Bond Reserve	\$ -	\$ -	\$ -	\$ 827,875
Capital Improvements	293,841	34,890	328,731	-
Customer Meter Deposits	-	-	-	67,993
Debt Service	-	75,673	75,673	-
Police Seizures	211	-	211	-
LTWSC Capital Deposit	-	-	-	38,152
	<u>\$ 294,052</u>	<u>\$ 110,563</u>	<u>\$ 404,615</u>	<u>\$ 934,020</u>

CITY OF HOOKS, TEXAS
NOTE TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

As stated in the ordinance authorizing the issuance of the 2013 General Obligation Refunding Bonds and the 2013 Tax & Revenue Certificate of Obligation Bonds, the City is required to establish and maintain separate bond reserve accounts for each bond issue. These bond reserve accounts are used to accumulate resources to set aside to make up potential future deficiencies in the bond interest and sinking accounts. The City was compliant with these requirements during the year ended September 30, 2020.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities in the government-wide financial statements and in the fund financial statements for the proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date of donation. Repairs and maintenance are recorded as expenses. Improvements are capitalized. Interest has not been capitalized during the period of construction of capital assets.

Depreciation is calculated by using the straight-line method. Estimated useful lives of assets are:

Utility plant and improvements	10-67 years
Buildings and improvements	10-40 years
Improvements other than buildings	10-25 years
Machinery, equipment and vehicles	3-15 years

Long-Term Debt

In the government-wide financial statements, and proprietary fund types 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 statement of net position. Bond issuance costs are recognized as expense during the current period. In the fund financial statements, the face amount of debt issued is reported as other financing uses.

Compensated Absences

The City's policy allows employees to accumulate up to 240 hours of unused sick leave and vacation leave up to 200 hours. Unused sick leave accumulated by employees is not paid upon termination. The current portion of leave recognized in the fund financials is limited to 80 hours of unused sick leave.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. These receivables and payables are classified as "due from other funds" or "due to other funds" on the fund-level statements. All interfund transactions between governmental funds are eliminated on the government-wide statements.

Interfund Transfers

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated. Transfers between governmental funds and business-type activities have not been eliminated.

CITY OF HOOKS, TEXAS
NOTE TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Fund Equity

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories as following:

Non-spendable fund balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaids) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted fund balance – represents amounts with external constraints placed on the use of these resources (such as debt covenants, grantors, other governments, etc.) or imposed by enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

Committed fund balance – represents amounts that can only be used for specific purposes imposed by a formal action of the City's highest level of decision-making authority, the Council. Committed resources cannot be used for any other purposes unless the Council removes or changes the specific use by taking the same formal action that imposed the constraints originally.

Assigned fund balance – represents amount the City intends to use for specific purposes as expressed by the Council or an official delegated with the authority.

Unassigned fund balance – represents the residual classification for the general fund or deficit balances in other funds.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, committed fund balance, assigned fund balance, and then unassigned fund balance.

Net Position

Net position represents the difference between assets plus deferred outflows of resources less deferred inflows of resources less liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition or construction of those assets.

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

CITY OF HOOKS, TEXAS
NOTE TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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.

NOTE B – COLLATERALIZATION OF DEPOSITS

Statutes authorize the City to invest in bank certificates of deposit, obligations of the U.S. Treasury and U.S. agencies, banker's acceptances repurchase agreements and commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record. The City's policy is to invest in instruments or require collateral so as to not expose the City, to credit, custodial credit, custodial concentration, interest rate, or foreign currency risks.

Deposits and Investments

As of September 30, 2020, the bank balances, including time deposits were fully insured by FDIC or additional coverage of pledged securities at all financial institutions.

The Public Funds Investment Act

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

The Texas Short Term Asset Reserve Fund (TexSTAR) is a local government investment pool organized under the authority of the Interlocal Cooperation Act, chapter 791, of the Texas Government Code, and the Public Funds Investment Act, chapter 2256, of the Texas Government Code. J.P. Morgan Asset Management Inc. serves as investment advisor. Hilltop Securities, Inc. provides administrative, marketing and participant services. TexSTAR invest in treasury and agency securities and repurchase agreements fully collateralized by government securities. All pool investments are tailored to meet Texas state and local government requirements of preservation of principal, liquidity, and competitive yield in compliance with the requirements of the Public Funds Investment Act (PFIA). The pool maintains a weighted average maturity of 60 days or less with a maximum investment maturity of 13 months. The pool seeks to maintain a constant dollar objective. The reported value of the pool is the same as the fair value of the pool shares. TexStar is rated an AAAM by Standard & Poor's.

CITY OF HOOKS, TEXAS
NOTE TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE C – PROPERTY TAXES

Property taxes are levied October 1 and may be paid without penalty until January 31. Penalty and interest are then added to payments received February 1 through June 30. An enforceable lien is attached when property taxes become delinquent. City property taxes are recognized as revenue in the accounting period when they become susceptible to accrual, i.e., when they become both measurable and available to pay liabilities of the current period. Only property taxes available within 60 days from the end of the fiscal period are subject to accrual.

The Bowie County Appraisal District bills and collects property taxes for the City of Hooks. The State of Texas Constitution limits the City's ad valorem tax rate for all purposes to \$1.50 per one hundred dollars of assessed valuation. Ad valorem tax revenue during the year ended September 30, 2020, was levied using a rate of \$0.918803 per one hundred dollars of assessed valuation. Based on 100% of estimated market value, the City has a tax margin of \$0.581197 per \$100 and could raise an additional \$448,583 per year from the present assessed valuation of \$77,182,629 before the limit is reached. The amount assessed for the 2019 tax roll was \$709,156.

NOTE D – OPERATING TRANSFERS

A summary of the net operating transfers between funds of the City for the year ended September 30, 2020 is as follows:

	Transfer In	Transfer Out
General Fund:		
Transfer In From Sanitation Fund	\$ 28,700	\$ -
Sanitation Fund:		
Transfer Out To General Fund	-	28,700
Water and Sewer Fund:		
Transfer In From Street Fund	144,000	-
Street Fund:		
Transfer Out To Water and Sewer Fund	-	144,000
	<u>\$ 172,700</u>	<u>\$ 172,700</u>

The Sanitation Fund transferred \$28,700 to the General Fund to help offset the administrative operational costs of the utility funds. The Street Fund transferred \$144,000 to the Water & Sewer fund for bond payment on split refunding bond.

NOTE E – DUE TO/FROM OTHER FUNDS

	Due From	Due To
General Fund:		
Due To Component Units	\$ -	\$ 15,161
Component Units:		
HSIDC - Due From General Fund	11,371	-
HCDC - Due From General Fund	3,790	-
	<u>\$ 15,161</u>	<u>\$ 15,161</u>

The amount of \$11,571 represents HSIDC / HCDC's portion of sales taxes due from the City at year-end.

CITY OF HOOKS, TEXAS
NOTE TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE F – CAPITAL ASSETS

Governmental activities capital asset activity for the year ended September 30, 2020, is as follows:

	Balance October 1, 2019	Additions	Reclassifications/ Retirements	Balance September 30, 2020
Capital Assets Not Being Depreciated				
Land	\$ 167,239	\$ -	\$ -	\$ 167,239
Construction In Progress	9,507	-	-	9,507
Total Capital Assets Not Being Depreciated	<u>176,746</u>	<u>-</u>	<u>-</u>	<u>176,746</u>
Capital Assets Being Depreciated				
Buildings and Improvements	579,749	-	-	579,749
Improvements Other Than Buildings	181,247	-	-	181,247
Streets	2,336,921	-	-	2,336,921
Machinery, Equipment and Vehicles	1,174,791	44,119	-	1,218,910
Total Capital Assets Being Depreciated	<u>4,272,708</u>	<u>44,119</u>	<u>-</u>	<u>4,316,827</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	186,200	15,333	-	201,533
Improvements Other Than Buildings	67,851	7,521	-	75,372
Streets	1,816,877	93,477	-	1,910,354
Machinery, Equipment and Vehicles	894,624	77,869	-	972,493
Total Accumulated Depreciation	<u>2,965,552</u>	<u>194,200</u>	<u>-</u>	<u>3,159,752</u>
Net Capital Assets Being Depreciated	<u>1,307,156</u>	<u>(150,081)</u>	<u>-</u>	<u>1,157,075</u>
Governmental Activities Capital Assets Net	<u>\$ 1,483,902</u>	<u>\$ (150,081)</u>	<u>\$ -</u>	<u>\$ 1,333,821</u>

Governmental activities capital asset additions during the year ended September 30, 2020 include a new police department server for \$14,883 and four Flashback HD cameras for \$29,236.

Governmental activities depreciation expense charged to program activities was:

	Governmental Activities
General and Administrative	\$ 15,536
Police	34,956
Park	3,884
Fire	38,840
Streets	100,984
Total Depreciation Expense	<u>\$ 194,200</u>

CITY OF HOOKS, TEXAS
NOTE TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Business-type activities capital asset activity for the year ended September 30, 2020 is as follows:

	Balance October 1, 2019	Additions	Reclassifications/ Retirements	Balance September 30, 2020
Capital Assets Not Being Depreciated				
Land	\$ 28,189	\$ -	\$ -	\$ 28,189
Construction In Progress	-	-	-	-
Total Capital Assets Not Being Depreciated	28,189	-	-	28,189
Capital Assets Being Depreciated				
Water and Sewer System	4,683,674	-	-	4,683,674
Machinery, Equipment and Vehicles	359,694	11,941	-	371,635
Undivided Interest In LTWSC	349,919	-	-	349,919
Total Capital Assets Being Depreciated	5,393,287	11,941	-	5,405,228
Less Accumulated Depreciation For:				
Water and Sewer System	2,731,200	57,613	-	2,788,813
Machinery, Equipment and Vehicles	296,526	94,731	-	391,257
Undivided Interest In LTWSC	279,701	8,026	-	287,727
Total Accumulated Depreciation	3,307,427	160,370	-	3,467,797
Net Capital Assets Being Depreciated	2,085,860	(148,429)	-	1,937,431
Business-Type Activities Capital Assets Net	\$ 2,114,049	\$ (148,429)	\$ -	\$ 1,965,620

Business-type activities – All assets listed with the business-type activities belong to the Water and Sewer Fund with the exception of one piece of equipment that cost \$716 and is fully depreciated. Depreciation expense in the amount of \$160,370 was recorded in the business-type activities and was charged to the Water and Sewer Fund.

NOTE G – FINANCING AND RELATED INSURANCE ISSUES

In the normal course of business, the City is exposed to risks of loss from a number of sources including fire and casualty losses, errors or omissions by council members and employees, negligent acts by employees including law enforcement officers, automobile and mobile equipment accidents, and injuries to employees during the course of performing duties for the City.

The City attempts to cover these losses by the purchase of insurance. Currently the City purchases 100% of its risk-related insurance through the Texas Municipal League Intergovernmental Risk Pool. The City purchases insurance from the pool with annual maximum limits and to the extent of these maximum limits the City will incur no additional liability due to excess insurance purchases by the risk pool. The City would be liable for claims in excess of the policy limits. In management's estimation, there are no current loss claims that exceed the insured maximum limits. Significant loss experiences could subject the City to significant premium increases. Settlements have not exceeded insurance coverage during any of the past three years.

There was no reduction in insurance coverage from the prior year and in management's estimation maximum coverage limits are adequate.

CITY OF HOOKS, TEXAS
NOTE TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE H – LONG-TERM DEBT

The City's outstanding notes from direct borrowings related to Governmental Activities of \$59,074 contain a provision that in the event of default, outstanding amounts become immediately due if the City is unable to make payment. The City also has a Certificate of Obligation bond which is a direct obligation and pledge the full faith and credit of the City by dedicating water and sewer revenue for the year of payment of principal and interest.

Governmental activities long-term debt as of September 30, 2020 is comprised of the following:

Governmental Activities:

Note Payable - Bancorp South - Purchase of a 2018 F150 Police Truck and Emergency Equipment. Original amount \$39,809 payable in monthly installments of \$760. Interest rate 4.75%. Final payment due in FY 2024.	\$ 26,753
Note Payable - Bancorp South - Purchase of fire truck. Original amount \$45,338 payable in monthly installments of \$868. Interest rate 5.52%. Final payment due in FY 2024.	32,321
Certificate of Obligation - Series 2013, dated September 20, 2013; due serially in varying amounts through August 15, 2022. Interest rate 2.44%.	146,000
Total Governmental Activities	<u><u>\$ 205,074</u></u>

Governmental activities long-term debt transactions for the year ending September 30, 2020 are summarized below:

	Balance October 1, 2019	Additions	Retirements	Balance September 30, 2020	Due Within One Year
Notes Payable	\$ 81,277	\$ -	\$ 22,203	\$ 59,074	\$ 16,845
Bonds Payable	242,000	-	96,000	146,000	100,000
Compensated Absences	62,707	3,347	-	66,054	-
	<u><u>\$ 385,984</u></u>	<u><u>\$ 3,347</u></u>	<u><u>\$ 118,203</u></u>	<u><u>\$ 271,128</u></u>	<u><u>\$ 116,845</u></u>

Interest expense for Governmental activities was \$10,058 for the fiscal year. This amount is reflected as a separate line item in the Statement of Activities.

CITY OF HOOKS, TEXAS
NOTE TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

The City's outstanding notes from direct borrowings related to Business-type Activities of \$10,361 contain a provision that in the event of default, outstanding amounts become immediately due if the City is unable to make payment. The City also has a Certificate of Obligation bond which is a direct obligation and pledge the full faith and credit of the City by dedicating water and sewer revenue for the year of payment of principal and interest.

Business-type activities long-term debt as of September 30, 2020 is comprised of the following:

Water and Sewer Fund:

Note Payable - Bancorp South - Purchase of a 2016 Kubota Tractor. Original amount \$25,244 payable in 60 monthly installments of \$471. Interest rate 4.50%. Final payment due in FY 2022.	\$ 10,361
Certificate of Obligation - Series 2013, dated September 20, 2013; due serially in varying amounts through August 15, 2022. Interest rate 2.44%.	219,000
Certificate of Obligation - Series 2019, dated December 5, 2019; due serially in varying amounts through August 15, 2034. Interest rate 2.00%.	795,000
Total Business-Type Activities	<u><u>\$ 1,024,361</u></u>

Business-type transactions for the year ended September 30, 2020 long-term debts are summarized as following:

	Balance October 1, 2019	Additions	Retirements	Balance September 30, 2020	Due Within One Year
Notes Payable	\$ 15,417	\$ -	\$ 5,056	\$ 10,361	\$ 5,293
Bonds Payable	363,000	850,000	199,000	1,014,000	200,000
	<u><u>\$ 378,417</u></u>	<u><u>\$ 850,000</u></u>	<u><u>\$ 204,056</u></u>	<u><u>\$ 1,024,361</u></u>	<u><u>\$ 205,293</u></u>

Interest expense recorded in the business-type activities was \$23,472 for the year ended September 30, 2020.

The annual requirements to retire long-term debt, exclusive of the compensated absence liability, as of September 30, 2020 follow:

For the Year Ended September 30,	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2021	\$ 116,845	\$ 6,259	\$ 205,293	\$ 23,276	\$ 351,673
2022	63,748	2,916	124,068	18,265	208,997
2023	18,700	842	50,000	15,359	84,901
2024	5,781	69	50,000	14,255	70,105
2025	-	-	55,000	13,150	68,150
Thereafter	-	-	540,000	61,658	601,658
	<u><u>\$ 205,074</u></u>	<u><u>\$ 10,086</u></u>	<u><u>\$ 1,024,361</u></u>	<u><u>\$ 145,963</u></u>	<u><u>\$ 1,385,484</u></u>

CITY OF HOOKS, TEXAS
NOTE TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE I – DEFINED BENEFIT PENSION PLAN

Plan Description

The City of Hooks participates as one of 885 plans in 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 Boards, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

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

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.

Employees of the City of Hooks are eligible for retirement at age 60 with 5 years of service or at any age with 25 years of service. Employees contribute to the fund at the rate of 7%. The City matches two dollars for each dollar of employee contribution. City match vests after 5 years of service. The City adopted the updated service credit provision of the plan in 2017 on a recurring basis at 100%.

Employees covered by benefit terms:

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

Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	10
Active employees	13
Total	<hr/> 28

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 HOOKS, TEXAS
NOTE TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Employees for the City of Hooks were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Hooks were 14.19% and 13.49% in calendar years 2018 and 2019, respectively. The City's contributions to TMRS for the year ended September 30, 2020 were \$71,193 and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2019, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	3.50% to 11.50% per year including inflation
Investment Rate of Return	6.7%

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 Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. For cities with fewer than twenty employees, more conservative methods and assumptions are used. Lower termination rates are used for smaller cities with maximum multipliers of 100% for employers with 11 to 15 members. 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 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, 2019, valuation was based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2014 through December 31, 2018. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7.00% to 6.75%. 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 ranges

CITY OF HOOKS, TEXAS
NOTE TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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, GERS 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). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.50%	4.30%
International Equity	17.50%	6.10%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	3.39%
Real Return	10.00%	3.78%
Real Estate	10.00%	4.44%
Absolute Return	10.00%	3.56%
Private Equity	5.00%	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.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

For the year ended September 30, 2020 the City recognized pension expense of \$80,906.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 37,654	\$ 46,120
Changes in actuarial assumptions	6,659	6,856
Difference between projected and actual investment earnings	71,216	112,913
Contributions subsequent to the measurement date	50,768	-
	<u>\$ 166,297</u>	<u>\$ 165,889</u>

\$50,768 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, 2021.

CITY OF HOOKS, TEXAS
NOTE TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending September 30,	Net Deferred Outflows (Inflows) of Resources
2020	\$ (6,305)
2021	(17,854)
2022	(4,137)
2023	(22,064)
2024	-
Thereafter	-
Total	<u>\$ (50,360)</u>

Changes in the Net Pension (Asset) Liability:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Pension (b)	Net Pension (Asset) Liabilit (a) - (b)
Balance at 12/31/2018	\$ 1,603,936	\$ 1,206,025	\$ 397,911
Changes for the year:			
Service cost	84,176	-	84,176
Interest	109,368	-	109,368
Change of benefit terms	-	-	-
Difference between expected and actual experience	37,449	-	37,449
Change of assumptions	(8,719)	-	(8,719)
Contributions - employer	-	76,005	(76,005)
Contributions - employee	-	39,440	(39,440)
Net investment income	-	186,668	(186,668)
Benefit payments, including refunds to employees	(51,529)	(51,529)	-
Administration expense	-	(1,054)	1,054
Other changes	-	(32)	32
Net changes	<u>170,745</u>	<u>249,498</u>	<u>(78,753)</u>
Balance at 12/31/2019	<u>\$ 1,774,681</u>	<u>\$ 1,455,523</u>	<u>\$ 319,158</u>

Sensitivity of the net pension (asset) liability to change in the discount rate:

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

1% Decrease 5.75%	Current Single Discount Rate Assumption 6.75%	1% Increase 7.75%
<u>\$577,208</u>	<u>\$319,158</u>	<u>\$109,063</u>

Pension Plan Fiduciary Net Position :

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

CITY OF HOOKS, TEXAS
NOTE TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Note J – Postemployment Benefits Other Than Pensions (OPEB)

OPEB-75

Plan description – The City maintains a single-employer defined benefit group-term life insurance plan known as the TMRS Supplemental Death Benefits Fund (“SDBF”). The plan is administered by the Texas Municipal Retirement System (“TMRS”). This is a voluntary program in which the City elected, by ordinance, to provide group-term life insurance coverage for their active members, including retirees. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e., no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*).

Benefits provided – The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered another postemployment benefit (“OPEB”) and is a fixed amount of \$7,500.

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	4
Inactive employees entitled to but not yet receiving benefits	4
Active employees	<u>13</u>
Total	21

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 refund retiree term life insurance during employees’ entire careers.

The City’s SDBF contribution rates for all covered employees for the City in calendar years 2019 and 2018 were .28% and .22% respectively. The City’s contributions for all covered employees to the TMRS SDBF for the fiscal years ended September 30, 2020 and September 30, 2019 were \$1,296 and \$1,425, respectively, which equaled the required contributions for each year. The retiree portion of this contribution rate (OPEB portion) was 0.09% and 0.08% of covered payroll in calendar years 2019 and 2018, respectively.

Total OPEB Liability

The City’s total OPEB liability (TOL) of \$41,795 was measured as of December 31, 2019 and was determined by an actuarial valuation as of that date.

CITY OF HOOKS, TEXAS
NOTE TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Actuarial Assumptions and other inputs:

The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Inflation	2.5% per year
Salary Increase	3.5% to 11.5% per year, including inflation
Discount Rate	2.75%
Retirees Share of Benefit Costs	\$0

Salary increases are assumed to occur once a year and are assumed to increase by a graduated service-based scale ranging from 10.50% for employees with one year of service to 3.50% for employees with 25 or more years of service.

Mortality rates for service retirees were based on the Gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103%. The service retiree rates were projected on a fully generational basis by scale BB to account for future mortality improvements.

For disabled retirees, the gender-distinct RP2000 Combined Mortality Tables with Blue Collar Adjustment were used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. The disabled retiree rates were projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013.

The applicable discount rate for an unfunded OPEB plan under GASB no. 75 is based on the Fidelity Index's "20- Year Municipal GO AA Index" rate as of the measurement date.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 12/31/2018	<u>\$ 29,420</u>
Changes for the year	
Service cost	2,197
Interest	1,123
Change of benefit terms	-
Difference between expected and actual experience	1,968
Change of assumptions	7,594
Benefit payments, including refunds to employees	(507)
Net changes	<u>12,375</u>
Balance at 12/31/2019	<u><u>\$ 41,795</u></u>

*Due to the SBDF being considered an unfunded OPEB plan under GASB Statement No. 75, benefit payments are treated as being equal to the employer's yearly contribution for retirees.

CITY OF HOOKS, TEXAS
NOTE TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

The SDBF does not incur TMRS Administrative Expenses. The City is charged and the administrative expenses are paid through the TMRS Defined Benefit Pension Plan recorded under GASB Statement No. 68.

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 2.75%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.75%) or 1-percentage-point higher (3.75%) than the current rate:

1% Decrease	Current Single Discount Rate Assumption	1% Increase
1.75%	2.75%	3.75%
\$51,086	\$41,795	\$34,628

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

For the year ended September 30, 2020, the City recognized OPEB expense of \$4,035. At year-end, the City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,657	\$ 3,513
Changes in actuarial assumptions	7,579	1,487
Difference between projected and actual investment earnings	-	-
Contributions subsequent to the measurement date	-	-
	<u>\$ 9,236</u>	<u>\$ 5,000</u>

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

Year Ending September 30,	Net Deferred Outflows (Inflows) of Resources
2020	\$ 715
2021	715
2022	715
2023	474
2024	1,133
Thereafter	484
Total	<u>\$ 4,236</u>

NOTE K – CONTRACTS AND PARTICIPATION AGREEMENTS

The City along with seven other area cities had formed Lake Texarkana Water Supply Corporation (LTWSC). The cities executed a contract to be provided water by the Water Supply Corporation. That contract has now been amended and extended by a document entitled; "Extension and Amendment to Water Supply Contract" dated March 1, 2010 by the cities. This document extends and amends the terms and provisions of the original contract and also recognizes the establishment of the Riverbend Water Resources District

CITY OF HOOKS, TEXAS
NOTE TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

which was created by the 81st Texas Legislature, codified in Title 6, Special District Local Laws Code, Subtitle L, Chapter 9601, effective June 19, 2009, to which, the City is a member.

Each Member City agrees to make monthly payments to the City of Texarkana, Texas as agent for Riverbend Water Resources District in an amount deemed adequate to discharge its pro rata part of maintenance and operating and administrative expenses of Riverbend Water Resources District.

The Extension and Amendment to Water Supply Contract likewise acknowledges that all existing Lake Texarkana Water Supply Corporation bonds have been paid and Lake Texarkana Water Supply Corporation was involuntarily dissolved effective March 21, 2007.

The City incurred \$167,087 of expenditures for water under this Water Supply Contract for the year ending September 30, 2020. The amount incurred is based on actual water consumption and estimated operations costs. The amount will be trued-up based on actual consumption and costs in the subsequent period, if necessary.

Simultaneously the City has entered into an Interlocal Cooperation Agreement dated March 5, 2010 with Riverbend Water Resources District. The City will procure certain services from Riverbend and participate in the funding of the development of Riverbend projects. The City incurred \$7,273 of expenditures for fees and \$16,555 of expenditures for water to Riverbend during the year ended September 30, 2020.

As a result of the payoff of the LTWSC bonds, during the current year, assets acquired with bond proceeds were conveyed to the member cities in proportion to their participation in the project. In May 2011, the City of Texarkana underwent an agreed-upon procedures examination to determine the percentages to be conveyed to the Member Cities for each City's respective portion of the undivided interest in the LTWSC facilities pursuant to the provisions of the 1969 Water Supply Contract between the City of Texarkana and member cities. The assets conveyed to the City were valued at cost less depreciation. At year-end the City has recorded \$38,153 as its share of the capital improvements fund deposits and \$349,919 of capital assets less \$287,727 of accumulated depreciation in the Proprietary Fund and Business-Type Activities.

NOTE L – WATER SALES CONTRACT

The City has a contract to sell water to Burns-Redbank Water Supply Corporation, a rural water association located north of Hooks, Texas. The amount of sales to the association for the year ended September 30, 2020 was \$147,792.

NOTE M – DISCLOSURES OF HOOKS SPECIAL INDUSTRIAL DEVELOPMENT CORPORATION AND HOOKS COMMUNITY DEVELOPMENT CORPORATION

The Hooks Special Industrial Development Corporation (HSIDC) is a discretely presented component unit of the City of Hooks, Texas. The Board of Directors of HSIDC is appointed by the City Council of the City of Hooks, Texas. Its mission is to improve economic growth in the City of Hooks, Texas. A special sales tax was passed by the citizens of the City to support the HSIDC. The sales tax is to be used for future economic development of the City, which are legally restricted to expenditures for this purpose.

The Hooks Community Development Corporation (HCDC) is reported as a discretely presented component unit of the City of Hooks, Texas. The HCDC must abide by the same laws as what the City Council does as far as Open Meeting Act, and must elect 3 officers: a President, Secretary, and Treasurer. Its mission is to promote programs that support community development in the City of Hooks, Texas. The citizens enacted

CITY OF HOOKS, TEXAS
NOTE TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

a special sales tax to support HCDC. The sales tax is to be used for future economic development, education, community organizing, and real estate development, education, community organizing, and real estate development of the City and is legally restricted to expenditures for this purpose.

Cash and Deposits

HSIDC / HCDC have not formally adopted an investment policy as of September 30, 2020. HSIDC generally follows the investment policy of the City as follows:

Statutes authorize the City to invest in bank certificates of deposit, obligations of the U.S. Treasury and U.S. agencies, banker's acceptances repurchase agreements and commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record. The City's policy is to invest in instruments or require collateral so as to not expose the City to credit, custodial credit, custodial concentration, interest rate, or foreign currency risks.

Bank Deposits and Concentration of Credit Risk

As of September 30, 2020, HSIDC bank balances were fully insured by FDIC.

Capital Assets

Capital assets, which include property and equipment, are reported in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date of donation. Repairs and maintenance are recorded as expenses. Improvements are capitalized. Interest has not been capitalized during the period of construction of capital assets.

Depreciation is calculated by using the straight-line method. Estimated useful lives of assets are:

Buildings and improvements	15-20 years
Machinery and equipment	5-10 years

In accordance with its charter, the HSIDC has obtained several tracts of land and buildings to promote industry in the City of Hooks, Texas. Charges in land and other fixed assets during the year 2020 are as follows:

	Balance October 1, 2019	Additions	Reclassifications/ Retirements	Balance September 30, 2020
Capital Assets Not Being Depreciated				
Land	\$ 419,542	\$ 499,779	\$ -	\$ 919,321
Total Capital Assets Not Being Depreciated	419,542	499,779	-	919,321
Capital Assets Being Depreciated				
Buildings and Improvements	141,418	-	-	141,418
Machinery, Equipment and Vehicles	7,070	-	-	7,070
Total Capital Assets Being Depreciated	148,488	-	-	148,488
Less Accumulated Depreciation For:				
Buildings and Improvements	85,443	13,102	-	98,545
Machinery, Equipment and Vehicles	3,572	407	-	3,979
Total Accumulated Depreciation	89,015	13,509	-	102,524
Net Capital Assets Being Depreciated	59,473	(13,509)	-	45,964
Component Unit Capital Assets Net	\$ 479,015	\$ 486,270	\$ -	\$ 965,285

CITY OF HOOKS, TEXAS
NOTE TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Depreciation expense of \$13,509 was charged to HSIDC expenses in the statement of activities.

Joint Venture Agreement

HSIDC entered into an agreement with the New Boston Special Industrial Development Corporation (NBSIDC) and Bowie County, Texas to purchase approximately 847 acres of land adjacent to Interstate 30 in Bowie County, Texas for the purpose of attracting and stimulating industrial development in northeast Texas. Under the agreement, HSIDC, NBSIDC, and Bowie County, Texas will each contribute one third of the cost of purchasing, maintaining, and marketing the property. At year-end, HSIDC had provided \$499,779 to the joint venture as its share of the land purchase. HSIDC's share of the costs of the land is included on the HSIDC books as part of the cost of capital assets. No other costs has been incurred at year-end. A fourth party to the agreement, AR-TX REDI, a Texas non-profit organization, (REDI) is engaged to utilize its best efforts to market the property for furtherance of REDI's mission for the benefit of HSIDC, NBSIDC, and Bowie County, Texas hold an equal one-third percentage interest in the property. Any decision on the ultimate use of the property require the unanimous consensus of HSIDC, NBSIDC, and Bowie County, Texas. Separate financial information on this joint venture can be obtained by contacting the respective participating entities.

Long-Term Debt

In March 2020, HSIDC purchased land on I-30 for \$499,779. Part of this land purchase was through funds readily available and the remaining through a note payable to Farmers Bank & Trust. The original amount of the loan was \$250,000. Terms of the loan require 120 monthly payments of \$2,304 beginning April 2020. The interest rate is 2.00%. The balance at year end was \$238,651 with \$21,110 due within one year.

Notes Receivable

In January 2012, HSIDC entered into an agreement with a local business owner to finance the renovation of a brake and muffler shop. The original amount of the note was \$40,700. Terms of the note require monthly payments of principal and interest of \$362 beginning February 2012 and ending June 2023 when the note is due in full. The interest rate is 3.0%. The balance on this note at year end was \$11,490.

In August 2015, HSIDC entered into an agreement with a local business owner to finance the construction/renovation of a Laundromat. The original amount of the note was \$120,000. Terms of the note require monthly payments of principal and interest of \$1,159 beginning March 2016 and ending February 2026 when the note is due in full. The interest rate is 3.0%. The balance on this note at year end was \$69,281.

In September 2020, HSIDC entered into an agreement with Steve D. Henson. The original amount of the note was \$3,000. Terms of the note require monthly payments of principal and interest of \$130 beginning October 2020 and ending September 2022 when the note is due in full. The interest rate is 4.0%. The balance on this note at year end was \$3,000.

NOTE N – ECONOMIC DEPENDENCE

City operations are funded by taxes and revenues provided by the residents of the City of Hooks, Texas. Accordingly, the City is economically dependent on the property values and local economy of the City of Hooks, Texas and the surrounding area. HSIDC and HCDC receives the majority of its revenue from sales

CITY OF HOOKS, TEXAS
NOTE TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

taxes levied and collected by in the City of Hooks, Texas. Accordingly, its revenues are dependent on the local economy of the City of Hooks, Texas.

NOTE O – SUBSEQUENT EVENTS

On March 13, 2020, Texas Governor Greg Abbott declared Texas in a state of disaster as a result of the COVID-19 pandemic. The pandemic will most probably have a significant effect on governmental and private entities. The extend of this effect cannot, at this time, be estimated or quantified.

The Organization has reviewed its records to determine if there should be any disclosure of events that has occurred as of the date of release of these financial statements. Based on the Organizations review for subsequent events, the Organization has determined that there are no additional items which need to be recorded in the financial statements as of September 30, 2020. These financial statements were made available as of June 15, 2021.

**CITY OF HOOKS, TX
REQUIRED SUPPLEMENTARY INFORMATION**

CITY OF HOOKS, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts		GAAP Basis Actual Amount	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Property Taxes	\$ 456,587	\$ 456,587	\$ 448,307	\$ (8,280)
General Sales and Use Taxes	240,000	240,000	267,560	27,560
Franchise Tax	40,000	40,000	60,999	20,999
Penalties and Interest	20,000	20,000	14,838	(5,162)
Court Revenue	38,000	38,000	37,508	(492)
Licenses and Permits	5,000	5,000	7,737	2,737
Charges for Services	42,000	42,000	44,058	2,058
Investment Earnings	-	-	950	950
Other Revenue	17,000	17,000	20,419	3,419
Total revenues	858,587	858,587	902,376	43,789
Expenditures				
Current				
General and administrative	147,276	147,276	167,545	(20,269)
Economic development	80,000	80,000	82,232	(2,232)
Police	474,408	474,408	467,655	6,753
Fire department	60,850	60,850	47,847	13,003
Court	34,657	34,657	34,837	(180)
Park	3,000	3,000	-	3,000
Capital outlay				
General and administrative	500	500	44,118	(43,618)
Police	500	500	-	500
Debt Service				
Principal	30,750	30,750	22,204	8,546
Interest and fiscal charges	5,000	5,000	4,004	996
Total expenditures	836,941	836,941	870,442	(33,501)
Excess (deficiency) of revenues over expenditures	21,646	21,646	31,934	77,290
Other financing sources (uses)				
Transfers in	-	-	28,700	28,700
Loan proceeds	-	-	-	-
Sale of assets	-	-	-	-
Total other financing sources (uses)	-	-	28,700	28,700
Net change in fund balance	21,646	21,646	60,634	105,990
Fund balance at beginning of year	644,590	644,590	644,590	-
Fund balance at end of year	\$ 666,236	\$ 666,236	\$ 705,224	\$ 105,990

Notes to the budgetary comparison schedule:

The general fund budget is prepared on a basis consistent with GAAP for a governmental fund.
Actual expenditures in the General Fund exceeded budgeted amounts by \$33,501 for the year.

CITY OF HOOKS, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last 10 Years (will ultimately be displayed)

	<i>Measurement Date</i>					
	12/31/2019	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014
Total Pension Liability						
Service cost	\$ 84,176	\$ 80,099	\$ 77,217	\$ 76,194	\$ 33,374	\$ 34,843
Interest (on the Total Pension Liability)	109,368	101,431	99,386	89,916	80,603	50,342
Change of benefit terms	-	-	-	-	374,921	-
Difference between expected and actual experience	37,449	3,444	(87,055)	3,689	31,533	2,067
Change of assumptions	(8,719)	-	-	-	42,844	-
Benefit payments, including refunds to employees	(51,529)	(87,334)	(34,066)	(25,940)	(32,355)	(25,940)
Net Change in Total Pension Liability	170,745	97,640	55,482	143,859	530,920	61,312
Total Pension Liability - Beginning	1,603,936	1,506,296	1,450,814	1,306,955	776,035	714,723
Total Pension Liability - Ending (a)	1,774,681	1,603,936	1,506,296	1,450,814	1,306,955	776,035
Plan Fiduciary Net Position						
Contributions - employer	76,005	75,677	66,975	55,378	4,934	3,425
Contributions - employee	39,440	37,330	36,571	36,111	24,832	25,455
Net investment income	186,668	(36,504)	139,842	59,758	1,308	47,833
Benefit payments, including refunds to employees	(51,529)	(87,334)	(34,066)	(25,940)	(32,355)	(25,940)
Administrative expense	(1,054)	(705)	(725)	(675)	(797)	(500)
Other changes	(32)	(37)	(37)	(36)	(39)	(41)
Net Change in Plan Fiduciary Net Position	249,498	(11,573)	208,560	124,596	(2,117)	50,232
Plan Fiduciary Net Position - Beginning (b)	1,206,025	1,217,598	1,009,038	884,442	886,559	836,327
	\$ 1,455,523	\$ 1,206,025	\$ 1,217,598	\$ 1,009,038	\$ 884,442	\$ 886,559
Net Pension Liability - Ending (a) - (b)	\$ 319,158	\$ 397,911	\$ 288,698	\$ 441,776	\$ 422,513	\$ (110,524)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	82.02%	75.19%	80.83%	69.55%	67.67%	114.24%
Covered Employee Payroll	\$ 563,426	\$ 533,285	\$ 522,440	\$ 515,870	\$ 496,642	\$ 509,091
Net Pension Liability as a Percentage of Covered Employee Payroll	56.65%	74.62%	55.26%	85.64%	85.07%	(21.71%)

CITY OF HOOKS, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)
SCHEDULE OF CONTRIBUTIONS
Last 10 Years (will ultimately be displayed)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially Determined Contribution	\$76,005	\$75,677	\$66,975	\$55,378	\$ 4,934
Contributions in relation to the actuarially determined contribution	<u>(76,005)</u>	<u>(75,677)</u>	<u>(66,975)</u>	<u>(55,378)</u>	<u>(4,934)</u>
Contribution deficiency (excess)	-	-	-	-	-
Covered employee payroll	563,426	533,285	522,440	515,870	496,642
Contributions as a percentage of covered employee payroll	13.49%	14.19%	12.82%	10.73%	0.99%

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	20 years
Asset Valuation Method	10 year smoothed market; 12% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experienced-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.
Other information:	
Notes	There were no benefit changes during the year.

CITY OF HOOKS, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)
SCHEDULE OF CHANGES IN OPEB LIABILITY AND RELATED RATIOS
Last 10 Years (will ultimately be displayed)

	Measurement Date		
	12/31/2019	12/31/2018	12/31/2017
Total Pension Liability			
Service Cost	\$ 2,197	\$ 2,026	\$ 1,724
Interest on the Total OPEB Liability	1,123	1,151	1,132
Changes of Benefit Terms	-	-	-
Difference between expected and actual experience	1,968	(5,135)	2,258
Changes of Assumptions	7,594	(2,175)	-
Benefit payments, including refunds of employee contributions	(507)	(427)	(418)
Net Change In Total OPEB Liability	12,375	(4,560)	4,696
Total OPEB Liability Beginning	29,420	33,980	29,284
Total OPEB Liability Ending	41,795	29,420	33,980
Covered Employee Payroll	563,426	533,285	522,440
OPEB Liability as a Percentage of Covered Employee Payroll	7.42%	5.52%	6.50%

CITY OF HOOKS, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2020

General

The measurement date is December 31, nine months prior to the fiscal year end. The TMRS Schedule of Changes in Net Pension Liability and Related Ratios, TMRS Schedule of Pension Contributions, and TMRS Schedule of Changes in OPEB Liability and Related Ratios is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is completed, only available information is shown. Amounts recognized in the fiscal year represent changes between the current and prior measurement dates.

Beginning and ending total pension liability are determined by using a roll forward procedure allowed for GASB 68 and 75.

Due to the SDBF being considered an unfunded OPEB, The City's OPEB does not meet the definition of a trust under GASB No. 75 and therefore does not have any accumulated assets and benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Changes of benefit terms

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

Changes of assumptions

There were no changes of assumptions that affected measurement of the total pension liability during the measurement period.

For purposes of the OPEB implementation, the beginning of year liability is rolled back from the measurement date, so there will be no experience loss/(gain).

Changes in assumptions for the OPEB will generally only be the annual change in the municipal bond index rate.

The OPEB uses the same measurement time period and assumptions as the net pension liability. Recognition period for liability (gains) or losses may differ from GASB 68 reporting due to differences in the covered inactive populations.