



**FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT
SEPTEMBER 30, 2023**

**CITY OF HAWKINS, TEXAS
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FOR THE YEAR ENDED SEPTEMBER 30, 2023**

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DAVID K. GODWIN

CERTIFIED PUBLIC ACCOUNTANT, PLLC

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis on pages 4 through 12, budgetary comparison information on page 58, and the Texas Municipal Retirement System schedules on pages 59 through 61 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2024, on our consideration of the City of Hawkins, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Hawkins, Texas's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Hawkins, Texas's internal control over financial reporting and compliance.



David K. Godwin, CPA, PLLC

Tyler, Texas
June 25, 2024

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Management's Discussion and Analysis

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Mayor
Debbie Rushing

City of Hawkins
P. O. Box 329
Hawkins, Texas 75765
(903) 769-2224
Fax (903) 769-2781



**Management's Discussion and Analysis
For Year Ended September 30, 2023
(Unaudited)**

The Management Discussion and Analysis of the City of Hawkins's (City) annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended September 30, 2023. Please read in conjunction with the City's financial statements which follow this section.

FINANCIAL HIGHLIGHTS

Mayor and Council

Debbie Rushing
Mayor

Meredith Hancock
Alderman, Place 1

Clara Kay
Alderman, Place 2

Eric Maloy
Alderman, Place 3

Eleta Taylor
Alderman, Place 4

Greg Branson
Alderman, Place 5

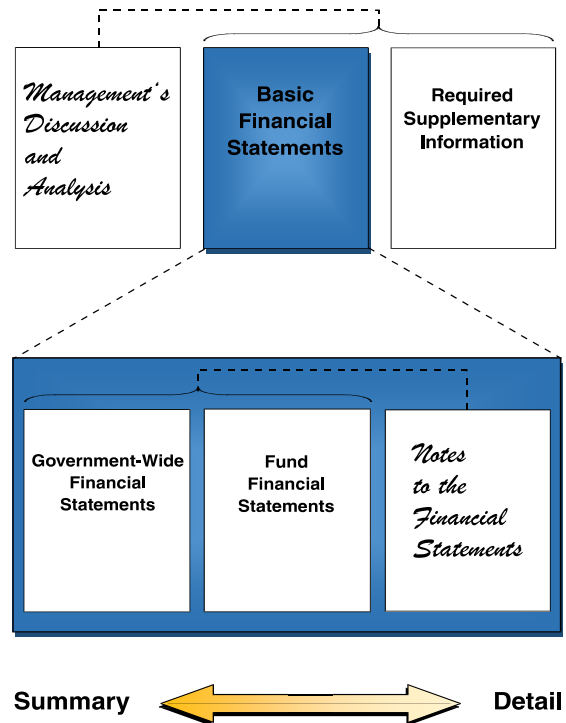
- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$8,011,495 (Net Position). Of this amount, \$2,261,304 (Unrestricted Net Position) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- The City's total net position increased by \$191,416.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,546,259. Of this amount, \$1,126,158 is unassigned and available for use within the City's fund designation and fiscal policies.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,126,158, or 88.85% of the total general fund expenditures.
- The City's outstanding long-term debt decreased by \$259,950.
- The Hawkins Community Development Corporation's total net position increased by \$101,868.

OVERVIEW OF THE FINANCIAL STATEMENTS

The City’s annual report consists of a series of financial statements, notes to those statements, and other supplementary information. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are Government-Wide Financial Statements that provide both long-term and short-term information about the City’s overall financial status.
- The remaining statements are Fund Financial Statements that focus on individual parts of the government, reporting the City’s operations in more detail than the Government-Wide Statements.
 - The Governmental Funds Statements tell how general government services were financed in the short term as well as what remains for future spending.
 - Proprietary Fund Statements offer financial information about the internal service fund used to report activities that provide services to organizations within the City.

Figure A-1 Required Components of the City’s Annual Financial Report



The basic financial statements include notes that explain information contained within the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 (above) shows how the required parts of this annual report are arranged and related to one another.

Figure A-2 (next page) summarizes the major features of the City’s financial statements, including the portion of the City’s government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

**FIGURE A-2
MAJOR FEATURES OF THE CITY'S GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

<i>Type of Statement</i>	Government-Wide	Governmental Funds	Proprietary Funds
<i>Scope</i>	Entire City's (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses.
<i>Required financial statements</i>	• Statement of net position	• Balance sheet	• Statement of net position
	• Statement of activities	• Statement of revenues, expenditures and changes in fund balances	• Statement of revenues, expenses and changes in fund net position • Statement of cash flows
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
<i>Type of flow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

Government-Wide Statements

The Government-Wide Statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two Government-Wide Statements report the City's net position and how it has changed. Net position, the difference between the City's assets and liabilities, is one way to measure the City's financial health or position.

- Over time, increases or decreases in the City's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, you need to consider additional non-financial factors such as changes in the City's tax base.

The Government-Wide Financial Statements of the City include the governmental activities. The City's basic activities include general government, municipal court, public safety, highways and streets, sanitation, and parks and recreation. Taxes, fines & forfeitures, and garbage service fees finance most of these activities.

Fund Financial Statements

The Fund Financial Statements provide more detailed information about the City's most significant funds, not the City as a whole. Funds are accounting devices used by the City to track specific sources and uses of funding for specified activities.

- Some funds are required by State law and by bond covenants.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has two types of funds:

- Governmental funds—Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the year-end balances that are available for spending. Consequently, the Governmental Fund Statements provide a detailed short-term view that helps you determine the level of financial resources that can be spent in the near term to finance the City's programs. Because this information does not encompass the additional long-term focus of the Government-Wide Statements, we provide additional information at the bottom of the Governmental Fund Statements, or on the subsequent page, that explains the relationship (or differences) between them.
- Proprietary funds—Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the Government-Wide Statements, provide both long-term and short-term financial information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's assets exceeded liabilities by \$8,011,495 as of September 30, 2023.

The largest portion of the City's net position, 66%, or \$5,330,090, reflects its investments in capital assets (e.g., land, building, equipment, vehicles, improvements, and infrastructure), less any outstanding debt used in acquiring those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated to repay these liabilities.

CITY OF HAWKINS'S NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and Other Assets	\$ 1,984,561	\$ 3,986,656	\$ 774,482	\$ 943,472	\$ 2,759,043	\$ 4,930,128
Capital Assets	3,104,316	2,741,350	5,149,629	3,712,188	8,253,945	6,453,538
Total Assets	<u>5,088,877</u>	<u>6,728,006</u>	<u>5,924,111</u>	<u>4,655,660</u>	<u>11,012,988</u>	<u>11,383,666</u>
Total Deferred Outflows of Resources	<u>98,718</u>	<u>43,922</u>	<u>115,737</u>	<u>34,288</u>	<u>214,455</u>	<u>78,210</u>
Current Liabilities	68,099	232,306	187,891	98,549	255,990	330,855
Non-Current Liabilities	2,792,040	3,010,994	68,499	37,619	2,860,539	3,048,613
Total Liabilities	<u>2,860,139</u>	<u>3,243,300</u>	<u>256,390</u>	<u>136,168</u>	<u>3,116,529</u>	<u>3,379,468</u>
Total Deferred Inflows of Resources	<u>47,715</u>	<u>131,861</u>	<u>51,704</u>	<u>130,498</u>	<u>99,419</u>	<u>262,359</u>
Net Position:						
Invested in Capital Assets, Net of Related Debt	210,734	(441,123)	5,119,356	3,712,188	5,330,090	3,271,065
Restricted	420,101	2,255,360	-	-	420,101	2,255,360
Unrestricted	1,648,906	1,582,530	612,398	711,094	2,261,304	2,293,624
Total Net Position	<u>\$ 2,279,741</u>	<u>\$ 3,396,767</u>	<u>\$ 5,731,754</u>	<u>\$ 4,423,282</u>	<u>\$ 8,011,495</u>	<u>\$ 7,820,049</u>

A portion of net position, \$517, is held for continuing education under the Law Enforcement Officer Standards and Education (LEOSE) fund, in addition to \$240,038 held for retirement of long-term debt and \$179,546 restricted for capital improvements. The remaining balance of unrestricted net position, \$1,648,906, may be used to meet the government's ongoing obligations to citizens and creditors.

As of September 30, 2023, the City is able to report positive balances in all three categories of net position for the government as a whole, and all three categories for its business-type activities. In the prior fiscal year, the City also reported overall positive balances in all two categories of net position and all three categories for its business-type activities.

Analysis of the City's Operations - Overall the City had an increase in net position of \$191,416.

Governmental Activities: Net position for the governmental activities decreased by \$1,117,056. Net position invested in capital assets, net of related debt, increased by \$651,857 due to capital asset acquisitions and construction being less than depreciation expenses and liquidation of long-term debt. The remaining change in net position is due to higher-than-expected revenues.

Total revenues for the governmental activities decreased from the previous year by \$89,089, primarily due to expenditures exceeding anticipated revenue and transfers to fund capital projects. General revenue decreased \$68,872 during 2023, primarily due to larger grant collections in the previous year.

Business-type Activities: Net position from business-type activities increased by \$1,308,472. This increase was primarily due to interfund transfers for expenditures supporting the water and sewer rehabilitation along with operating activities of the City's water and sewer utilities.

The following table provides a summary of the City's operations for the year ended September 30, 2023.

CITY OF HAWKINS'S CHANGE IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues:						
Operating Revenues:						
Charges for Services	\$ 255,265	\$ 275,482	\$ 884,736	\$ 988,019	\$ 1,140,001	\$ 1,263,501
General Revenues:						
Taxes	1,440,475	1,272,462	-	-	1,440,475	1,272,462
Grant	34,403	265,264	-	205,529	34,403	470,793
Miscellaneous	2,281	8,305	530	2,555	2,811	10,860
Total Revenues	<u>1,732,424</u>	<u>1,821,513</u>	<u>885,266</u>	<u>1,196,103</u>	<u>2,617,690</u>	<u>3,017,616</u>
Expenses:						
General Government	1,325,633	1,257,600	-	-	1,325,633	1,257,600
Water and Sewer	-	-	1,133,073	926,226	1,133,073	926,226
Total Expenses	<u>1,325,633</u>	<u>1,257,600</u>	<u>1,133,073</u>	<u>926,226</u>	<u>2,458,706</u>	<u>2,183,826</u>
Increase (Decrease) in Total Revenues	<u>406,791</u>	<u>563,913</u>	<u>(247,807)</u>	<u>269,877</u>	<u>158,984</u>	<u>833,790</u>
NONOPERATING REVENUES (EXPENSES)						
Interest Income	<u>27,025</u>	<u>64,542</u>	<u>7,912</u>	<u>46,054</u>	<u>34,937</u>	<u>110,596</u>
Total Non-operating Expense	<u>27,025</u>	<u>64,542</u>	<u>5,407</u>	<u>46,054</u>	<u>32,432</u>	<u>110,596</u>
OTHER FINANCING SOURCES (USES)						
Operating Transfers from Other Funds	-	-	1,550,872	986,182	1,550,872	986,182
Operating Transfers to Other Funds	<u>(1,550,872)</u>	<u>(986,182)</u>	<u>-</u>	<u>-</u>	<u>(1,550,872)</u>	<u>(986,182)</u>
Total Other Financing Sources (Uses)	<u>(1,550,872)</u>	<u>(986,182)</u>	<u>1,550,872</u>	<u>986,182</u>	<u>-</u>	<u>-</u>
Change in Net Position	(1,117,056)	(357,727)	1,308,472	1,302,113	191,416	944,386
Net Position – Beginning	<u>3,396,797</u>	<u>3,754,494</u>	<u>4,423,282</u>	<u>3,121,169</u>	<u>7,820,079</u>	<u>6,875,663</u>
Net Position – Ending	<u>\$ 2,279,741</u>	<u>\$ 3,396,767</u>	<u>\$ 5,731,754</u>	<u>\$ 4,423,282</u>	<u>\$ 8,011,495</u>	<u>\$ 7,820,049</u>

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,546,259; of this total amount, \$1,126,158, constitutes a surplus in unassigned fund balance.

Proprietary funds – The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

GENERAL FUND BUDGETARY HIGHLIGHTS

In the general fund, the City’s original budget planned for an increase in the fund balance on a budget basis. The City did not pass any budget amendments during the fiscal year ending 2023.

Actual revenues in all categories were higher than the final budgeted amounts by a total of \$141,348. Actual expenditures not including transfers were higher than final budgeted amounts by a total of \$162,236.

After considering operating transfers, the City had an unfavorable variance of \$414,007 where transfers were made to establish a capital projects fund for tracking bond expenditures supporting the street improvement project, along with the water and sewer rehabilitation. Additional transfers were made to support ongoing operating activities of the City’s water and sewer utilities; these expenditures were paid from the general funds unassigned fund balance. Additional information on the City’s General Fund budgetary data can be found in Exhibit 10 on page 58 of this report.

CAPITAL ASSETS

The City’s investment in capital assets for its governmental and business-type activities as of September 30, 2023, amounts to a surplus \$5,330,090 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, improvements, vehicles, and infrastructure. The total increase in capital assets for the current fiscal year was \$1,800,406, or 21.81% and is due to capital asset acquisitions exceeding depreciation expenditures.

Major capital asset additions during fiscal year 2023 included \$1,437,348 for construction and rehabilitation of the water and sewer system, and \$458,850 for street improvements.

CAPITAL ASSETS AT YEAR-END AND ACCUMULATED DEPRECIATION

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 185,891	\$ 185,891	\$ -	\$ -	\$ 185,891	\$ 185,891
Building	748,580	748,580	5,530	5,530	754,110	754,110
Machinery and Equipment	329,173	293,202	181,578	42,874	510,751	336,076
Vehicles	1,082,071	1,085,427	144,563	102,126	1,226,634	1,187,553
Water and Sewer System	-	-	9,033,359	9,007,879	9,033,359	9,007,879
Infrastructure	4,508,896	4,508,896	-	-	4,508,896	4,508,896
Construction in Progress	472,250	13,400	2,296,674	859,326	2,768,924	872,726
Right-to-Use Copier Lease	5,617	-	-	-	5,617	-
Right-to-use Software Arrangements	7,397	-	19,027	-	26,424	-
Accumulated Depreciation	(4,235,559)	(4,094,046)	(6,531,102)	(6,305,546)	(10,766,661)	(10,399,592)
Total	\$ 3,104,316	\$ 2,741,350	\$ 5,149,629	\$ 3,712,189	\$ 8,253,945	\$ 6,453,539

Additional information on the City’s capital assets can be found in Note 2 on pages 38 and 39 in the notes of this report.

DEBT ADMINISTRATION

The City had total debt and other long-term liabilities of \$3,001,529 as of September 30, 2023. At the end of the current fiscal year, the City entered into a note agreement for two new vehicles.

OUTSTANDING DEBT AT YEAR-END

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Certificates of Obligation	\$ 2,804,000	\$ 3,071,000	\$ -	\$ -	\$ 2,804,000	\$ 3,071,000
Notes Payable	76,674	77,382	-	-	76,674	77,382
Right-to-Use Copier Lease	3,704	-	-	-	3,704	-
Right-to-use Software Arrangements	5,079	-	13,065	-	18,144	-
Net OPEB Liability	20,617	27,160	16,357	23,904	36,974	51,064
Total	\$ 2,910,074	\$ 3,175,542	\$ 29,422	\$ 23,904	\$ 2,939,496	\$ 3,199,446

During the fiscal year, the City's long-term debt decreased by \$259,950, or 8.84%. The decrease was primarily due to the following:

- Annual debt principal payments made on Certificates of Obligation.
- Annual debt principal payments made on notes payable.

Additional information on the City's long term-debt can be found in Note 2 on pages 40 and 41 in the notes of this report.

REQUEST FOR INFORMATION

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information, contact the City of Hawkins, Attn: City Secretary at P.O. Box 329, Hawkins, Texas 75765.

Basic Financial Statements

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Government-Wide Financial Statements

CITY OF HAWKINS, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

	PRIMARY GOVERNMENT			COMPONENT UNIT
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	HCDC
ASSETS				
Cash and cash equivalents	\$ 595,303	\$ 553,386	\$ 1,148,689	\$ 327,268
Investments	499,335	-	499,335	13,282
Receivables (net of allowances):	378,113	86,046	464,159	26,501
Prepaid items	-	-	-	-
Restricted cash	420,101	93,801	513,902	-
Net pension asset	91,709	41,249	132,958	-
Capital assets:				
Land and other non-depreciated assets	658,141	2,296,674	2,954,815	277,065
Other capital assets - net of depreciation	2,446,175	2,852,955	5,299,130	-
Total Assets	<u>5,088,877</u>	<u>5,924,111</u>	<u>11,012,988</u>	<u>644,116</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows from pensions	96,591	113,533	210,124	-
Deferred outflows from OPEB	2,127	2,204	4,331	-
Total Deferred Outflows of Resources	<u>98,718</u>	<u>115,737</u>	<u>214,455</u>	<u>-</u>
LIABILITIES				
Accounts payable and accrued liabilities	28,653	83,074	111,727	-
Accrued interest	602	-	602	-
Customer deposits	-	93,801	93,801	-
Long-term liabilities:				
Due within one year	38,844	11,016	49,860	-
Due in more than one year	2,792,040	68,499	2,860,539	-
Total Liabilities	<u>2,860,139</u>	<u>256,390</u>	<u>3,116,529</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows from pensions	42,880	43,621	86,501	-
Deferred inflows from OPEB	4,835	8,083	12,918	-
Total Deferred Inflows of Resources	<u>47,715</u>	<u>51,704</u>	<u>99,419</u>	<u>-</u>
NET POSITION				
Investment in capital assets, net of related debt	210,734	5,119,356	5,330,090	-
Restricted for retirement of long-term debt	240,038	-	240,038	-
Restricted for capital improvements	179,546	-	179,546	-
Restricted for public safety	517	-	517	-
Unrestricted	1,648,906	612,398	2,261,304	644,116
Total Net Position	<u>\$ 2,279,741</u>	<u>\$ 5,731,754</u>	<u>\$ 8,011,495</u>	<u>\$ 644,116</u>

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

**CITY OF HAWKINS, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

FUNCTIONS / PROGRAMS	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION			COMPONENT UNIT
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	HCDC
Primary government:							
Governmental activities:							
General government	\$ 303,432	\$ 2,712	\$ 2,880	\$ (297,840)	\$ -	\$ (297,840)	
Municipal court	32,774	178,588	-	145,814	-	145,814	
Public safety	453,332	1,000	8,100	(444,232)	-	(444,232)	
Fire and rescue	157,591	68,850	-	(88,741)	-	(88,741)	
Highways and streets	215,582	-	-	(215,582)	-	(215,582)	
Library	101,410	-	23,423	(77,987)	-	(77,987)	
Parks and recreation	37,031	75	-	(36,956)	-	(36,956)	
Community center	24,481	4,040	-	(20,441)	-	(20,441)	
Total governmental activities	<u>1,325,633</u>	<u>255,265</u>	<u>34,403</u>	<u>(1,035,965)</u>	<u>-</u>	<u>(1,035,965)</u>	
Business-type activities:							
Water and sewer	<u>1,135,578</u>	<u>884,736</u>	<u>-</u>	<u>-</u>	<u>(250,842)</u>	<u>(250,842)</u>	
Total business-type activities	<u>1,135,578</u>	<u>884,736</u>	<u>-</u>	<u>-</u>	<u>(250,842)</u>	<u>(250,842)</u>	
Total primary government	<u>\$ 2,461,211</u>	<u>\$ 1,140,001</u>	<u>\$ 34,403</u>	<u>(1,035,965)</u>	<u>(250,842)</u>	<u>(1,286,807)</u>	
Component unit:							
Hawkins Community Development Corporation	<u>\$ 99,338</u>	<u>\$ -</u>	<u>\$ -</u>				<u>\$ (99,338)</u>
Total component unit	<u>\$ 99,338</u>	<u>\$ -</u>	<u>\$ -</u>				<u>(99,338)</u>
General revenues:							
Sales taxes				346,250	-	346,250	169,389
Property taxes				1,047,414	-	1,047,414	-
Franchise taxes				43,717	-	43,717	-
Hotel taxes				3,094	-	3,094	-
Investment earnings				27,025	7,912	34,937	31,817
Miscellaneous local and intermediate revenue				2,281	530	2,811	-
Transfers				(1,550,872)	1,550,872	-	-
Total general revenues and transfers				<u>(81,091)</u>	<u>1,559,314</u>	<u>1,478,223</u>	<u>201,206</u>
Change in net position				(1,117,056)	1,308,472	191,416	101,868
Net position - beginning				<u>3,396,797</u>	<u>4,423,282</u>	<u>7,820,079</u>	<u>542,248</u>
Net position - ending				<u>\$ 2,279,741</u>	<u>\$ 5,731,754</u>	<u>\$ 8,011,495</u>	<u>\$ 644,116</u>

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

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Fund Financial Statements

**CITY OF HAWKINS, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2023**

	MAJOR FUNDS			TOTAL GOVERNMENTAL FUNDS
	GENERAL	DEBT SERVICE	CAPITAL PROJECTS	
ASSETS				
Cash	\$ 595,303	\$ -	\$ -	\$ 595,303
Investments	499,335	-	-	499,335
Receivables (net of allowances):				
Sales taxes	54,382	-	-	54,382
Property taxes	108,148	-	-	108,148
Franchise taxes	5,789	-	-	5,789
Fines and forfeitures	209,794	-	-	209,794
Restricted cash	517	240,038	179,546	420,101
	<u>1,473,268</u>	<u>240,038</u>	<u>179,546</u>	<u>1,892,852</u>
Total assets	<u>\$ 1,473,268</u>	<u>\$ 240,038</u>	<u>\$ 179,546</u>	<u>\$ 1,892,852</u>
LIABILITIES				
Accounts payable	\$ 6,840	\$ -	\$ -	\$ 6,840
Accrued liabilities	21,813	-	-	21,813
	<u>28,653</u>	<u>-</u>	<u>-</u>	<u>28,653</u>
Total liabilities	<u>28,653</u>	<u>-</u>	<u>-</u>	<u>28,653</u>
DEFERRED INFLOWS (OF RESOURCES)				
Property taxes	108,147	-	-	108,147
Fines, forfeitures, and warrants	209,793	-	-	209,793
	<u>317,940</u>	<u>-</u>	<u>-</u>	<u>317,940</u>
Total deferred inflows	<u>317,940</u>	<u>-</u>	<u>-</u>	<u>317,940</u>
FUND BALANCES				
Restricted:				
Retirement of long-term debt	-	240,038	-	240,038
Capital improvements	-	-	179,546	179,546
Public safety	517	-	-	517
Unassigned	1,126,158	-	-	1,126,158
	<u>1,126,675</u>	<u>240,038</u>	<u>179,546</u>	<u>1,546,259</u>
Total fund balances	<u>1,126,675</u>	<u>240,038</u>	<u>179,546</u>	<u>1,546,259</u>
	<u>\$ 1,473,268</u>	<u>\$ 240,038</u>	<u>\$ 179,546</u>	<u>\$ 1,892,852</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 1,473,268</u>	<u>\$ 240,038</u>	<u>\$ 179,546</u>	<u>\$ 1,892,852</u>

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

CITY OF HAWKINS, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Total fund balances - governmental funds	\$	1,546,259
Capital assets used in governmental activities are not financial resources and, therefore, are not reported on the governmental funds balance sheet.		3,104,316
Long-term pension liability, which is based on GASB 68 reporting requirements, is not due and payable in the current period and therefore is not reported in the governmental fund financial statements:		
Net pension asset		91,709
Deferred outflows, related to pension		96,591
Deferred inflows, related to pension		(42,880)
Long-term OPEB liability, which is based on GASB 75 reporting requirements, is not due and payable in the current period and therefore is not reported in the governmental fund financial statements:		
Net OPEB liability		(27,160)
Deferred outflows, related to OPEB		2,127
Deferred inflows, related to OPEB		(4,835)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported on the governmental funds balance sheet.		(2,804,326)
Outstanding fines, forfeitures and warrants are a long-term asset and not available to pay for current period expenditures and therefore is deferred in the funds.		209,793
Delinquent property taxes receivable is a long-term asset and not available to pay for current period expenditures and therefore is deferred in the funds.		108,147
		108,147
Net position of governmental activities	\$	2,279,741

CITY OF HAWKINS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	MAJOR FUNDS			TOTAL GOVERNMENTAL FUNDS
	GENERAL	DEBT SERVICE	CAPITAL PROJECTS	
REVENUES				
Taxes:				
Sales	\$ 346,250	\$ -	\$ -	\$ 346,250
Property	938,020	120,265	-	1,058,285
Franchise	43,717	-	-	43,717
Hotel	3,094	-	-	3,094
Fines and forfeitures	140,907	-	-	140,907
Charges for services	64,450	-	-	64,450
Facility rental	9,515	-	-	9,515
Licenses and permits	2,712	-	-	2,712
Interest income	44,426	-	-	44,426
Grants and contributions	34,403	-	-	34,403
Miscellaneous	2,281	-	-	2,281
	<u>1,629,775</u>	<u>120,265</u>	<u>-</u>	<u>1,750,040</u>
EXPENDITURES				
General government	377,831	-	20	377,851
Municipal court	31,859	-	-	31,859
Public safety	405,730	-	-	405,730
Fire and rescue	133,480	-	-	133,480
Highways and streets	133,654	-	-	133,654
Library	89,417	-	-	89,417
Parks and recreation	17,226	-	-	17,226
Community center	22,875	-	-	22,875
Debt service	-	392,122	-	392,122
Capital outlay	55,451	-	458,850	514,301
	<u>1,267,523</u>	<u>392,122</u>	<u>458,870</u>	<u>2,118,515</u>
Excess (deficiency) of revenues over (under) expenditures	<u>362,252</u>	<u>(271,857)</u>	<u>(458,870)</u>	<u>(368,475)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers from other funds	-	309,257	-	309,257
Operating transfers to other funds	(447,908)	-	(1,412,221)	(1,860,129)
Right-to-use software arrangements	7,397	-	-	7,397
Right-to-use copier lease	5,617	-	-	5,617
Right-to-use interest expense	(662)	-	-	(662)
Loan proceeds for capital purchases	42,437	-	-	42,437
	<u>(393,119)</u>	<u>309,257</u>	<u>(1,412,221)</u>	<u>(1,496,083)</u>
Net change in fund balances	(30,867)	37,400	(1,871,091)	(1,864,558)
Fund balances - beginning of year	<u>1,157,542</u>	<u>202,638</u>	<u>2,050,637</u>	<u>3,410,817</u>
Fund balances - end of year	<u>\$ 1,126,675</u>	<u>\$ 240,038</u>	<u>\$ 179,546</u>	<u>\$ 1,546,259</u>

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

CITY OF HAWKINS, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:

Net change in fund balances - total governmental funds	\$ (1,864,558)
The depreciation of capital assets used in governmental activities is not reported in the funds.	(172,041)
Net delinquent property tax collections provide current financial resources to the funds (but has no effect on net assets).	(10,871)
The portion of fines, forfeitures and warrants receivable which are measurable and available are recognized as revenue in the funds. The remainder of the receivables are deferred and, therefore, are not reported in the governmental activities.	37,681
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
GASB 75 Other post employment benefit adjustments	(1,263)
GASB 68 Pension adjustments	(17,401)
Compensated absences	(7,124)
Right-to-use copier lease	(1,229)
Right-to-use software arrangements	(2,318)
Decreases in long-term liabilities do not require the use of current financial resources; therefore, are not reported as expenditures in the governmental funds:	
Accrued interest	33,489
Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide statement of activities.	535,007
Repayments of loan principal consumes the current financial resources of the governmental funds which report the effect as an expenditure, however, there is no expense on the statement of activities.	353,572
	353,572
Change in net position of governmental activities	\$ (1,117,056)

CITY OF HAWKINS, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2023

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUND
ASSETS	<u>WATER & SEWER</u>
Current assets:	
Cash	\$ 553,386
Accounts receivable (net)	<u>86,046</u>
Total current assets	<u>639,432</u>
Noncurrent assets:	
Restricted cash	93,801
Net pension asset	41,249
Capital assets:	
Construction in progress	2,296,674
Water and sewer system infrastructure	9,033,359
Buildings	5,530
Machinery and equipment	181,578
Vehicles	144,563
Right-to-use software arrangements	19,027
Less: accumulated depreciation	<u>(6,531,102)</u>
Total noncurrent assets	<u>5,284,679</u>
Total assets	<u>5,924,111</u>
DEFERRED OUTFLOWS (OF RESOURCES)	
Deferred outflows from pensions	113,533
Deferred outflows from OPEB	<u>2,204</u>
Total deferred outflows	<u>115,737</u>
LIABILITIES	
Current liabilities:	
Accounts payable	80,593
Accrued liabilities	2,481
Customer deposits	93,801
Notes payable	8,698
Right-to-use software arrangements	<u>2,318</u>
Total current liabilities	<u>187,891</u>
Non-current liabilities:	
Notes payable	27,955
Right-to-use software arrangements	10,747
OPEB liability	16,357
Compensated absences	<u>13,440</u>
Total liabilities	<u>256,390</u>
DEFERRED INFLOWS (OF RESOURCES)	
Deferred inflows from pensions	43,621
Deferred inflows from OPEB	<u>8,083</u>
Total deferred inflows	<u>51,704</u>
NET POSITION	
Investment in capital assets, net of related debt	5,119,356
Unrestricted	<u>612,398</u>
Total net position	<u>\$ 5,731,754</u>

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

CITY OF HAWKINS, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUND <u>WATER & SEWER</u>
OPERATING REVENUES	
Water services and penalties	\$ 381,038
Sewer services	347,702
Garbage services	155,996
Other	<u>530</u>
Total operating revenues	<u>885,266</u>
OPERATING EXPENSES	
Personnel services	305,005
Contract labor	190,865
Depreciation	225,556
Equipment and maintenance	213,235
Utilities	133,167
Chemicals and supplies	38,227
Permits and licenses	10,428
Training and education	1,460
Analysis and lab fees	13,425
Other	<u>1,705</u>
Total operating expenses	<u>1,133,073</u>
Operating loss	<u>(247,807)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	7,912
Interest expense	<u>(2,505)</u>
Total nonoperating revenues (expenses)	<u>5,407</u>
Loss before operating transfers	<u>(242,400)</u>
TRANSFERS	
Transfers in	<u>1,550,872</u>
Total transfers	<u>1,550,872</u>
Change in net position	1,308,472
Net position - beginning of year	<u>4,423,282</u>
Net position - end of year	<u>\$ 5,731,754</u>

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

CITY OF HAWKINS, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUND <u>WATER & SEWER</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 884,736
Other cash receipts	530
Payments to suppliers for goods and services	(493,717)
Payments to employees for services	(306,465)
	<u>85,084</u>
Net cash provided by operating activities	<u>85,084</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers-in from other funds	<u>1,550,872</u>
Net cash provided by non-capital financing activities	<u>1,550,872</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(1,662,997)
Loan proceeds	36,653
Interest on debt	(2,505)
	<u>(1,628,849)</u>
Net cash used in capital and related financing activities	<u>(1,628,849)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>7,912</u>
Net cash provided by investing activities	<u>7,912</u>
Net increase in cash and cash equivalents	15,019
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>632,168</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 647,187</u>
Reconciliation of Operating Loss to Net Cash provided by Operating Activities	
Operating loss	\$ (247,807)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	225,556
Changes in assets and liabilities:	
Decrease (increase) in accounts receivable	(5,306)
Decrease (increase) in net pension asset	189,315
Decrease (increase) in deferred outflows	(81,449)
Increase (decrease) in accounts payable	67,029
Increase (decrease) in accrued interest	46
Increase (decrease) in compensated absences	(275)
Increase (decrease) in customer deposits	11,251
Increase (decrease) in right-to-use software liability	13,065
Increase (decrease) in OPEB liability	(7,547)
Increase (decrease) in deferred outflows	(78,794)
	<u>332,891</u>
Total adjustments	<u>332,891</u>
Net cash provided by operating activities	<u>\$ 85,084</u>

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

Notes to the Financial Statements

CITY OF HAWKINS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

The City of Hawkins, Texas (City) was incorporated in 1941 and operates under the laws of the State of Texas as a Type A General Law Municipality. The City operates under a mayor/council form of government with the mayor and five (5) council members elected at large. The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Boards (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The accounting and reporting framework and the more significant accounting principles and practices of the City are discussed in subsequent sections of this Note. The remainder of the Notes is organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended September 30, 2023.

Discretely Presented Component Unit

The financial statements of the City include all funds and other organizations for which the City is financially accountable. Financial accountability is determined on the basis of appointment of a voting majority of the respective governing board, imposition of will, financial benefit or burden and financial accountability as a result of fiscal dependency.

The Hawkins Community Development Corporation (HCDC) was formed in 1999, and is governed by a seven-member board of directors, which includes the City's council members. The HCDC was established to collect sales tax pursuant to the Development Corporation Act of 1979, Section 4B, with the purpose to promote, assist, and enhance economic development within the City so as to provide needed services and facilities to the residents of the City. The HCDC is funded by revenues generated by a one-half cent sales tax. The HCDC does not issue separate financial statements.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government. Governmental activities include programs supported primarily by taxes and other intergovernmental revenues. Business-type activities include operations that rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity.

CITY OF HAWKINS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Government-Wide and Fund Financial Statements - continued

Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or identifiable activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or identifiable activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Interfund activities between governmental funds appear as due to/due froms on the governmental fund balance sheet and as other resources and other uses on the governmental fund statement of revenues, expenditures and changes in fund balance. All interfund transactions between governmental funds are eliminated on the government-wide statements.

The fund financial statements provide reports on the financial condition and results of operations for two fund categories - governmental and proprietary. The City considers some governmental funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are non-operating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. All other expenses are non-operating.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

CITY OF HAWKINS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation - continued

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The City considers all revenues available if they are collectible within 60 days after year-end.

Revenues from local sources consist primarily of taxes. Tax revenue and revenues received from the State are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The City considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

The City applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net position, and unrestricted net position.

The proprietary fund types are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The City applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net position, and unrestricted net position.

CITY OF HAWKINS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation - continued

The City reports the following major governmental funds:

General Fund is the City's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

Debt Service Fund is used to account for the interest and sinking property taxes collected for the payment of the City's debt.

Capital Projects Fund is used to account for the capital improvement projects of the City.

The City reports the following major proprietary fund:

Water and Sewer Fund is used to account for sale of water and wastewater treatment by the City to businesses and residential customers.

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

CITY OF HAWKINS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

Cash and Cash Equivalents

The City's cash and cash equivalents includes amounts on hand and in demand deposits.

Investments

State statutes and the City's investment policy authorize the City to invest in obligations of the U.S. Treasury, State of Texas obligations, certificates of deposit, commercial paper, corporate bonds, repurchase agreements, and mutual funds.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at year-end are referred to as either "Due to/from Other Funds" (i.e., the current portion of the interfund loan) or "Advances to/from Other Funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "Due to/from Other Funds."

Property Taxes Receivable are shown net of an allowance for uncollectibles. The allowance is equal to zero (0) percent of delinquent property taxes receivable at September 30, 2023. The City's ad valorem taxes are levied on October 1 but do not become due until January 1 of the following year. Taxes become past due February 1 and become delinquent March 30. The City's taxes become a lien on real property on the due date of January 1. This lien is effective until the taxes are paid.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid in both the government-wide and fund financial statements.

CITY OF HAWKINS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance-continued

Capital Assets

Capital assets, which include land, buildings, equipment, and infrastructure (roads and bridges), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure, are defined by the City as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of three (3) years. Such assets are recorded at historical cost where records are available or at an estimated fair market value at the date of acquisition where no historical records exist. Donated capital assets are recorded at estimated fair market value at the date of donation. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide statements regardless of their amount.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>Assets</u>	<u>Years</u>
Water and sewer system	7 - 40
Building and improvements	10 - 50
Infrastructure	7 - 40
Machinery and equipment	5 - 15
Vehicles	5 - 15

In the case of initial capitalization of general infrastructure assets (i.e., those reported by the governmental activities), public domain property including roads, bridges, curbs and gutters, streets and sidewalks and similar assets prior to September 30, 2003 were capitalized by the City under the provisions of GASB statement No. 34. Additional capital assets, constructed or acquired each period subsequent to September 30, 2003, are capitalized and reported at historical cost.

CITY OF HAWKINS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance-continued

Fund Balance Classification

The City has implemented GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance – amounts that are not in spendable form (such as inventory) or are required to be maintained intact.

Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance – amounts constrained to specific purposes by the City Council, using its highest level of decision-making authority. To be reported as committed, amounts cannot be used for any other purpose unless the City Council takes the same highest-level action to remove or change the constraint.

Assigned fund balance – amounts the City Council intends to use for a specific purpose. Intent can be expressed by the Mayor or the City Secretary, through which the City Council has delegated the authority.

Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). When it is appropriate for fund balance to be assigned, the City Council designated the authority to the Mayor and the City Secretary (such as the purchase of fixed assets, construction, debt service, or for other purposes).

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, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

CITY OF HAWKINS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance-continued

Minimum Fund Balance

The City's goal is to achieve and maintain an unassigned fund balance in the general fund equal to 16.67% of general fund expenditures. The City is currently in compliance with this policy.

Long-Term Liabilities

In the government-wide 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.

In the fund financial statements, governmental fund types report the face amount of the debt issued as Other Financing Sources and debt payments as Expenditures.

Compensated Absences

Compensated vacations are granted to all full-time regular employees of the City. After the completion of a year (1) of employment, vacation is granted for employees. Regular employees earn ten (10) days of vacation their first to fourth year, fifteen (15) days during their fifth to fourteenth year, and after fifteen (15) years of employment, the employee will receive twenty (20) days of vacation. Employees may carry over one hundred twenty (120) hours of vacation leave from one anniversary year (date of hire) to the next and upon termination of employment, any earned and unused vacation in excess of one hundred twenty (120) hours is forfeited and not paid.

Sick leave is accrued at the rate of twelve (12) days per year, one (1) per month. Sick leave accrues from year to year up to a maximum of one hundred twenty (120) days or nine hundred sixty (960) hours. Upon termination of employment, any earned and unused sick leave is not paid.

CITY OF HAWKINS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance-continued

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position and or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Accordingly, items are unavailable revenue, and are reported only in the governmental funds balance sheet. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Statement of Cash Flows

For purposes of the statement of cash flows, the proprietary fund considers all cash on hand and demand deposits to be cash equivalents.

Stewardship, Compliance, and Accountability

Budgetary Data

An annual budget is adopted on a basis consistent with generally accepted accounting principles for the general fund. The City holds a public hearing on the proposed budget prior to its adoption. All appropriations lapse at fiscal year-end.

The budget is legally enacted and once approved, can only be amended by approval of a majority of the Council members. Amendments are presented to the Council at its regular meetings.

Expenditures in Excess of Budgeted Amounts

The following is a summary of expenditures in excess of appropriations for the General Fund:

<u>Department</u>	<u>Expenditures</u>	<u>Budget</u>	<u>Variance</u>
General government	\$ 377,831	\$ 325,036	\$ (52,795)
Public safety	\$ 405,730	\$ 378,088	\$ (27,642)
Fire and rescue	\$ 133,480	\$ 122,450	\$ (11,030)
Highways and streets	\$ 133,654	\$ 133,600	\$ (54)
Library	\$ 89,417	\$ 81,650	\$ (7,767)
Community center	\$ 22,875	\$ 6,300	\$ (16,575)
Capital outlay	\$ 55,451	\$ -	\$ (55,451)

CITY OF HAWKINS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2: DETAILED NOTES ON ALL FUNDS

Deposits

The City's balances were completely covered by federal deposit insurance or collateralized at September 30, 2023. The City's deposits are categorized to give an indication of the level of risk assumed by the City at fiscal year-end. The categories are described as follows:

Category 1 - Insured or collateralized with securities held by the City or by its agent in the City's name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

Category 3 - Uncollateralized.

Deposits categorized by level of risk for cash and cash equivalents are as follows:

<u>Primary Government</u>	<u>Bank Balance</u>	<u>Category</u>			<u>Carrying Amount</u>
		<u>1</u>	<u>2</u>	<u>3</u>	
General fund	\$ 595,820	\$ 500,000	\$ 95,820	\$ -	\$ 595,820
Debt service fund	240,038	-	240,038	-	240,038
Capital projects fund	179,546	-	179,546	-	179,546
Proprietary fund	639,432	-	639,432	-	639,432
Total	<u>\$ 1,654,836</u>	<u>\$ 500,000</u>	<u>\$ 1,154,836</u>	<u>\$ -</u>	<u>\$ 1,654,836</u>
<u>Component Unit</u>					
HCDC	327,268	327,268	-	-	327,268
Total	<u>\$ 327,268</u>	<u>\$ 327,268</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 327,268</u>

CITY OF HAWKINS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Investments

The City is required by The Public Funds Investment Act (“Act”) 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, and (9) bid solicitation preferences for certificates of deposit.

The Act requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports, and establishment of appropriate policies, the City did adhere to the requirements of the Act.

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, (1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) securities lending program, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) commercial paper.

The City’s certificates of deposit are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the State. The FDIC currently insures the first \$250,000 of the City’s deposits at each financial institution. Deposit balances over \$250,000 are insured by the collateral pool. As of September 30, 2023, the carrying amount of the City’s and HCDC’s certificates of deposit were \$499,335 and \$13,282.

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; injuries to employees; and natural disasters for which the City carries commercial insurance. There have been no significant reductions in insurance coverage during the year ending September 30, 2023.

The City is a member of the Texas Municipal League (TML) Intergovernmental Risk Pool, a public entity risk pool, participating in workers’ compensation, general liability, law enforcement liability, errors and omissions liability, automobile liability, automobile physical damage, real and personal property coverage, and employee health insurance.

CITY OF HAWKINS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Property Tax

The assessed valuation (net of exemptions) was \$93,854,706 for 2022 (with taxes due January 1, 2023) levied at a rate of \$0.977700 per hundred-dollar valuation.

Receivables

Receivables as of year-end for the City’s major government fund, including applicable allowances for uncollectible accounts, are as follows:

<u>Receivables</u>	<u>Governmental Activities</u>			<u>Business-Type</u>	<u>Total</u>	<u>Component</u>
	<u>General</u>	<u>Debt Service</u>	<u>Capital</u>	<u>Water & Sewer</u>		<u>Unit</u>
	<u>Fund</u>	<u>Fund</u>	<u>Projects Fund</u>	<u>Fund</u>		<u>HCDC</u>
Accounts	\$ -	\$ -	\$ -	\$ 115,064	\$ 115,064	\$ -
Fines	233,104	-	-	-	233,104	-
Taxes	168,319	-	-	-	168,319	26,501
Gross receivables	401,423	-	-	115,064	516,487	26,501
Less: Allowance for uncollectibles	(23,310)	-	-	(29,018)	(52,328)	-
Total	<u>\$ 378,113</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 86,046</u>	<u>\$ 464,159</u>	<u>\$ 26,501</u>

Related Parties

In the ordinary course of business, the City has and expects to continue to have transactions with its employees and elected officials. In the opinion of management, such transactions were on substantially the same terms, including interest rates and collateral, as those prevailing at the time of comparable transactions with other persons and did not involve more than a normal risk of collectability or present any other unfavorable features to the City.

Economic Dependence

The City’s operations are funded by taxes and revenues collected from the residents of the City of Hawkins, Texas. Accordingly, the City is economically dependent on the property values and the local economy of the City and surrounding area.

CITY OF HAWKINS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Capital Assets

The following is a summary of the changes in the capital assets during the fiscal year:

Primary Government	Balance 9/30/2022	Additions	Deletions	Balance 9/30/2023
<i>Governmental activities</i>				
<u>Non-depreciable assets:</u>				
Land	\$ 185,891	\$ -	\$ -	\$ 185,891
Construction in progress	13,400	458,850	-	472,250
<u>Depreciable assets:</u>				
Buildings and improvements	748,580	-	-	748,580
Infrastructure	4,508,896	-	-	4,508,896
Machinery and equipment	293,202	35,971	-	329,173
Vehicles	1,085,427	42,437	(45,793)	1,082,071
Right-to-use software arrangements	-	7,397	-	7,397
Right-to-use copier lease	-	5,617	-	5,617
Accumulated depreciation	(4,094,046)	(172,041)	30,528	(4,235,559)
Governmental activities, net	<u>2,741,350</u>	<u>378,231</u>	<u>(15,265)</u>	<u>3,104,316</u>
<i>Business-type activities</i>				
<u>Non-depreciable assets:</u>				
Construction in progress	859,326	1,437,348	-	2,296,674
<u>Depreciable assets:</u>				
Water and sewer system	9,007,879	25,480	-	9,033,359
Buildings and improvements	5,530	-	-	5,530
Machinery and equipment	42,874	138,704	-	181,578
Vehicles	102,126	42,437	-	144,563
Right-to-use software arrangements	-	19,027	-	19,027
Accumulated depreciation	(6,305,546)	(225,556)	-	(6,531,102)
Business-type activities, net	<u>3,712,189</u>	<u>1,437,440</u>	<u>-</u>	<u>5,149,629</u>
Capital assets, net	<u>\$ 6,453,539</u>	<u>\$ 1,815,671</u>	<u>\$ (15,265)</u>	<u>\$ 8,253,945</u>

**CITY OF HAWKINS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Capital Assets - continued

Depreciation expense for governmental activities was charged to Functions/Programs as follows:

General government	\$	5,216
Municipal court		915
Public safety		17,061
Fire and rescue		37,029
Highways and streets		81,928
Library		8,481
Parks and recreation		19,805
Community center		<u>1,606</u>
Total depreciation expense	\$	<u><u>172,041</u></u>

The following is a summary of the changes in the capital assets during the fiscal year for the HCDC:

<u>Component Unit</u>	<u>Balance 9/30/2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 9/30/2023</u>
<u>Non-depreciable assets:</u>				
Construction in progress	\$ -	\$ 277,065	\$ -	\$ 277,065
Component unit, net	<u>\$ -</u>	<u>\$ 277,065</u>	<u>\$ -</u>	<u>\$ 277,065</u>

Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the state and federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

CITY OF HAWKINS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Litigation

On July 27, 2021 a lawsuit styled *Jesus Christ Open alter Church, LLC v. the City of Hawkins, Texas, Alvin Flynn, Donna Jordan, Mike Mayberry, Tom Parker, Howard Coquat, Wayne Kirkpatrick, Norman Oglesby, Cody Jorgenson and Stephen Lucas.*

The cause of action related to an easement granted to the City of Hawkins, Texas. In earlier litigation with the Plaintiff, the City of Hawkins, Texas prevailed and an easement across Plaintiff’s property was affirmed. The City of Hawkins then constructed a roadway across the easement. The Plaintiff claims the City “seized” a sign on the easement, violated the Open Meetings Act, violated the Public Information Act and violated a Transportation Code prevision. The City has thoroughly investigated the claims and causes of action and firmly believe they do not have any merit, either legally or factually. On behalf of the defendants the City has asserted defenses of governmental immunity, official immunity, and legislative immunity. The City, its officials and employees intend to vigorously defend the lawsuit. Based upon current law and the facts known to date, the City anticipates a favorable outcome on all claims and causes of actions. The City does not anticipate a financial loss for this matter.

Commitments

Engineering and construction contracts relating to water and sewer construction or major street repairs in progress aggregated approximately \$3,000,000. These contracts will be paid in future periods as work is performed. Payment will be made with proceeds remaining from the 2020 Certificates of Obligation and surplus operating revenues.

Long-Term Liabilities

Obligations currently outstanding and reported as liabilities of the City are comprised of the following:

Governmental Activities	Maturity Date	Interest Rate	Original Amount	Yearend Balance
Note Payable - Fire Trucks	3/1/2025	3.00%	\$ 205,322	\$ 40,021
Note Payable - 2023 Chevy	12/15/2027	4.40%	42,437	36,653
Note Payable - 2020 Dodge Durango	2/18/2023	3.996%	44,894	-
Series 2020 Certificate of Obligation	10/1/2040	2.15-4.15%	3,200,000	2,804,000
Business-Type Activities				
Note Payable - 2023 GMC	12/15/2027	4.40%	42,437	36,653
			Total	<u>\$ 2,917,327</u>

CITY OF HAWKINS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Long-Term Liabilities – continued

Annual debt service requirements for the City’s notes payable are as follows:

Year Ending September 30	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2024	\$ 34,614	\$ 2,653	\$ 8,014	\$ 1,452	\$ 46,733
2025	21,796	1,496	8,374	1,093	32,759
2026	8,750	717	8,750	717	18,934
2027	9,143	324	9,143	324	18,934
2028	2,349	18	2,349	18	4,734
Total	<u>\$ 76,652</u>	<u>\$ 5,208</u>	<u>\$ 36,630</u>	<u>\$ 3,604</u>	<u>\$ 122,094</u>

Annual debt service requirements for the City’s certificates of obligation are as follows:

Year Ending September 30	Governmental Activities		
	Principal	Interest	Total
2024	\$ -	\$ 30,143	\$ 30,143
2025	138,000	58,803	196,803
2026	141,000	55,803	196,803
2027	144,000	52,740	196,740
2028	147,000	49,611	196,611
2029-2033	785,000	198,692	983,692
2034-2038	876,000	149,050	1,025,050
2039-2041	573,000	36,001	609,001
Total	<u>\$ 2,804,000</u>	<u>\$ 630,843</u>	<u>\$ 3,434,843</u>

The changes in the general long-term debt as of September 30, 2023 are as follows:

	Balance 9/30/2022	Additions	Reductions	Balance 9/30/2023	Due Within One Year
Governmental Activities					
Certificates of obligation	\$ 3,071,000	\$ -	\$ (267,000)	\$ 2,804,000	\$ -
Notes payable	77,382	42,437	(43,145)	76,674	34,614
Net OPEB liability	27,160	-	(6,543)	20,617	-
Compensated absences	4,816	7,124	-	11,940	-
Right-to-use software arrangements	-	7,397	(2,318)	5,079	2,318
Right-to-use copier lease	-	4,933	(1,229)	3,704	1,229
Business-Type Activities					
Notes payable	-	42,437	(5,784)	36,653	8,014
Net OPEB liability	23,904	-	(7,547)	16,357	-
Compensated absences	13,715	-	(275)	13,440	-
Right-to-use software arrangements	-	19,027	(5,962)	13,065	5,962
Total	<u>\$ 3,217,977</u>	<u>\$ 123,355</u>	<u>\$ (339,803)</u>	<u>\$ 3,001,529</u>	<u>\$ 52,137</u>

CITY OF HAWKINS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Interfund Transfers

Transfers are indicative of funding for capital projects, debt service, and subsidies of various City operations. The composition of inter-fund transfers from/to other funds as of September 30, 2023, is as follows:

<u>Funds</u>	<u>Transfers in</u>	<u>Transfers out</u>
General fund	\$ -	\$ 447,908
Debt service fund	309,257	-
Capital projects fund	-	1,412,221
Proprietary fund	1,550,872	-
Total	<u>\$ 1,860,129</u>	<u>\$ 1,860,129</u>

Leases

Lease agreements are summarized as follows:

<u>Governmental Activities</u>	<u>Lease Date</u>	<u>Payment Terms</u>	<u>Payment Amount</u>	<u>Interest Rate</u>	<u>Total Lease Liability</u>	<u>Yearend Balance</u>
Right-to-use copier lease						
Ricoh IM2500	4/1/2023	48 months	\$ 136	7.47%	\$ 5,617	\$ 5,003
				Total	<u>\$ 5,617</u>	<u>\$ 5,003</u>

The Ricoh machine was leased for the City Hall Administration, beginning April 1, 2023 for a term of forty-eight (48) months or four years at a fixed interest rate of 7.74%. This lease is renewable and the City will not acquire the equipment at the end of the five years.

The lease terms include an all-inclusive cost per copy maintenance agreement includes toner, parts, labor, and supplies (excludes paper), with the first 2,500 black/white copies included and additional black/whites copies billed at a rate of \$0.009 each.

Annual requirements to amortize long-term obligations and related interest are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Governmental Activities</u> <u>Lease Payment Schedule</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	2024	\$ 1,299	\$ 330
2025	1,399	229	1,628
2026	1,508	121	1,629
2027	797	17	814
Total	<u>\$ 5,003</u>	<u>\$ 697</u>	<u>\$ 5,700</u>

CITY OF HAWKINS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Subscription-Based Information Technology Arrangements

The City implemented Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*, in fiscal year 2023. The City has three (3) software arrangements that require recognition under GASBS No. 96. The software amortization expense is included on the Statement of Revenues, Expenses and Changes in Fund Net Position related to the City's intangible asset of three software systems, which is included in the capital assets table as Intangible Right-to-Use Software Arrangements.

The City recognizes subscription-based information technology arrangement (SBITA) liabilities and intangible right-to-use assets for software as follows:

The Harris utility billing/tracking software arrangement is a one-year agreement, initiated in fiscal year 2023 with an annual payment of \$3,438. At the inception, the City has used a 6.25% interest rate for this arrangement based on the prime rate as published by the *Wall Street Journal*. The City has an option to extend this arrangement for 12 additional months and is likely to exercise that option for two (2) additional years. There is no option to purchase the software.

The Aqua Metric utility auto reading software arrangement is a one-year agreement, initiated in fiscal year 2023 with an annual payment of \$3,713. At the inception, the City has used a 6.25% interest rate for this arrangement based on the prime rate as published by the *Wall Street Journal*. The City has an option to extend this arrangement for 12 additional months and is likely to exercise that option for two (2) additional years. There is no option to purchase the software.

The Kologik / COPsync public safety software arrangement is a one-year agreement, initiated in fiscal year 2023 with an annual payment of \$2,780. At the inception, the City has used a 6.25% interest rate for this arrangement based on the prime rate as published by the *Wall Street Journal*. The City has an option to extend this arrangement for 12 additional months and is likely to exercise that option for two (2) additional years. There is no option to purchase the software.

CITY OF HAWKINS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Subscription-Based Information Technology Arrangements – continued

These assets will be amortized over the lease terms of three years with \$26,425 recorded as intangible right-to-use software arrangements in the General Fund and Water Sewer Fund capital assets.

SBITA agreements are summarized as follows:

<u>Governmental Activities</u>	<u>SBITA Date</u>	<u>Payment Terms</u>	<u>Payment Amount</u>	<u>Interest Rate</u>	<u>Total SBITA Liability</u>	<u>Yearend Balance</u>
Right-to-use software arrangements						
Kologik / COPsync	10/1/2022	36 months	\$ 2,780	6.25%	\$ 7,397	\$ 5,079
Business-Type Activities						
Right-to-use software arrangements						
Harris	10/1/2022	36 months	3,438	6.25%	9,148	6,281
Aqua Metric	10/1/2022	36 months	3,713	6.25%	9,880	6,784
Total					<u>\$ 26,425</u>	<u>\$ 18,144</u>

A summary of the principal and interest amounts for the remaining arrangements includes the following principal and interest payments:

<u>Year Ending</u> <u>June 30</u>	<u>SBITA Payment Schedule</u>				
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2024	\$ 2,463	\$ 317	\$ 6,335	\$ 816	\$ 9,931
2025	2,616	164	6,731	420	9,931
2026	-	-	-	-	-
2027	-	-	-	-	-
Total	<u>\$ 5,079</u>	<u>\$ 481</u>	<u>\$ 13,066</u>	<u>\$ 1,236</u>	<u>\$ 19,862</u>

**CITY OF HAWKINS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Texas Municipal Retirement System Plan

The City participates as one of 919 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at tmrs.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 Member’s benefit is calculated based on the sum of the Member’s contributions, with interest, and the city-financed monetary credits with interest. The retiring Member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24 or 36 monthly payments, which cannot exceed 75% of the total Member contributions and interest.

Plan provisions for the City were as follows:

Plan Year	2022	2021
Employee deposit rate	7%	7%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating	100% Repeating
Annuity increase (to retirees)	0% of CPI	0% of CPI

**CITY OF HAWKINS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Texas Municipal Retirement System Plan – continued

Employees covered by benefit terms:

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

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	2
Active employees	2
Total	6

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

Employees for the City were required to contribute 7% of their annual gross earnings during the 2023 fiscal year. The contribution rates for the City were 6.53% and 6.01% in calendar years 2022 and 2023, respectively. The City’s contributions to TMRS for the year ended September 30, 2023 were \$5,189, and were equal to the required contributions.

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

Actuarial assumptions:

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

Inflation	2.5% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements.

**CITY OF HAWKINS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

NOTE 2: DETAILED NOTES ON ALL FUNDS - continued

Texas Municipal Retirement System Plan – continued

Actuarial assumptions – continued:

For disabled annuitants, the same mortality tables for healthy retirees is used with a 4- year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of arithmetic real rates of return for each major asset class in fiscal year 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.00%	7.55%
Core Fixed Income	6.00%	2.00%
Non-Core Fixed Income	20.00%	5.68%
Other Public and Private Markets	12.00%	7.55%
Real Estate	12.00%	6.85%
Hedge Funds	5.00%	5.35%
Private Equity	10.00%	10.00%
Total	<u>100.00%</u>	

CITY OF HAWKINS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 2: DETAILED NOTES ON ALL FUNDS - continued

Texas Municipal Retirement System Plan – continued

Discount rate:

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

Changes in the net pension liability:

	<u>Total Pension</u>	<u>Increase (Decrease)</u>	<u>Net Pension</u>
	Liability	Plan Fiduciary	Liability
	(a)	Net Position	(a) - (b)
	<u>(a)</u>	<u>(b)</u>	<u>(a) - (b)</u>
Balance at 12/31/2021	\$ 2,313,147	\$ 2,799,569	\$ (486,422)
Changes for the year:			
Service cost	\$ 73,813	\$ -	\$ 73,813
Interest	155,642	-	155,642
Change of benefit terms	-	-	-
Difference between expected and actual experience	(15,339)	-	(15,339)
Changes of assumptions	-	-	-
Contributions - employer	-	31,851	(31,851)
Contributions - employee	-	32,931	(32,931)
Net investment income	-	(204,471)	204,471
Benefit payments, including refunds of employee contributions	(88,503)	(88,503)	-
Administrative expense	-	(1,768)	1,768
Other changes	-	2,110	(2,110)
Net changes	<u>125,613</u>	<u>(227,850)</u>	<u>353,463</u>
Balance at 12/31/2022	<u>\$ 2,438,760</u>	<u>\$ 2,571,719</u>	<u>\$ (132,959)</u>

CITY OF HAWKINS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 2: DETAILED NOTES ON ALL FUNDS - continued

Texas Municipal Retirement System Plan – continued

Sensitivity of the net pension liability to changes in the discount rate:

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

	1% Decrease in Discount Rate 5.75%	Current Rate Assumption 6.75%	1% Increase in Discount Rate 7.75%
City’s net pension liability (asset)	\$ 138,853	\$ (132,958)	\$ (363,281)

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 tmrs.com.

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions:

For the year ended September 30, 2023, the City recognized pension expense of \$29,865.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 84,484
Changes in actuarial assumptions and other inputs	1,844	2,017
Difference between projected and actual investment earnings	122,988	-
Contributions subsequent to the measurement date	85,292	-
Total	\$ 210,124	\$ 86,501

**CITY OF HAWKINS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

NOTE 2: DETAILED NOTES ON ALL FUNDS - continued

Texas Municipal Retirement System Plan – continued

The amount of \$85,292 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, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2023	\$ (1,813)
2024	40,283
2025	47,396
2026	78,686
2027	-
Thereafter	-
Total	<u>\$ 164,552</u>

CITY OF HAWKINS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 2: DETAILED NOTES ON ALL FUNDS - continued

Postemployment Benefits Other Than Pensions (OPEB): Supplemental Death Benefits Fund

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

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

Employees covered by benefit terms:

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

Inactive employees or beneficiaries currently receiving benefits	6
Inactive employees entitled to but not yet receiving benefits	3
Active employees	10
Total	19

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

The SDBF contribution rates for the City were 0.28% and 0.40% in calendar years 2022 and 2023, respectively.

Schedule of contributions:

Plan Year	2022	2021
Total SDB Contribution (Rate)	0.28%	0.22%
Retiree Portion of SDB Contribution (Rate)	0.16%	0.11%

**CITY OF HAWKINS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

NOTE 2: DETAILED NOTES ON ALL FUNDS - continued

(OPEB): Supplemental Death Benefits Fund - continued

Actuarial assumptions:

Summary of actuarial assumptions:	
Inflation	2.50%
Salary increases	3.50% to 11.5% including inflation
Discount rate*	4.05%
Retirees' share of benefit-related costs	\$0.00
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates – service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates – disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.
*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2022.	

Changes in the OPEB liability:

	<u>Total OPEB Liability</u>
Balance at 12/31/2021	<u>\$ 51,064</u>
Changes for the year:	
Service cost	\$ 3,528
Interest	965
Change of benefit terms	-
Difference between expected and actual experience	1,621
Changes of assumptions	(19,451)
Benefit payments	<u>(753)</u>
Net changes	<u>(14,090)</u>
Balance at 12/31/2022	<u><u>\$ 36,974</u></u>

CITY OF HAWKINS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 2: DETAILED NOTES ON ALL FUNDS - continued

(OPEB): Supplemental Death Benefits Fund - continued

Sensitivity of the OPEB liability to changes in the discount rate:

	1% Decrease in Discount Rate 3.05%	Current Rate Assumption 4.05%	1% Increase in Discount Rate 5.05%
City's net pension liability (asset)	\$ 44,371	\$ 36,974	\$ 31,245

OPEB expense:

	OPEB Expense
Service cost	\$ 3,528
Interest	965
Change of benefit terms	-
Employer administrative costs	-
Recognition of deferred outflows/inflows of resources:	
Differences between expected and actual experience	136
Changes of assumptions	(1,909)
Total OPEB expense	\$ 2,720

Deferred outflows of resources and deferred inflows of resources related to OPEB:

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 3,095
Changes in actuarial assumptions and other inputs	-	9,823
Contributions subsequent to the measurement date	4,331	-
Total	\$ 4,331	\$ 12,918

**CITY OF HAWKINS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

NOTE 2: DETAILED NOTES ON ALL FUNDS - continued

(OPEB): Supplemental Death Benefits Fund - continued

Deferred Outflows and Deferred Inflows of Resources, by year, to be recognized in future OPEB expense (excluding city-provided contributions made subsequent to the measurement date):

<u>Year ended December 31:</u>	
2023	\$ (1,769)
2024	(2,063)
2025	(3,442)
2026	(806)
2027	-
Thereafter	-
Total	<u>\$ (8,080)</u>

Accounting Standards

The GASB has issued the following Statement(s) which were implemented during the current fiscal year as shown below:

GASB Statement No. 91, *“Conduit Debt Obligations.”* The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. All applicable provisions have been included in the City’s financial statements as of September 30, 2023.

GASB Statement No. 94 – *“Public-Private and Public-Public Partnerships and Availability Payment Arrangements.”* The primary objectives of this Statement are to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (“PPPs”). The Statement will become effective for fiscal years beginning after June 15, 2022. All applicable provisions have been included in the City’s financial statements as of September 30, 2023.

GASB Statement No. 96 – *“Subscription-Based Information Technology Arrangements.”* The objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (“SBITAs”) for government end users. The Statement will become effective for fiscal years beginning after June 15, 2022. All applicable provisions have been included in the City’s financial statements as of September 30, 2023.

CITY OF HAWKINS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 2: DETAILED NOTES ON ALL FUNDS - continued

Accounting Standards – continued

GASB Statement No. 99 – “*Omnibus 2022.*” The objective of this Statement is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023. All applicable provisions have been included in the City’s financial statements as of September 30, 2023.

The GASB has issued the following Statements which will become effective in future years as shown below:

GASB Statement No. 100 – “*Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62.*” The objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The Statement will become effective for fiscal years beginning after June 15, 2023. Management has not yet determined the impact of this Statement on its financial statements.

GASB Statement No. 101 – “*Compensated Absences.*” The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The Statement will become effective for fiscal years beginning after December 15, 2023. Management has not yet determined the impact of this Statement on its financial statements.

GASB Statement No. 102 – “*Certain Risk Disclosures.*” The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government’s vulnerabilities due to certain concentrations or constraints. The Statement will become effective for fiscal years beginning after June 15, 2024. Management has not yet determined the impact of this Statement on its financial statements.

**CITY OF HAWKINS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

OMB Circular A-133 – State of Texas Single Audit Circular

The City did not expend \$750,000 or more in federal or state awards during 2023. As a result, a Single Audit in accordance with OMB Circular A-133 and the State of Texas Single Audit Circular was not required for the year ended September 30, 2023.

Subsequent Events

Management has evaluated subsequent events through June 25, 2024, which is the date the financial statements were made available to management.

Required Supplementary Information

**CITY OF HAWKINS, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	BUDGET AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
REVENUES				
Taxes:				
Sales	\$ 226,224	\$ 226,224	\$ 346,250	\$ 120,026
Property	1,072,249	1,072,249	938,020	(134,229)
Franchise	37,500	37,500	43,717	6,217
Hotel	4,520	4,520	3,094	(1,426)
Fines and forfeitures	40,000	40,000	140,907	100,907
Charges for services	54,523	54,523	64,450	9,927
Facility rental	8,975	8,975	9,515	540
Licenses and permits	4,332	4,332	2,712	(1,620)
Interest income	13,000	13,000	44,426	31,426
Grants and contributions	21,654	21,654	34,403	12,749
Miscellaneous	5,450	5,450	2,281	(3,169)
	<u>1,488,427</u>	<u>1,488,427</u>	<u>1,629,775</u>	<u>141,348</u>
Total revenues				
EXPENDITURES				
General government	325,036	325,036	377,831	(52,795)
Municipal court	32,663	32,663	31,859	804
Public safety	378,088	378,088	405,730	(27,642)
Fire and rescue	122,450	122,450	133,480	(11,030)
Highways and streets	133,600	133,600	133,654	(54)
Library	81,650	81,650	89,417	(7,767)
Parks and recreation	23,500	23,500	17,226	6,274
Community center	6,300	6,300	22,875	(16,575)
Animal shelter	2,000	2,000	-	2,000
Capital outlay	-	-	55,451	(55,451)
	<u>1,105,287</u>	<u>1,105,287</u>	<u>1,267,523</u>	<u>(162,236)</u>
Total expenditures				
Excess (deficiency) of revenues over (under) expenditures	<u>383,140</u>	<u>383,140</u>	<u>362,252</u>	<u>(20,888)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers to other funds	-	-	(447,908)	(447,908)
Right-to-use software arrangements	-	-	7,397	7,397
Right-to-use copier lease	-	-	5,617	5,617
Right-to-use interest expense	-	-	(662)	(662)
Loan proceeds for capital purchases	-	-	42,437	42,437
	<u>-</u>	<u>-</u>	<u>42,437</u>	<u>42,437</u>
Total other financing sources				
Excess (deficiency) of revenues & other sources over expenditures & other (uses)	<u>\$ 383,140</u>	<u>\$ 383,140</u>	<u>(30,867)</u>	<u>\$ (414,007)</u>
Fund balance - beginning of year			<u>1,157,542</u>	
Fund balance - end of year			<u>\$ 1,126,675</u>	

TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST 10 YEARS (WILL ULTIMATELY BE DISPLAYED)
(UNAUDITED)

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability									
Service cost	\$ 73,813	\$ 76,939	\$ 65,165	\$ 63,141	\$ 65,845	\$ 70,697	\$ 72,805	\$ 62,599	\$ 43,063
Interest (on the total pension liability)	155,642	146,759	139,724	130,846	147,419	140,882	131,731	122,572	113,013
Changes of benefit terms	-	-	-	-	-	-	-	-	324,288
Difference between expected and actual experience	(15,339)	(7,918)	(29,712)	11,791	(381,901)	(17,234)	9,040	(2,116)	(3,731)
Change of assumptions	-	-	-	(589)	-	-	-	50,814	-
Benefit payments, including refunds of employee contributions	(88,503)	(76,747)	(76,924)	(72,445)	(78,613)	(111,542)	(42,370)	(34,489)	(16,614)
Net change in total pension liability	125,613	139,033	98,253	132,744	(247,250)	82,803	171,206	199,380	460,019
Total pension liability - beginning	2,313,147	2,174,114	2,075,861	1,943,117	2,190,367	2,107,564	1,936,358	1,736,978	1,276,959
Total pension liability - ending (a)	\$ 2,438,760	\$ 2,313,147	\$ 2,174,114	\$ 2,075,861	\$ 1,943,117	\$ 2,190,367	\$ 2,107,564	\$ 1,936,358	\$ 1,736,978
Plan fiduciary net position									
Contributions - employer	\$ 31,851	\$ 33,422	\$ 25,169	\$ 59,330	\$ 64,204	\$ 67,196	\$ 61,737	\$ 53,112	\$ 15,177
Contributions - employee	32,931	34,304	29,073	28,080	29,451	31,421	32,420	29,000	22,485
Net investment income	(204,471)	324,269	177,170	310,740	(61,632)	252,191	111,973	2,372	85,911
Benefit payments, including refunds of employee contributions	(88,503)	(76,747)	(76,924)	(72,445)	(78,613)	(111,542)	(42,370)	(34,489)	(16,614)
Administrative expense	(1,768)	(1,499)	(1,146)	(1,755)	(1,191)	(1,306)	(1,264)	(1,445)	(897)
Other	2,110	10	(45)	(52)	(62)	(67)	(68)	(144)	-
Net change in plan fiduciary net position	(227,850)	313,759	153,297	323,898	(47,843)	237,893	162,428	48,406	106,062
Plan fiduciary net position - beginning	2,799,569	2,485,810	2,332,513	2,008,615	2,056,458	1,818,565	1,656,137	1,607,731	1,501,669
Plan fiduciary net position - ending (b)	\$ 2,571,719	\$ 2,799,569	\$ 2,485,810	\$ 2,332,513	\$ 2,008,615	\$ 2,056,458	\$ 1,818,565	\$ 1,656,137	\$ 1,607,731
Net pension liability - ending [(a) - (b)]	\$ (132,959)	\$ (486,422)	\$ (311,696)	\$ (256,652)	\$ (65,498)	\$ 133,909	\$ 288,999	\$ 280,221	\$ 129,247
Plan fiduciary net position as a percentage of total pension liability	105.45%	121.03%	114.34%	112.36%	103.37%	93.89%	86.29%	85.53%	92.56%
Covered employee payroll	\$ 470,445	\$ 490,059	\$ 415,327	\$ 401,146	\$ 420,735	\$ 448,868	\$ 463,138	\$ 414,288	\$ 374,744
Net pension liability as a percentage of covered employee payroll	(28.26%)	(99.26%)	(75.05%)	(63.98%)	(15.57%)	29.83%	62.40%	67.64%	34.49%

**TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS
LAST 10 YEARS (WILL ULTIMATELY BE DISPLAYED)
(UNAUDITED)**

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 64,121	\$ 32,465	\$ 31,434	\$ 35,700	\$ 57,113	\$ 68,938	\$ 66,311	\$ 60,041	\$ 42,426
Contributions in relation to the actuarially determined contribution	64,121	32,465	31,434	35,700	57,113	68,938	66,311	60,041	42,426
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-
Covered employee payroll	470,445	415,327	415,327	401,146	420,735	448,868	463,138	414,288	374,744
Contributions as a percentage of covered employee payroll	13.63%	7.82%	7.57%	8.90%	13.57%	15.36%	14.32%	14.49%	11.32%

NOTES TO THE 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	N/A
Asset valuation method	10 year smoothed market, 12% soft corridor
Inflation	2.5%
Salary increases	3.50% to 11.5% including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully 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.

**TEXAS MUNICIPAL RETIREMENT SYSTEM
SUPPLEMENTAL DEATH BENEFITS FUND
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST 10 YEARS (WILL ULTIMATELY BE DISPLAYED)
(UNAUDITED)**

	2022	2021	2020	2019	2018	2017
Total OPEB liability						
Service cost	\$ 3,528	\$ 2,597	\$ 1,744	\$ 1,284	\$ 1,388	\$ 1,302
Interest (on the total OPEB liability)	965	929	967	945	1,060	1,034
Changes of benefit terms	-	-	-	-	-	-
Difference between expected and actual experience	1,621	1,036	2,310	1,376	(6,906)	-
Change of assumptions	(19,451)	1,632	6,180	6,007	(1,874)	2,463
Benefit payments	(753)	(539)	(166)	(160)	(168)	(180)
Net change in total OPEB liability	(14,090)	5,655	11,035	9,452	(6,500)	4,619
Total OPEB liability - beginning	51,064	45,409	34,374	24,922	31,422	26,803
Total OPEB liability - ending	\$ 36,974	\$ 51,064	\$ 45,409	\$ 34,374	\$ 24,922	\$ 31,422
Covered employee payroll	\$ 470,445	\$ 490,059	\$ 415,327	\$ 401,149	\$ 420,735	\$ 448,868
Total OPEB liability as a percentage of covered employee payroll	7.86%	10.42%	10.93%	8.57%	5.92%	7.00%

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Compliance and Internal Control



DAVID K. GODWIN

CERTIFIED PUBLIC ACCOUNTANT, PLLC

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hawkins, Texas (City), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 25, 2024.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

City of Hawkins, Texas's Response to Prior Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's responses to the prior findings identified in our audit and described in the accompanying schedule of findings and responses. The City's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

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



David K. Godwin, CPA, PLLC

Tyler, Texas

June 25, 2024

**CITY OF HAWKINS, TEXAS
SCHEDULE OF PRIOR FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

2022-001 Compliance

Recommendation 2022-001

The City should establish a process to monitor the content and communication of the City's website to ensure compliance with statutory requirements of Texas Government Code and Local Government Code.

Corrective Action Plan

The City is actively facilitating training of its key personnel and selecting a vendor to help maintain its website in compliance with the statutory requirements of Texas Government Code and Local Government Code.

Corrective Action Plan

COMPLETE

2022-002 Compliance

Recommendation 2022-002

The City should establish a process to monitor its compliance with Chapter 59 of the Code of Criminal Procedure.

Corrective Action Plan

The City has contacted the Office of the Attorney General to properly file the Chapter 59 asset forfeiture report and will establish internal procedures to ensure timely filing in the future.

Corrective Action Plan

IN PROGRESS

2022-003 Compliance

Recommendation 2022-003

Training should be provided to the municipal court staff to establish consistent record maintenance and compliance with State regulations over the municipal court.

Corrective Action Plan

The municipal court is evaluating current processes and procedures, and will begin training with the Texas Municipal Courts Education Center.

Corrective Action Plan

COMPLETE

**CITY OF HAWKINS, TEXAS
SCHEDULE OF PRIOR FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

2022-004 Compliance

Recommendation 2022-004

IRS Form W9 should be required from all vendors prior to issuing payments to assist with compliance and proper filing of IRS information returns.

Corrective Action Plan

The City is evaluating current processes and procedures, and will begin training staff and will establish internal procedures to ensure timely filing in the future.

Corrective Action Plan

COMPLETE

2022-005 Compliance

Recommendation 2022-005

The HCDC should file Form 802 with the Office of the Secretary of State and also create a recurring procedure to ensure proper filing once every four (4) years.

Corrective Action Plan

The HCDC has filed Form 802 with the Office of the Secretary of State and will establish internal procedures to ensure timely filing in the future.

Corrective Action Plan

COMPLETE

2022-006 Compliance

Recommendation 2022-006

IRS Form W9 should be required from all vendors prior to issuing payments to assist with compliance and proper filing of IRS information returns.

Corrective Action Plan

The HCDC is evaluating current processes and procedures, and will begin training staff and will establish internal procedures to ensure timely filing in the future.

Corrective Action Plan

IN PROGRESS