



# ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED:  
SEPTEMBER 30, 2023



**CITY OF HITCHCOCK, TEXAS**

**ANNUAL FINANCIAL REPORT**

**Year Ended September 30, 2023**





# CITY OF HITCHCOCK, TEXAS

## TABLE OF CONTENTS

	<b><u>Page</u></b>
<b>Independent Auditor's Report</b>	<b>1</b>
<b>Management's Discussion and Analysis</b>	<b>5</b>
<b>Basic Financial Statements</b>	
Government-wide Financial Statements:	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds	16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	19
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	22
Statement of Net Position – Proprietary Fund	23
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Fund	24
Statement of Cash Flows - Proprietary Fund	25
Notes to Basic Financial Statements	27
<b>Required Supplementary Information</b>	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	55
Notes to Required Supplementary Budgetary Information	56
Schedule of Changes in Net Pension Asset and Related Ratios	57
Pension System - Schedule of City Contributions	58
Schedule of Changes in Total OPEB Liability and Related Ratios	59
<b>Other Supplementary Information</b>	
Combining Balance Sheet - Nonmajor Governmental Funds	63
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	64
Combining Balance Sheet – Component Units	65
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Component Units	66



## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Audit of the Financial Statements

#### *Opinions*

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, 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 (GAAS) 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, 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'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.

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

### ***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 GAAS 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 GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion 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's ability to continue as a going concern for a reasonable period of time.

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

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

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, general fund budgetary comparison schedule, pension information, and other-post employment benefit information, as listed in the table of contents, 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.



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

***Supplementary Information***

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2024 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Whitley Penn LLP*

Houston, Texas  
March 18, 2024



## **CITY OF HITCHCOCK, TEXAS**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the City of Hitchcock (the "City"), we offer the readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2023.

#### **Financial Highlights**

The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$23.3 million (net position). Of this amount, \$15.9 million is net investment in capital assets, \$0.5 million is restricted, and the remaining \$6.9 million in unrestricted net position.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6.8 million. This was a decrease from the prior year fund balance of \$1.6 million due to current year operations, including additional capital outlay in the capital project fund for the building of the New City Hall.

#### **Overview of the Financial Statements**

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

#### **Government-wide Financial Statements.**

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, health, welfare and sanitation, and culture and recreation. The business-type activity of the City is a water and sewer operating fund.

The government-wide financial statements include the City itself (known as the primary government), but also legally separate component units. Financial information for these component units are reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found beginning on page 13 of this report.

## **CITY OF HITCHCOCK, TEXAS**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

#### **Fund Financial Statements.**

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

#### **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, grant fund, capital projects fund and debt service fund, all of which are considered major funds. Data from the other governmental funds is combined into a single, aggregated column for presentation.

The basic governmental fund financial statements can be found beginning on page 16 of this report.

#### **Proprietary Funds**

The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water and sewer operations fund. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Fund which is considered to be a major fund of the City.

The basic proprietary fund financial statements can be found beginning on page 23 of this report.

#### **Notes to the Basic Financial Statements**

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

#### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's net pension liability, the City's total OPEB liability, information regarding the City's obligation to provide pension/OPEB benefits to its employees/retirees, and general fund budgetary comparisons. Required supplementary information can be found beginning on page 55 of this report.

**CITY OF HITCHCOCK, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

The combining statements referred to earlier in connection with nonmajor governmental funds and component units are presented immediately following the required supplementary information on pensions. Combining statements can be found beginning on page 63 of this report.

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$23.3 million.

By far the largest portion of the City's net position of \$15.9 million reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

	2023			2022		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 9,818	\$ 9,060	\$ 18,878	\$ 12,024	\$ 6,598	\$ 18,622
Capital assets	5,918	19,134	25,052	4,017	13,287	17,304
<b>Total Assets</b>	<b>15,736</b>	<b>28,194</b>	<b>43,930</b>	<b>16,041</b>	<b>19,885</b>	<b>35,926</b>
Deferred outflows of resources	410	120	530	142	35	177
Current liabilities	2,854	1,156	4,010	3,015	1,449	4,464
Long-term liabilities	3,784	13,298	17,082	3,935	5,030	8,965
<b>Total Liabilities</b>	<b>6,638</b>	<b>14,454</b>	<b>21,092</b>	<b>6,950</b>	<b>6,479</b>	<b>13,429</b>
Deferred inflows of resources	76	22	98	388	95	483
<b>Net position</b>						
Net investment in capital assets	4,606	11,325	15,931	2,932	10,707	13,639
Restricted	270	218	488	196	282	478
Unrestricted	4,556	2,295	6,851	5,717	2,357	8,074
<b>Total Net Position</b>	<b>\$ 9,432</b>	<b>\$ 13,838</b>	<b>\$ 23,270</b>	<b>\$ 8,845</b>	<b>\$ 13,346</b>	<b>\$ 22,191</b>

An additional portion of the City's net position, \$0.5 million, represents resources that are subject to external restrictions on how they may be used. The amount of unrestricted net position is \$6.9 million.

**CITY OF HITCHCOCK, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

The government's net position increased by \$1.1 million during the current fiscal year. The following table summarizes the changes in net position for the City for the year ended September 30, 2023:

	<b>2023</b>			<b>2022</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Revenues</b>						
Program Revenues:						
Charges for services	\$ 2,109	\$ 5,081	\$ 7,190	\$ 2,344	\$ 4,030	\$ 6,374
Operating grants and contributions	259	-	259	789	-	789
Capital grants and contributions	393	-	393	238	-	238
General revenues:						
Property taxes	2,661	-	2,661	2,477	-	2,477
Franchise fees	439	-	439	469	-	469
Sales tax	1,148	-	1,148	1,011	-	1,011
Other	216	305	521	368	9	377
<b>Total Revenues</b>	<b>7,225</b>	<b>5,386</b>	<b>12,611</b>	<b>7,696</b>	<b>4,039</b>	<b>11,735</b>
<b>Expenses</b>						
General government	1,165	-	1,165	1,589	-	1,589
Public safety	3,000	-	3,000	2,708	-	2,708
Public works	1,751	-	1,751	979	-	979
Community Development	429	-	429	212	-	212
Interest on long-term debt	17	-	17	16	-	16
Water and Sewer	-	5,170	5,170	-	4,307	4,307
<b>Total Expenses</b>	<b>6,362</b>	<b>5,170</b>	<b>11,532</b>	<b>5,504</b>	<b>4,307</b>	<b>9,811</b>
Transfer in (out)	(277)	277	-	(169)	169	-
Special item	-	-	-	81	-	81
Change in net position	586	493	1,079	2,104	(99)	2,005
<b>Beginning Net Position</b>	<b>8,845</b>	<b>13,346</b>	<b>22,191</b>	<b>6,807</b>	<b>13,445</b>	<b>20,252</b>
<b>Ending Net Position</b>	<b>\$ 9,432</b>	<b>\$ 13,838</b>	<b>\$ 23,270</b>	<b>\$ 8,845</b>	<b>\$ 13,346</b>	<b>\$ 22,191</b>

**Governmental activities**

Governmental activities increased the City's net position by \$0.59 million. A comparison of program expenses to program revenues and revenues by source for governmental activities (\$ in thousands) is as follows:

	<b>2023</b>			<b>2022</b>		
	<b>Expenses</b>	<b>Program Revenues</b>	<b>Net (Cost) of Services</b>	<b>Expenses</b>	<b>Program Revenues</b>	<b>Net (Cost) of Services</b>
<b>Program</b>						
General government	\$ 1,165	\$ 41	\$ (1,124)	\$ 1,589	\$ 5	\$ (1,584)
Public safety	3,000	480	(2,520)	2,708	480	(2,228)
Public works	1,751	1,474	(277)	979	1,602	623
Health, welfare and sanitation	-	601	601	-	553	553
Community Development	429	164	(265)	212	731	519
Interest on long term debt	17	-	(17)	16	-	(16)
	<b>\$ 6,362</b>	<b>\$ 2,760</b>	<b>\$ (3,602)</b>	<b>\$ 5,504</b>	<b>\$ 3,371</b>	<b>\$ (2,133)</b>

While total expenses increased from the prior year by \$858,000, total program revenue decreased by \$611,000.

## **CITY OF HITCHCOCK, TEXAS**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

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

The net position of the City's business-type activities increased by approximately \$493 thousand due to capital contributions from the general fund for .

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

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

#### **Governmental Funds**

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6.8 million.

The General fund is the chief operating fund of the City. At the end of the current fiscal year, the fund balance of the general fund was \$6.2 million. This is approximately \$1.6 million less than September 30, 2022. This was primarily due to transfer out of \$1.3 million to the capital project fund for the building of the new city hall and new parking lot.

#### **Proprietary Funds**

The City's proprietary funds provide the same type of information found in the government-wide financial statements.

Unrestricted net position of the Water and Sewer Enterprise fund at the end of the year amounted to \$2,295,446 or 44% of annual operating and non-operating expenses for the fund.

#### **General Fund Budgetary Highlights**

The final budget for fiscal year 2023 reflected an decrease in fund balance of \$1.5 million. The actual change in fund balance was a decrease of \$1.0 million. The most significant contributing factors were transfer out to capital project fund for the building of the new city hall building and new parking lot.

#### **Capital Assets and Debt Administration**

**Capital Assets.** The City's investment in capital assets for its governmental and business type activities, as of September 30, 2023, amounted to \$25.1 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, park facilities, water and wastewater plants and service lines, machinery and equipment.

**CITY OF HITCHCOCK, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

A summary of capital assets (\$ in thousands), as of September 30, 2023, is as follows:

	2023			2022		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Land	\$ 1,541	\$ 62	\$ 1,603	\$ 1,518	\$ 62	\$ 1,580
Construction in progress	2,292	1,441	3,733	722	994	1,716
Infrastructure	-	16,940	16,940	-	11,506	11,506
Buildings	1,289	113	1,402	879	120	999
Equipment and furniture	796	578	1,374	899	606	1,505
	<u>\$ 5,918</u>	<u>\$ 19,134</u>	<u>\$ 25,052</u>	<u>\$ 4,018</u>	<u>\$ 13,288</u>	<u>\$ 17,306</u>

Additional information on the City's capital assets can be found in Note 7 of the basic financial statements of this report.

**Long-Term Debt.** At the end of the current fiscal year, the City had total debt outstanding of approximately \$16.6 million. A summary of long-term debt (\$ in thousands) as of September 30, 2023, is as follows:

	2023			2022		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ -	\$ 795	\$ 795	\$ -	\$ 840	\$ 840
Private placement bonds	920	-	920	985	-	985
Sales tax obligation	2,127	-	2,127	2,208	-	2,208
Financed purchase arrangements	392	12,414	12,806	508	4,140	4,648
	<u>\$ 3,439</u>	<u>\$ 13,209</u>	<u>\$ 16,648</u>	<u>\$ 3,701</u>	<u>\$ 4,980</u>	<u>\$ 8,681</u>

The City's total debt increased by approximately \$8.00 million during the fiscal year primarily due to entering into a financed purchase agreement in the amount of \$8.4 million for improvements to the City's water and sewer system. Additional information on the City's long-term debt can be found in Note 8 of the basic financial statements of this report.

**Economic Factors and Next Year's Budgets and Rates**

The fiscal year 2024 adopted budget includes \$2,509,997 in maintenance and operations support for the General Fund from property taxes. The budget is based upon the City adopting the Adopted tax rate of \$0.495 cents per \$100 of assessed valuation, a decrease of 1% from the City's proceeding year's tax rate of \$0.50. The average taxable value of a residential homestead this year is \$213,219. The amount of tax imposed on the average homestead is \$1,055.43, which equates to a daily cost per capita of \$2.89 for city services. A portion of the City's property tax rate is dedicated to the debt service fund to pay for the issuance of certificates of obligation debt associated with the remodeling of an existing building for a new City Hall/Municipal Court building and parking lot later this year. The FY 2024 debt service rate is \$0.012625/\$100 of taxable value. The General Fund revenues and expenditures for FY 2024 are projected to increase. General Fund revenues projected for the next fiscal year are \$6,722,980, an increase of 1.09%, with expenditures of \$7,172,532. The projected fund balance at the end of FY 2024 is expected to decrease to \$5,322,729 for the General Fund.

**Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information should be addressed to the Office of the City Manager, 8102 Highway 6, Hitchcock, Texas 77563.



## **BASIC FINANCIAL STATEMENTS**



**CITY OF HITCHCOCK, TEXAS**

**STATEMENT OF NET POSITION**

**September 30, 2023**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and temporary investments	\$ 8,787,440	\$ 2,319,078	\$ 11,106,518	\$ 156,938
Receivables, net of allowance	497,331	646,635	1,143,966	67,576
Due from primary government	-	-	-	77,442
Internal balances	91,905	(91,905)	-	-
Prepaid items	30,573	780	31,353	6,546
Restricted cash	411,086	6,184,716	6,595,802	1,075,899
Capital assets, not being depreciated	3,832,854	1,502,677	5,335,531	502,162
Capital assets, net of depreciation	2,085,186	17,631,783	19,716,969	-
<b>Total Assets</b>	<b>15,736,375</b>	<b>28,193,764</b>	<b>43,930,139</b>	<b>1,886,563</b>
<b>Deferred Outflows of Resources:</b>				
Pension and OPEB related	408,676	120,600	529,276	-
<b>Total Deferred Outflows of Resources</b>	<b>408,676</b>	<b>120,600</b>	<b>529,276</b>	<b>-</b>
<b>Liabilities</b>				
Accounts payable	455,839	319,029	774,868	2,846
Accrued interest	-	92,585	92,585	-
Unearned revenue	2,042,888	269,616	2,312,504	-
Customer deposits	354,933	474,473	829,406	-
Noncurrent liabilities:				
Due within one year	316,323	575,595	891,918	382,135
Due in more than one year	3,238,455	12,654,567	15,893,022	4,283,054
Net pension liability	134,796	39,800	174,596	-
Total OPEB liability	94,364	27,900	122,264	-
<b>Total Liabilities</b>	<b>6,637,598</b>	<b>14,453,565</b>	<b>21,091,163</b>	<b>4,668,035</b>
<b>Deferred Inflows of Resources:</b>				
Pension and OPEB related	75,884	22,400	98,284	-
<b>Total Deferred Inflows of Resources</b>	<b>75,884</b>	<b>22,400</b>	<b>98,284</b>	<b>-</b>
<b>Net Position</b>				
<b>Net investment in capital assets</b>	<b>4,605,743</b>	<b>11,325,061</b>	<b>15,930,804</b>	<b>502,162</b>
<b>Restricted for:</b>				
Debt Service	47,580	217,892	265,472	-
Grants	136,632	-	136,632	-
Public Safety	5,280	-	5,280	-
Municipal court operations	51,706	-	51,706	-
Culture and Recreation	28,923	-	28,923	-
Community Development	-	-	-	-
<b>Unrestricted</b>	<b>4,555,705</b>	<b>2,295,446</b>	<b>6,851,151</b>	<b>(3,283,634)</b>
<b>Total Net Position</b>	<b>\$ 9,431,569</b>	<b>\$ 13,838,399</b>	<b>\$ 23,269,968</b>	<b>\$ (2,781,472)</b>

**CITY OF HITCHCOCK, TEXAS**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2023**

Page 1 of 2

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
<b>Governmental Activities:</b>				
General government	\$ 1,164,517	\$ 172	\$ 41,024	\$ -
Public safety	3,000,067	426,284	53,511	-
Public works	1,750,591	1,081,214	-	392,827
Health, welfare and sanitation	-	601,228	-	-
Community Development	428,793	-	164,174	-
Interest on long-term debt	16,650	-	-	-
<b>Total Governmental Activities</b>	<u>6,360,618</u>	<u>2,108,898</u>	<u>258,709</u>	<u>392,827</u>
<b>Business-type Activities:</b>				
Water and Sewer	5,170,302	5,081,213	-	-
<b>Total Business-type Activities</b>	<u>5,170,302</u>	<u>5,081,213</u>	<u>-</u>	<u>-</u>
<b>Total Primary Government</b>	<u>\$ 11,530,920</u>	<u>\$ 7,190,111</u>	<u>\$ 258,709</u>	<u>\$ 392,827</u>
<b>Component Units</b>				
Hitchcock Economic Development Corporation	\$ 557,940	\$ -	\$ -	\$ -
Reinvestment Zone Number One	3,700,872	-	-	-
<b>Total Component Units</b>	<u>\$ 4,258,812</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF HITCHCOCK, TEXAS**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2023**

Page 2 of 2

Functions/Programs	Net (Expense) Revenue and Changes in Net Position			
	Primary Government			Component
	Governmental	Business-type	Total	Units
	Activities	Activities		
<b>Primary Government</b>				
<b>Governmental Activities:</b>				
General government	\$ (1,123,321)	\$ -	\$ (1,123,321)	\$ -
Public safety	(2,520,272)	-	(2,520,272)	-
Public works	(276,550)	-	(276,550)	-
Health, welfare and sanitation	601,228	-	601,228	-
Community Development	(264,619)	-	(264,619)	-
Interest on long-term debt	(16,650)	-	(16,650)	-
<b>Total Governmental Activities</b>	<b>(3,600,184)</b>	<b>-</b>	<b>(3,600,184)</b>	<b>-</b>
<b>Business-type Activities:</b>				
Water and Sewer	-	(89,089)	(89,089)	-
<b>Total Business-type Activities</b>	<b>-</b>	<b>(89,089)</b>	<b>(89,089)</b>	<b>-</b>
<b>Total Primary Government</b>	<b>(3,600,184)</b>	<b>(89,089)</b>	<b>(3,689,273)</b>	<b>-</b>
<b>Component Units</b>				
Hitchcock Economic Development Corporation				(557,940)
Reinvestment Zone Number One				(3,700,872)
<b>Total Component Units</b>				<b>(4,258,812)</b>
<b>General Revenues:</b>				
Taxes:				
Property taxes	2,661,029	-	2,661,029	633,110
Sales tax	1,148,460	-	1,148,460	382,820
Franchise taxes	438,612	-	438,612	-
Unrestricted investment earnings	83,021	304,677	387,698	6,516
Miscellaneous	132,867	-	132,867	8,600
Transfers	(277,056)	277,056	-	-
<b>Total General Revenues</b>	<b>4,186,933</b>	<b>581,733</b>	<b>4,768,666</b>	<b>1,031,046</b>
Change in net position	586,749	492,644	1,079,393	(3,227,766)
<b>Net Position - Beginning</b>	<b>8,844,820</b>	<b>13,345,755</b>	<b>22,190,575</b>	<b>446,294</b>
<b>Net Position - Ending</b>	<b>\$ 9,431,569</b>	<b>\$ 13,838,399</b>	<b>\$ 23,269,968</b>	<b>\$ (2,781,472)</b>

**CITY OF HITCHCOCK, TEXAS**
**BALANCE SHEET**
**GOVERNMENTAL FUNDS**
**September 30, 2023**

Page 1 of 2

	<b>General Fund</b>	<b>Grant Fund</b>	<b>Debt Service Fund</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 6,592,867	\$ 2,178,720	\$ 46,619
Due from other funds	91,905	-	-
Receivables, net of allowance	441,246	-	4,627
Other receivables	31,578	19,880	-
Prepaid Items	22,201	-	-
<b>Total Assets</b>	<b>\$ 7,179,797</b>	<b>\$ 2,198,600</b>	<b>\$ 51,246</b>
<b>Liabilities:</b>			
Accounts payable	\$ 3,553	\$ 23,911	\$ -
Other liabilities	397,388	-	-
Accrued wages	35,018	-	-
Unearned revenue	800	2,038,057	-
Customer deposits	354,933	-	-
<b>Total Liabilities</b>	<b>791,692</b>	<b>2,061,968</b>	<b>-</b>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue:			
Property taxes	149,034	-	3,666
Court fines and fees	31,578	-	-
<b>Total Deferred Inflows of Resources</b>	<b>180,612</b>	<b>-</b>	<b>3,666</b>
<b>Fund Balances</b>			
<b>Non-spendable:</b>			
Prepaid items	22,201	-	-
<b>Restricted:</b>			
Culture and recreation	-	-	-
Municipal court operations	-	-	-
Public safety	-	-	-
Grant programs	-	136,632	-
Debt service	-	-	47,580
<b>Assigned:</b>			
Capital projects	-	-	-
<b>Unassigned</b>	<b>6,185,292</b>	<b>-</b>	<b>-</b>
<b>Total Fund Balance</b>	<b>6,207,493</b>	<b>136,632</b>	<b>47,580</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 7,179,797</b>	<b>\$ 2,198,600</b>	<b>\$ 51,246</b>

**CITY OF HITCHCOCK, TEXAS**
**BALANCE SHEET**
**GOVERNMENTAL FUNDS**
**September 30, 2023**
**Page 2 of 2**

	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 294,411	\$ 85,909	\$ 9,198,526
Due from other funds	-	-	91,905
Receivables, net of allowance	-	-	445,873
Other receivables	-	-	51,458
Prepaid Items	-	8,372	30,573
<b>Total Assets</b>	<b>\$ 294,411</b>	<b>\$ 94,281</b>	<b>\$ 9,818,335</b>
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ -	\$ 27,464
Other liabilities	-	-	397,388
Accrued wages	-	-	35,018
Unearned revenue	-	-	2,038,857
Customer deposits	-	-	354,933
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>2,853,660</b>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue:			
Property taxes	-	-	152,700
Court fines and fees	-	-	31,578
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>184,278</b>
<b>Fund Balances</b>			
<b>Non-spendable:</b>			
Prepaid items	-	8,372	30,573
<b>Restricted:</b>			
Culture and recreation	-	28,923	28,923
Municipal court operations	-	51,706	51,706
Public safety	-	5,280	5,280
Grant programs	-	-	136,632
Debt service	-	-	47,580
<b>Assigned:</b>			
Capital projects	294,411	-	294,411
<b>Unassigned</b>	<b>-</b>	<b>-</b>	<b>6,185,292</b>
<b>Total Fund Balance</b>	<b>294,411</b>	<b>94,281</b>	<b>6,780,397</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 294,411</b>	<b>\$ 94,281</b>	<b>\$ 9,818,335</b>





**CITY OF HITCHCOCK, TEXAS**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**September 30, 2023**

<b>Total Fund Balance, Governmental Funds</b>	<b>\$ 6,780,397</b>
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in this fund financial statement but are reported in the governmental activities of the Statement of Net Position.	5,918,040
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Certain other unavailable assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.

Property tax	152,700
Court fines and fees	31,578

Deferred inflows and outflows related to pension activities	364,169
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Deferred inflows and outflows related to OPEB activities	(31,377)
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Some liabilities are not due and payable in the current period and are not included in the fund financial statements but are included in the governmental activities of the Statement of Net Position. These are as follows:

Compensated absences	(115,473)
Financed purchase arrangements	(392,297)
Bonds payable	(920,000)
Sales tax obligation	(2,127,008)
Net pension liability	(134,796)
Total OPEB liability	(94,364)

<b>Net Position of Governmental Activities in the Statement of Net Position</b>	<b><u>\$ 9,431,569</u></b>
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**CITY OF HITCHCOCK, TEXAS**

Page 1 of 2

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2023**

	<b>General Fund</b>	<b>Grant Fund</b>	<b>Debt Service Fund</b>
<b>Revenues</b>			
Property taxes	\$ 2,600,405	\$ -	\$ 61,032
Sales, franchise and local taxes	1,473,629	-	-
Licenses and permits	1,077,465	-	-
Charges for services	753,946	-	-
Fines and forfeitures	282,001	-	-
Earnings on investments	79,666	232	197
Intergovernmental	50,988	600,548	-
Other	107,867	-	-
<b>Total Revenues</b>	<b>6,425,967</b>	<b>600,780</b>	<b>61,229</b>
<b>Expenditures</b>			
Current:			
General government	1,110,723	38,440	-
Public safety	2,906,248	-	-
Public works	1,736,217	-	-
Culture and recreation	-	-	-
Community development	268,378	-	-
Capital outlay	176,675	559,585	-
Debt service:			
Principal retirement	115,681	-	65,000
Interest and fees	14,996	-	16,650
<b>Total Expenditures</b>	<b>6,328,918</b>	<b>598,025</b>	<b>81,650</b>
Excess (deficiency) of revenues over expenditures	97,049	2,755	(20,421)
<b>Other Financing Sources (Uses)</b>			
Transfers in	160,737	57,536	-
Transfers out	(1,278,752)	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(1,118,015)</b>	<b>57,536</b>	<b>-</b>
Net change in fund balances	(1,020,966)	60,291	(20,421)
<b>Fund Balances - Beginning</b>	<b>7,228,459</b>	<b>76,341</b>	<b>68,001</b>
<b>Fund Balances - Ending</b>	<b>\$ 6,207,493</b>	<b>\$ 136,632</b>	<b>\$ 47,580</b>

**CITY OF HITCHCOCK, TEXAS**

Page 2 of 2

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**
**GOVERNMENTAL FUNDS**

For the Year Ended September 30, 2023

	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Property taxes	\$ -	\$ -	\$ 2,661,437
Sales, franchise and local taxes	-	32,155	1,505,784
Licenses and permits	-	-	1,077,465
Charges for services	-	172	754,118
Fines and forfeitures	-	12,164	294,165
Earnings on investments	2,566	360	83,021
Intergovernmental	-	-	651,536
Other	-	-	107,867
<b>Total Revenues</b>	<u>2,566</u>	<u>44,851</u>	<u>7,135,393</u>
<b>Expenditures</b>			
Current:			
General government	-	-	1,149,163
Public safety	-	2,741	2,908,989
Public works	-	-	1,736,217
Culture and recreation	-	25,000	25,000
Community development	-	-	268,378
Capital outlay	1,897,502	18,701	2,652,463
Debt service:			
Principal retirement	-	-	180,681
Interest and fees	-	-	31,646
<b>Total Expenditures</b>	<u>1,897,502</u>	<u>46,442</u>	<u>8,952,537</u>
Excess (deficiency) of revenues over expenditures	(1,894,936)	(1,591)	(1,817,144)
<b>Other Financing Sources (Uses)</b>			
Transfers in	1,273,716	-	1,491,989
Transfers out	-	-	(1,278,752)
<b>Total Other Financing Sources (Uses)</b>	<u>1,273,716</u>	<u>-</u>	<u>213,237</u>
Net change in fund balances	(621,220)	(1,591)	(1,603,907)
<b>Fund Balances - Beginning</b>	<u>915,631</u>	<u>95,872</u>	<u>8,384,304</u>
<b>Fund Balances - Ending</b>	<u>\$ 294,411</u>	<u>\$ 94,281</u>	<u>\$ 6,780,397</u>

**CITY OF HITCHCOCK, TEXAS****RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Year Ended September 30, 2023**

**Net Change in Fund Balances - Total Governmental Funds:** \$ (1,603,907)

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The capital asset expenditures are allocated over the assets' estimated useful lives as depreciation expense for the period.

Capital Outlay	2,652,464
Depreciation	(261,561)

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.

Unavailable property tax revenue	(408)
Unavailable fines and fees	8,150

Contributions are treated as expenditures in the fund based financial statements, but are treated as reductions in the City's net pension/OPEB liability in the statement of net position. This amount is the difference between contributions and net pension/OPEB expense (revenue) for the current fiscal year.

Pension/OPEB related activities	43,587
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Bond and other debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond and other debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Principal paid on private placement bonds	65,000
Amounts paid for sales tax obligation	81,288
Principal paid on financed purchase arrangements	115,681

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Decrease in accrued compensated absences.	(23,252)
Transfer of capital assets contributions to business-type activities	(524,487)
Transfer of capital assets contributions to governmental activities	34,194

<b>Change in Net Position of Governmental Activities</b>	<b>\$ 586,749</b>
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**CITY OF HITCHCOCK, TEXAS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**September 30, 2023**

	<b>Business-type Activities</b>
	<b>Water and Sewer</b>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 2,319,078
Customer receivable, net	646,635
Prepaid items	780
Restricted cash and cash equivalents	6,184,716
Total current assets	<u>9,151,209</u>
Capital assets, not subject to depreciation/amortization	1,502,677
Capital assets, net of depreciation/amortization	<u>17,631,783</u>
Total non-current assets	<u>19,134,460</u>
<b>Total Assets</b>	<u>28,285,669</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflows of resources for pensions	115,300
Deferred outflows of resources for OPEB	<u>5,300</u>
<b>Total Deferred Outflows of Resources</b>	<u>120,600</u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable and accrued expenses	302,736
Due to other funds	91,905
Accrued wages	16,293
Accrued interest payable	92,585
Unearned revenues	269,616
Customer deposits	474,473
Current portion of long term liabilities	575,595
Total current liabilities	<u>1,823,203</u>
Non-current liabilities:	
Bonds payable	750,000
Leases payable	11,883,570
Compensated absences	20,997
Net pension liability	39,800
Total OPEB liability	27,900
Total non-current liabilities	<u>12,722,267</u>
<b>Total Liabilities</b>	<u>14,545,470</u>
<b>Deferred Inflows of Resources</b>	
Deferred inflows of resources for pensions	7,800
Deferred inflows of resources for OPEB	<u>14,600</u>
<b>Total Deferred Inflows of Resources</b>	<u>22,400</u>
<b>Net Position:</b>	
Net investment in capital assets	11,325,061
Restricted for debt service	217,892
Unrestricted	2,295,446
<b>Total Net Position</b>	<u>\$ 13,838,399</u>

**CITY OF HITCHCOCK, TEXAS****STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION****PROPRIETARY FUND****For the Year Ended September 30, 2023**

	<b>Business-type Activities</b>
	<b>Water and Sewer</b>
<b>Operating Revenues</b>	
Charges for services	\$ 5,067,381
<b>Total Operating Revenues</b>	<u>5,067,381</u>
<b>Operating Expenses</b>	
Personnel services	1,007,255
Contract Services	1,889,820
Supplies	254,595
Repair and maintenance	558,237
Depreciation	947,866
<b>Total Operating Expenses</b>	<u>4,657,773</u>
Operating income (loss)	<u>409,608</u>
<b>Non-Operating Revenues (Expenses)</b>	
Other revenues	13,832
Investment earnings	304,677
Interest expense and fiscal agent fees	(565,029)
Loss on disposal of assets	(34,194)
<b>Total Non-Operating Revenues (Expenses)</b>	<u>(280,714)</u>
Income before capital contributions and transfers	128,894
Capital contributions	524,487
Transfers out	(160,737)
Change in net position	492,644
<b>Net Position - Beginning</b>	<u>13,345,755</u>
<b>Net Position - Ending</b>	<u><u>\$ 13,838,399</u></u>

**CITY OF HITCHCOCK, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**For the Year Ended September 30, 2023**

	<b>Business-type Activities Water and Sewer</b>
<b>Cash Flows From Operating Activities</b>	
Receipts from customers and users	\$ 4,928,024
Cash payments to suppliers for goods and services	(3,096,297)
Cash payments to employees for services	(1,013,724)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>818,003</b>
<b>Cash Flows from Noncapital Financing Activities</b>	
Transfers	(160,737)
<b>Net Cash (Used for) by Noncapital Financing Activities</b>	<b>(160,737)</b>
<b>Cash Flows From Capital and Related Financing Activities</b>	
Principal payments on financed purchase arrangements	(88,636)
Proceeds from financed purchase arrangements	8,362,475
Donations for capital purposes	13,832
Acquisition and construction of capital assets	(6,305,137)
Principal payments on debt	(45,000)
Interest and fiscal agent fees paid	(494,896)
<b>Net Cash Provided by (Used for) Capital and Related Financing Activities</b>	<b>1,442,638</b>
<b>Cash Flows From Investing Activities</b>	
Investment earnings	304,677
<b>Net Cash Provided by Investing Activities</b>	<b>304,677</b>
Net increase in cash and cash equivalents	2,404,581
<b>Cash and Cash Equivalents - Beginning of Year</b>	<b>6,099,213</b>
<b>Cash and Cash Equivalents - End of Year</b>	<b>\$ 8,503,794</b>
Unrestricted cash and cash equivalents	\$ 2,319,078
Restricted cash and cash equivalents	6,184,716
<b>Cash and Cash Equivalents - End of Year</b>	<b>\$ 8,503,794</b>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating income	\$ 409,608
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>	
Depreciation expense	947,866
(Increase) decrease in accounts receivable	(173,623)
(Increase) decrease in prepaid items	(780)
(Increase) decrease in net pension liability and related deferred inflows/outflows	(24,100)
Increase (decrease) in accounts payable	(400,910)
Increase (decrease) in unearned revenue	7,354
Increase (decrease) in customer deposits	26,912
Increase (decrease) in compensated absences	6,066
Increase (decrease) in accrued wages	3,365
Increase (decrease) in total OPEB liability and related deferred inflows/outflows	8,200
Increase (decrease) in interfund payables	8,045
<b>Total Adjustments</b>	<b>408,395</b>
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 818,003</b>
<b>Schedule of Non-Cash Capital and Related Financing Activities:</b>	
Contributions of capital assets	524,487





**CITY OF HITCHCOCK, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**Note 1 - Organization**

The City of Hitchcock, Texas (the "City") is a political subdivision of the State of Texas governed by an elected mayor and four member City Council. The Mayor, as the official head of City government, resides at all meetings of Council and signs all official documents.

The City provides the following services: public safety, public works, parks and recreation, water and sewer and general administrative services.

**Note 2 - Summary of Significant Accounting Policies**

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described as follows.

**A. Reporting Entity**

In conformity with GAAP, the financial statements of component units have been included in the financial reporting entity as discretely presented component units.

**Hitchcock Industrial Development Corporation ("Corporation" or "HIDC")**

The mission of the Corporation is to provide economic development within the City and surrounding areas. The members of the Corporation are appointed by the City's Council Members. The Corporation's budget requires the approval of the City Council. The HIDC also operates under the business title of the Hitchcock Economic Development Corporation ("HEDC").

**Reinvestment Zone Number One ("TIRZ")**

The City designated approximately 850 acres of which at least 400 acres is designated wetlands, comprising the Harborwalk Development as a reinvestment zone in December 1999. A board of directors was established to make recommendations to the City Council concerning administration of the TIRZ. A final project and financing plan was approved in February 2000. All project costs are to be advanced by the Developer, who will be reimbursed from proceeds of bonds issued by the City and payable from tax increments.

The component units identified above are included in the City's reporting entity because of the significance of their operational or financial relationships with the City. The City appoints the organizations' boards and is either able to impose its' will on them or a financial benefit/burden exists.

Complete financial statements of the individual component units are not prepared.

The financial reporting entity consists of the primary government and other organizations for which the primary government is financially accountable.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

**CITY OF HITCHCOCK, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

**Note 2 - Summary of Significant Accounting Policies (continued)**

**B. 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 about the City as a whole. These statements include all nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

**C. 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 recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues 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.

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

General property taxes are recorded as receivables when levied and as revenue in the period for which they were levied and become available. Property taxes receivable have been recorded as deferred inflows of resources at year end. Property taxes collected within 60 days subsequent to September 30, 2023, are recorded as revenue as they are considered measurable and available. Franchise taxes and Sales taxes relating to underlying transactions that occurred prior to September 30, 2023, have been recorded as receivables and revenue. Licenses, permits and fines are not susceptible to accrual since they are not measurable until received. Revenue on federal and state cost-reimbursement grants is accrued when the related expenditures are incurred. Interest is recorded when earned.

**CITY OF HITCHCOCK, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

**Note 2 - Summary of Significant Accounting Policies (continued)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)**

The City reports the following major governmental funds:

The *General Fund* is used to account for all financial transactions that are not accounted for in another fund. The principal sources of revenue of the General Fund are property taxes, sales and use taxes, franchise taxes, licenses, permits, fines and forfeitures. Expenditures are for general government, public safety, public works and other community services.

The *Capital Projects Fund* is used to account for used to account for the expenditures for capital improvement projects.

The *Grant Fund* is used to account for intergovernmental revenues and expenditures for grants.

The *Debt Service Fund* is used to account for receipts from the interest and sinking portion of the City's property taxes and to pay the principal and interest on long-term debt.

The City reports the following major proprietary fund:

The *Water and Sewer Operating Fund* is used to account for operations of the water and wastewater division and the construction of related facilities. The fund is financed and operated in a manner similar to private business enterprises - where the intent of the City is that the cost (expenses, including depreciation) of providing goods or services to the general public, on a continuing basis, be financed or recovered primarily through user charges. The acquisition, maintenance and improvement of the physical plant facilities required to provide these goods and services are financed from existing cash resources, the issuance of bonds (revenue or general obligation) and other City funds.

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

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

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

The Government-wide Statement of Net Position classifies net position into three components – net investment in capital assets; restricted; and unrestricted. These classifications are as follows:

- Net investment in capital assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings.
- Restricted - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors, grantors, contributors, laws, and regulations of other governments, constraints imposed by law through contractual provisions or enabling legislation.
- Unrestricted - This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

**CITY OF HITCHCOCK, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

**Note 2 - Summary of Significant Accounting Policies (continued)**

**D. Cash Equivalents**

The City reports cash and cash equivalents in the City's statement of cash flows for Proprietary Fund types and in all other financial statements of financial position. The City considers cash and cash equivalents to be cash on hand, demand deposits, balances in privately managed public funds investment pools ("TexPool") and certificates of deposits with an original maturity of three months or less.

The City's local government investment pools are recorded at amortized costs as permitted by GASB Statement No. 79, Certain Investment Pools and Pool Participants.

**E. Investments**

The City reports all investments at fair value. The City categorizes fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Government Code. In summary, the City is authorized to invest in the following:

- Obligations of the U.S. Government
- Direct obligations of the State or its agencies and instrumentalities
- Other obligations backed by the full faith and credit of the State or the U.S. Government or their respective agencies and instrumentalities
- Obligations of states, agencies, counties and other political subdivisions of any state having been rated as to investment quality of not less than "A"
- Certificate of deposit issued by state and national banks domiciled in Texas
- Certificate of deposit issued by savings and loan associations domiciled in Texas
- Mutual funds of specific type
- Public funds investment pools
- Fully collateralized direct repurchase agreements
- Commercial paper
- Fully collateralized certificates of deposit

**F. Receivables and payables**

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectibles.

The City levies taxes on or about October 1, of each year. Property taxes attach as an enforceable lien on property as of January 1. These taxes are due by January 31, and are considered delinquent after that date, at which time interest is charged at a rate established by the state property tax code.

**Note 2 - Summary of Significant Accounting Policies (continued)**

**F. Receivables and payables (continued)**

Property tax revenue is recognized when levied to the extent that they are available. The combined tax rate to finance general governmental services for the year ended September 30, 2023 was \$0.500000 per \$100 of assessed valuation.

**G. Restricted assets**

Certain proceeds of bonds, as well as other resources set aside for specific purposes, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants or contractual agreements.

**H. Capital Assets**

Capital assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of \$5,000 or more and an estimated useful life more than one year. All purchased fixed assets are valued at cost where historical records exist. Donated fixed assets are valued at their acquisition value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements, including public domain and equipment are capitalized and Proprietary Fund fixed assets are depreciated over the remaining useful lives of the related fixed assets using the straight-line method, as applicable. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

Land and construction in progress are not depreciated. The other tangible and intangible capital assets of the primary government are depreciated/amortized using the straight-line method over the following estimated useful lives:

<b>Asset</b>	<b>Estimated Useful Life</b>
Building	40 years
Improvements	20-40 years
Water and sewer system	33 years
Heavy Equipment	10 years
Automobiles, trucks and equipment	5 years
Right to use assets	Shorter of lease term or 5 years
Right to use SBITA asset	Subscription term

**I. Leases and Subscription-Based Information Technology Arrangements (SBITAs)**

From time to time the City enters into contracts for the noncancellable leases/SBITAs. If applicable, the City recognizes a right to use asset with capital assets and lease/SBITA liability are reported with long-term debt in the government-wide financial statements. The City recognizes lease liabilities with an initial, individual value of \$50,000 or more. The City did not have any contracts to report as leases/SBITAs as of September 30, 2023.

At the commencement of a lease/SBITA, the City initially measures the lease liability at the present value of payments expected to be made during the contract term. Subsequently, the liability is reduced by the principal portion of payments made. The intangible right to use asset is initially measured as the sum of (1) the initial liability amount, (2) payments made to the vendor before commencement of the contract term, and (3) capitalizable implementation costs, less any incentives received from the vendor at or before the commencement of the contract term. Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected payments to present value, (2) contract term, and (3) payments.

**CITY OF HITCHCOCK, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

**Note 2 - Summary of Significant Accounting Policies (continued)**

**I. Leases and Subscription-Based Information Technology Arrangements (SBITAs) (continued)**

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the vendor as the discount rate. When the interest rate charged by the vendor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate.
- The contract term includes the noncancellable period of contract term and payments included in the measurement of the liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a measurement of its leases/SBITAs and will remeasure the related asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

**J. Compensated absences**

Employees earn vacation based on years of service with the City and may accumulate unused time. Sick leave is accrued at the rate of eight hours per month of employment. In accordance with GAAP, the liability for accumulated vacation, as of September 30, 2023, has been recorded as a liability in the Government-Wide Statement of Net Position.

**K. Fund equity**

The City reports fund balances in the governmental funds to demonstrate the nature and extent of the constraints placed on a government's fund balances and describes the relative strength of the spending constraints as follows:

Non-spendable fund balance – amounts that are not in spendable form or are required to be maintained intact. As such, the inventory and prepaid items have been properly classified in the Governmental Funds Balance Sheet.

Restricted fund balance - amounts that can be spent only for specific purposes because of local, state or federal laws, or externally imposed conditions by grantors or creditors. Restrictions for capital acquisitions and contractual obligations, retirement of fund indebtedness and other state restrictions have been properly classified in the Governmental Funds Balance Sheet.

Unassigned fund balance – amounts that are available for any purpose.

When multiple categories of fund balance are available for expenditure, the City will first spend the most restricted funds before moving down to the next most restrictive category with available funds.

**L. Revenues and expenditures/expenses**

In the fund financial statements, revenues for governmental funds are recorded when they are determined to be both measurable and available. Generally, tax revenues, fees and non-tax revenues are recognized when received. Grants from other governments are recognized when qualifying expenditures are incurred. Expenditures for governmental funds are recorded when the related liability is incurred.

Revenues and expenses in the Government-Wide Statement of Activities are recognized in essentially the same manner as used in commercial accounting.

**CITY OF HITCHCOCK, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

**Note 2 - Summary of Significant Accounting Policies (continued)**

**M. Debt Service**

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

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

**N. Use of estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual amounts could vary from those estimates.

**O. Deferred outflows/inflows of resources**

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense/expenditure) until then. The City has deferred amounts related to pension/OPEB that qualify for reporting in this category. The deferred amounts related to pension and OPEB relate differences between estimated and actual investment earnings, changes in actuarial assumptions, and other pension and OPEB related changes.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until that time. The City has multiple items that qualify for reporting in this category. Unavailable revenue reported only in the governmental funds balance sheet for unavailable revenues for property taxes and court fines/fees. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City also has deferred amounts related to pension and OPEB in the government-wide financial statements.

**P. Pensions**

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's Total Pension Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company.

**CITY OF HITCHCOCK, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

**Note 2 - Summary of Significant Accounting Policies (continued)**

**Q. Other Post-employment Benefits (OPEB)**

For purposes of measuring the total OPEB liability, the related deferred outflows of resources, and OPEB expense, City specific information about its liability in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City's liability have been determined on the same basis as they are reported by TMRS. For this purpose, OPEB expense recognized each fiscal year is equal to the change in the total OPEB liability from the beginning of the year to the end of the year, adjusted for deferred recognition of certain changes in the liability. Investments are reported at fair value. Information regarding the City's total OPEB liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company.

**R. Implementation of New Accounting Standards**

The following GASB pronouncements were effective during fiscal year 2023:

GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITA), was issued in May 2020 and was effective for periods beginning after June 15, 2022. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The City has evaluated the effects of this standard and has determined that it does not impact the financial statements.

GASB issued Statement No. 99, Omnibus 2022 was issued in April 2022. This Statement was issued to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements and accounting and financial reporting for financial guarantees. The requirements of this Statement are effective immediately upon issuance, for periods beginning after June 15, 2022 and June 15, 2023, depending on the topical area.

**Note 3 - Cash and Cash Equivalents**

The City's cash and temporary investments include demand accounts, certificates of deposits, and state government investment pools.

The City's agent bank is required to pledge securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. At year end, all deposits of the City and its component units were fully insured or collateralized by government obligation held in the City's name by the City's agent in accordance with Texas Law.

State statutes authorize the City to invest in: 1) obligations of the U.S. or its agencies and instrumentalities; 2) obligations of the State of Texas or its agencies; 3) other obligations guaranteed by the U.S., the State of Texas or their agencies and instrumentalities; 4) obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent; 5) guaranteed or secured certificates of deposit issued by state or national banks domiciled in Texas; 6) fully collateralized repurchase agreements; 7) a public funds investment pool meeting the requirements of Government Code 2256.016-2256.019; and, 8) commercial paper having received a rating of A1/P1 from a nationally recognized investment rating firm.



**CITY OF HITCHCOCK, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

**Note 3 - Cash and Cash Equivalents (continued)**

The Public Funds Investment Act (PFIA) governs the City's investment policies and types of investment. The City's investments (cash equivalents) are in compliance with the authorized investments provided by the PFIA. The City's deposits and investments (cash equivalents), including those of the component units, as of September 30, 2023, are summarized below:

	<b>Cash On Hand</b>	<b>Demand Deposits</b>	<b>Investment Pool</b>	<b>Certificates of Deposit</b>	<b>Total</b>
Primary government	\$ 1,090	\$ 10,796,442	\$ 6,061,810	\$ 842,978	\$ 17,702,320
Component units	-	1,232,837	-	-	1,232,837
	<u>\$ 1,090</u>	<u>\$ 12,029,279</u>	<u>\$ 6,061,810</u>	<u>\$ 842,978</u>	<u>\$ 18,935,157</u>

<b>Investment Type</b>	<b>Fair Value/ Amortization Cost</b>	<b>Percentage of Portfolio</b>	<b>Weighted Average Maturities (Days)</b>	<b>S&amp;P Global Ratings Credit Rating</b>
TexPool	\$ 6,061,810	88%	25	AAAM
Certificate of Deposits	842,978	12%	8	N/A
<b>Total</b>	<u>\$ 6,904,788</u>	100%	33	

Certificates of deposits are carried at fair value using Level 1 Fair Value Measurement Inputs.

**Local Government Investment Pools**

Local government investment pools are pooled investment funds that operates like money market mutual funds for the exclusive benefit of governments within the entities' jurisdiction. These pools typically combine the cash of participating jurisdictions and invest the cash in securities allowed under the state's laws regarding government investments. By pooling funds, participating governments benefit from economies of scale, full-time portfolio management, diversification, and liquidity. As of September 30, 2023, the City's investments included TexPool local government investment pools. Investments in the investment pools are not evidenced by securities that exist in physical or book entry form and, accordingly, do not have custodial risk.

TexPool policies require that local government deposits be used to purchase investments authorized by the Public Funds Investment Act (PFIA) of 1987, as amended. The Texas State Comptroller of Public Accounts has oversight responsibility for TexPool. TexPool is a public funds investment pool created by the Texas Treasury Safekeeping Trust Company (Trust Company) to provide a safe environment for the placement of local government funds in authorized short-term, fully collateralized investments, including direct obligations of, or obligations guaranteed by, the United States or State of Texas or their agencies; federally insured certificates of deposit issued by Texas banks or savings and loans; and fully collateralized direct repurchase agreements secured by United States Government agency securities and placed through a primary government securities dealer.

The Trust Company was incorporated by the State Treasurer by authority of the Texas Legislature as a special purpose trust company with direct access to the services of the Federal Reserve Bank to manage, disburse, transfer, safe keep, and invest public funds and securities more efficiently and economically. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. TexPool uses amortized cost rather than fair value to report net position to compute share prices. The fair value of the position in TexPool is the same as the value of TexPool shares. Accordingly, the City's investments in TexPool are stated at cost, which approximates fair value.

CITY OF HITCHCOCK, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (continued)

Note 3 - Cash and Cash Equivalents (continued)

Local Government Investment Pools (continued)

TexPool is currently rated AAAM by S&P Global Ratings. This rating indicates excellent safety and a superior capacity to maintain principal value and limit exposure to loss.

In accordance with GASB Statement No. 79, Certain External Investment Pools and Pool Participants, the local government investment pools do not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. These pools do not impose any liquidity fees or redemption gates.

Note 4 - Restricted Assets

As of September 30, 2023, the City held restricted cash and temporary investments for the following purposes:

	Governmental Activities	Business-type Activities
Restricted for:		
Bond escrow deposits	\$ 364,467	\$ 474,473
Debt service	46,619	310,477
Capital projects	-	5,399,766
Total Restricted Assets	\$ 411,086	\$ 6,184,716

Note 5 - Property Tax

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are payable on or before January 31. No penalties or interest shall be collected if payment in full is made by January 31. City property taxes are recognized as current receivables when levied; however, such amounts are reported as deferred inflows of resources, and not reported as revenues until collections are received. At year end, all property taxes receivable are classified as delinquent. Penalties and interest accrued at September 30 are also recognized as receivables.

Within these guidelines, the tax rate per \$100 of assessed valuation, for the year ended September 30, 2023, was 50.0000 cents (49.0246 cents for M&O and 0.9754 cents for I&S) based on an assessed property valuation of approximately of \$682.9 million resulting in a tax levy of approximately \$3.3 million.

**CITY OF HITCHCOCK, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

**Note 6 - Receivables**

Amounts recorded as receivables, as of September 30, 2023, for the government's individual major and nonmajor funds, including the applicable allowance for uncollectible accounts, are as follows:

	Primary Government					
	Governmental Activities			Business-type Activities	Component Units	
	General Fund	Grant Fund	Debt Service Fund	Water and Sewer Fund	HIDC	Total
Receivables:						
Property taxes	\$ 496,523	\$ -	\$ 6,405	\$ -	\$ -	\$ 502,928
Franchise taxes	43,065	-	-	-	-	43,065
Sales taxes	202,728	-	-	-	77,442	280,170
Fines and forfeitures	315,779	-	-	-	-	315,779
Intergovernmental			-	-	67,576	67,576
Customer accounts	-	-	-	841,634	-	841,634
Other	3,902	19,880	-	-	-	23,782
Gross receivables	1,061,997	19,880	6,405	841,634	145,018	2,074,934
Less: allowance for uncollectibles	(589,173)	-	(1,778)	(194,999)	-	(785,950)
Net Total Receivables	\$ 472,824	\$ 19,880	\$ 4,627	\$ 646,635	\$ 145,018	\$ 1,288,984

**CITY OF HITCHCOCK, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

**Note 7 - Capital Assets**

A summary of activity for capital assets, for the year ended September 30, 2023, follows:

	October 1, 2022	Additions	Retirements	Transfers	September 30, 2023
<b>Governmental Activities</b>					
<b>Capital Assets, Not Being Depreciated:</b>					
Land	\$ 1,518,052	\$ 23,192	\$ -	\$ -	\$ 1,541,244
Construction in progress	722,103	2,518,075	-	(948,568)	2,291,610
<b>Total Capital Assets, Not Being Depreciated</b>	<b>2,240,155</b>	<b>2,541,267</b>	<b>-</b>	<b>(948,568)</b>	<b>3,832,854</b>
<b>Capital Assets Being Depreciated:</b>					
Buildings and improvements	1,860,849	-	-	458,275	2,319,124
Machinery and equipment	3,721,176	111,197	-	-	3,832,373
<b>Total Capital Assets Being Depreciated</b>	<b>5,582,025</b>	<b>111,197</b>	<b>-</b>	<b>458,275</b>	<b>6,151,497</b>
<b>Less Accumulated Depreciation For:</b>					
Building and improvements	(982,147)	(47,721)	-	-	(1,029,868)
Machinery and equipment	(2,822,603)	(213,840)	-	-	(3,036,443)
<b>Total Accumulated Depreciation</b>	<b>(3,804,750)</b>	<b>(261,561)</b>	<b>-</b>	<b>-</b>	<b>(4,066,311)</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 4,017,430</b>	<b>\$ 2,390,903</b>	<b>\$ -</b>	<b>\$ (490,293)</b>	<b>\$ 5,918,040</b>
<b>Business-type Activities</b>					
<b>Capital Assets, Not Being Depreciated:</b>					
Land	\$ 61,776	\$ -	\$ -	\$ -	\$ 61,776
Construction in progress	993,602	1,056,803	-	(609,504)	1,440,901
<b>Total Capital Assets, Not Being Depreciated</b>	<b>1,055,378</b>	<b>1,056,803</b>	<b>-</b>	<b>(609,504)</b>	<b>1,502,677</b>
<b>Capital Assets Being Depreciated:</b>					
Water/sewer system	29,780,445	5,117,970	-	1,099,797	35,998,212
Buildings and improvements	190,453	-	-	-	190,453
Machinery and equipment	2,574,848	130,364	-	-	2,705,212
<b>Total Capital Assets Being Depreciated</b>	<b>32,545,746</b>	<b>5,248,334</b>	<b>-</b>	<b>1,099,797</b>	<b>38,893,877</b>
<b>Less Accumulated Depreciation For:</b>					
Water/sewer system	(18,274,628)	(783,337)	-	-	(19,057,965)
Buildings and improvements	(70,272)	(6,792)	-	-	(77,064)
Machinery and equipment	(1,969,328)	(157,737)	-	-	(2,127,065)
<b>Total Accumulated Depreciation</b>	<b>(20,314,228)</b>	<b>(947,866)</b>	<b>-</b>	<b>-</b>	<b>(21,262,094)</b>
<b>Business-type Activities Capital Assets, Net</b>	<b>\$ 13,286,896</b>	<b>\$ 5,357,271</b>	<b>\$ -</b>	<b>\$ 490,293</b>	<b>\$ 19,134,460</b>
<b>Total Primary Government</b>	<b>\$ 17,304,326</b>	<b>\$ 7,748,174</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 25,052,500</b>
<b>Component Unit</b>					
<b>Capital Assets, Not Being Depreciated:</b>					
Land	\$ -	\$ 502,162	\$ -	\$ -	\$ 502,162
<b>Total Capital Assets, Not Being Depreciated</b>	<b>-</b>	<b>502,162</b>	<b>-</b>	<b>-</b>	<b>502,162</b>
<b>Total Component Units</b>	<b>\$ -</b>	<b>\$ 502,162</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 502,162</b>

**CITY OF HITCHCOCK, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

**Note 7 - Capital Assets (continued)**

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

<b>Function</b>	<b>Depreciation Expense</b>
<b>Primary Government</b>	
<b>Governmental Activities:</b>	
General	\$ 94,179
Public safety	88,387
Public works	66,614
Culture and recreation	12,381
<b>Total Governmental Activities</b>	<u>261,561</u>
	-
<b>Business-type Activities:</b>	
Water	300,407
Sewer	647,459
<b>Total Business-type Activities</b>	<u>947,866</u>
<b>Total Primary Government</b>	<u>\$ 1,209,427</u>

The remaining commitments for the construction in progress are as follows:

<b>Function</b>	<b>Approved Construction Budget</b>	<b>Construction in Progress</b>	<b>Estimated Remaining Commitment</b>
<b>Primary Government</b>			
<b>Governmental Activities</b>			
Delaney Street Improvements	\$ 2,528,452	\$ 2,283,310	\$ 245,142
Access Control System(New City Hall)	16,672	8,300	8,372
<b>Total Governmental Activities</b>	<u>2,545,124</u>	<u>2,291,610</u>	<u>253,514</u>
		-	
<b>Business-type Activities</b>			
CDBG GLO MIT 22-085-064-D321	1,004,877	343,073	661,804
Lift Station Rehab	567,815	189,884	377,931
Grit Removal System & Engineering	1,519,840	300,022	1,219,818
SCADA Expansion	178,293	169,378	8,915
Owner Directed Allowance	450,000	378,000	72,000
McLarty Water & Sewer Improvements CIP	299,669	19,520	280,149
CDBG Water Line Improvements	883,734	41,024	842,710
<b>Total Business-type Activities</b>	<u>4,904,228</u>	<u>1,440,901</u>	<u>3,463,327</u>
<b>Total Primary Government</b>	<u>\$ 7,449,352</u>	<u>\$ 3,732,511</u>	<u>\$ 3,716,841</u>

During fiscal year 2023, the governmental activities transferred \$524,487 in capital contributions related to the CDBG GLO MIT 22-085-064-D321 project, lift station rehab project and CDBG Water Line Improvements project to the business-type activities. The business-type activities also transferred \$34,194 in capital contributions related to the drainage improvement project.

**CITY OF HITCHCOCK, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

**Note 8 - Long-Term Debt**

The City issues a variety of long-term debt instruments in order to acquire and/or construct major capital facilities and equipment for governmental and business-type activities. These instruments can include certificates of obligation, finance purchase arrangements, tax increment bonds, and private placement bonds. Future ad valorem tax revenues, water and sewer system revenues or liens on property and equipment secure these debt obligations. The City also has an obligation to pay back previously collected sales tax which reduces the sales tax revenue distributed from the State. During the year ended September 30, 2023, the following changes occurred in long-term liabilities:

	Balance, October 01, 2022	Additions	Reductions	Balance September 30, 2023	Due Within One Year
<b>Governmental Activities</b>					
General obligation bonds -					
Private Placement	\$ 985,000	\$ -	\$ (65,000)	\$ 920,000	\$ 65,000
Sales tax obligation	2,208,296	-	(81,288)	2,127,008	81,288
Financed purchase arrangements	507,978	-	(115,681)	392,297	119,173
Compensated absences	92,221	23,252	-	115,473	50,862
<b>Total Governmental Activities</b>	<u>\$ 3,793,495</u>	<u>\$ 23,252</u>	<u>\$ (261,969)</u>	<u>\$ 3,554,778</u>	<u>\$ 316,323</u>
<b>Business-type Activities</b>					
General obligation bonds	\$ 840,000	\$ -	\$ (45,000)	\$ 795,000	\$ 45,000
Financed purchase arrangements	4,140,326	8,362,475	(88,636)	12,414,165	530,595
Compensated absences	14,931	7,834	(1,768)	20,997	-
<b>Total Business-type Activities</b>	<u>\$ 4,995,257</u>	<u>\$ 8,370,309</u>	<u>\$ (135,404)</u>	<u>\$ 13,230,162</u>	<u>\$ 575,595</u>
<b>Component Units</b>					
Private placement note - HIDC	\$ 800,000	\$ -	\$ (23,813)	\$ 776,187	\$ 25,039
Sales tax obligation - TIRZ	736,098	-	(27,096)	709,002	27,096
Tax Increment Bonds, Series 2022 - TIRZ	-	3,490,000	(310,000)	3,180,000	330,000
<b>Total Component Units</b>	<u>\$ 1,536,098</u>	<u>\$ 3,490,000</u>	<u>\$ (360,909)</u>	<u>\$ 4,665,189</u>	<u>\$ 382,135</u>

**Current Year Activity**

During the current fiscal year, the TIRZ issued a tax increment bonds, Series 2022 payable in the amount of \$3,490,000. The net proceeds will be used to purchase land and the note is secured by the pledge of sales taxes.

Additionally, the City entered into one new finance purchase arrangement during fiscal year 2023. The agreement was to finance the purchase of phase 3 of the water and sewer system improvements. Capital assets are recorded for all of these assets under the agreements and are depreciated using straight-line over the asset's useful lives.

**CITY OF HITCHCOCK, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

**Note 8 - Long-Term Debt (continued)**

**Bonds and Notes Payable**

The following is a summary of the terms of bonds and notes payable outstanding as of September 30, 2023:

<b>Description</b>	<b>Original Issue</b>	<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Principal Outstanding</b>
<b>Governmental Activities</b>				
Series 2021, Private Placement Bonds	\$ 1,050,000	1.75%	2/1/2036	\$ 920,000
<b>Business-type Activities</b>				
Series 2020, General Obligation Refunding Bonds	920,000	2.00%	7/15/2038	795,000
<b>Total Primary Government</b>				<u><u>\$ 1,715,000</u></u>
<b>Component Units</b>				
Series 2022 Note (Private Placement) (EDC)	800,000	5.15%	7/29/2042	776,187
Tax Increment Bonds, Series 2022	3,490,000	5.20%	6/1/2031	3,180,000
<b>Total Component Units</b>				<u><u>\$ 3,956,187</u></u>

Annual debt service requirements to retire the bonds and notes payable are as follows:

<b>Total Primary Government</b>						
<b>Fiscal Year</b>	<b>Governmental Activities (Private Placement)</b>			<b>Business-type Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2024	\$ 65,000	\$ 15,531	\$ 80,531	\$ 45,000	\$ 15,503	\$ 60,503
2025	65,000	14,394	79,394	45,000	14,625	59,625
2026	65,000	13,256	78,256	50,000	13,748	63,748
2027	65,000	12,119	77,119	50,000	12,773	62,773
2028	70,000	10,938	80,938	50,000	11,798	61,798
2029-2033	360,000	36,138	396,138	265,000	44,070	309,070
2034-2038	230,000	6,124	236,124	290,000	17,255	307,255
	<u>\$ 920,000</u>	<u>\$ 108,500</u>	<u>\$ 1,028,500</u>	<u>\$ 795,000</u>	<u>\$ 129,772</u>	<u>\$ 924,772</u>
<b>Total Component Units</b>						
<b>Fiscal Year</b>	<b>HIDC (Private Placement)</b>			<b>TIRZ Incremental Bonds</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2024	\$ 25,039	\$ 39,974	\$ 65,013	\$ 330,000	\$ 165,360	\$ 495,360
2025	26,329	38,684	65,013	345,000	148,200	493,200
2026	27,685	37,328	65,013	365,000	130,260	495,260
2027	29,111	35,902	65,013	385,000	111,280	496,280
2028	30,610	34,403	65,013	405,000	91,260	496,260
2029-2033	178,384	146,681	325,065	1,350,000	143,000	1,493,000
2034-2038	229,298	95,767	325,065	-	-	-
2039-2043	229,731	30,322	260,053	-	-	-
	<u>\$ 776,187</u>	<u>\$ 459,061</u>	<u>\$ 1,235,248</u>	<u>\$ 3,180,000</u>	<u>\$ 789,360</u>	<u>\$ 3,969,360</u>

**CITY OF HITCHCOCK, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

**Note 8 - Long-Term Debt (continued)**

**Financed Purchase Arrangements**

The City has multiple agreements in place to finance the purchase of capital assets. A summary of the agreements and the amounts outstanding at the end of the fiscal year is as follows:

Description	Original Amount	Interest Rate	Origination Date	Amount Outstanding	
				Governmental Activities	Business-Type Activities
Equipment	\$ 874,043	2.790%	8/24/2020	\$ 292,654	\$ 220,052
Police vehicles	237,321	3.350%	12/16/2019	99,643	-
Vehicle & mini excavator	197,219	2.787%	12/29/2021	-	159,913
Water and sewer system	\$ 3,671,725	3.790%	8/5/2022	-	12,034,200
				<u>\$ 392,297</u>	<u>\$ 12,414,165</u>

The future requirements are as follows:

Fiscal Year	Total Primary Government					
	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 119,173	\$ 11,503	\$ 130,676	\$ 530,595	\$ 146,083	\$ 676,678
2025	122,771	7,904	130,675	573,279	138,401	711,680
2026	74,142	4,195	78,337	618,341	130,206	748,547
2027	76,211	2,126	78,337	665,899	121,472	787,371
2028	-	-	-	614,372	112,172	726,544
2029-2033	-	-	-	3,881,533	443,822	4,325,355
2034-2038	-	-	-	5,530,146	191,288	5,721,434
	<u>\$ 392,297</u>	<u>\$ 25,728</u>	<u>\$ 418,025</u>	<u>\$ 12,414,165</u>	<u>\$ 1,283,444</u>	<u>\$ 13,697,609</u>

**Sales Tax Obligation**

On April 21, 2014, the City Commission approved a 380 agreement between the City of Hitchcock and a business ("the Business") operating within the City. Under Article III, Economic Incentives, the City was required to make payments to the developer from sales tax revenues. From July 2014 through January 2017, the City made payments in the amount of \$974,143 to the Business. On January 28, 2021, the Texas Comptroller Office notified the City that the City was overpaid \$3,161,162 in sales tax. An audit was conducted by the state and the State Comptroller ruled that the Business was not conducting business in Hitchcock and that the sales tax must be repaid to the State. The developer utilized pre-existing properties and facilities and there were no new planned construction improvement projects scheduled within the City of Hitchcock. Therefore, the City agreed to allow deductions from the monthly sales tax payments over a period of 348 months beginning in October 2021. The following amounts are outstanding as of the end of the fiscal year:

Description	Original Amount	Period (months)	Payment Beginning	Payments Ending	Amount Outstanding	
					Governmental Activities	HIDC
Sales Tax Obligation #1	\$ 3,161,162	348	10/1/2021	10/1/2050	\$ 2,127,008	\$ 709,002
					<u>\$ 2,127,008</u>	<u>\$ 709,002</u>



**CITY OF HITCHCOCK, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

**Note 8 - Long-Term Debt (continued)**

**Sales Tax Obligation (continued)**

The future requirements are as follows:

<b>Fiscal Year</b>	<b>Governmental Activities</b>	<b>HIDC</b>	<b>Total</b>
2024	\$ 81,288	\$ 27,096	\$ 108,384
2025	81,288	27,096	108,384
2026	81,288	27,096	108,384
2027	81,288	27,096	108,384
2028	81,288	27,096	108,384
2029-2033	406,440	135,480	541,920
2034-2038	406,440	135,480	541,920
2039-2043	406,440	135,480	541,920
2044-2048	406,440	135,480	541,920
2049-2052	94,808	31,602	126,410
	<u>\$ 2,127,008</u>	<u>\$ 709,002</u>	<u>\$ 2,836,010</u>

**Note 9 - Interfund Receivables, Payables and Transfers**

The composite of the interfund balances as of September 30, 2023, is as follows:

<b>Fund</b>	<b>Due (to)/from</b>
Utility Fund	\$ (91,905)
General Fund	91,905
<b>Net Interfund Totals</b>	<u>\$ -</u>

All interfund balances are expected to be repaid within one year.

Transfers between funds during the year were as follows:

	<b>Transfers in</b>	<b>Transfers out</b>
<b>Governmental Funds</b>		
General Fund	\$ 160,737	\$ (1,278,752)
Grant Fund	5,036	(52,500)
Capital Projects Fund	1,273,716	-
<b>Total Governmental Funds</b>	<u>1,439,489</u>	<u>(1,331,252)</u>
<b>Enterprise Fund</b>		
Water and Sewer	52,500	(160,737)
<b>Total Enterprise Fund</b>	<u>52,500</u>	<u>(160,737)</u>
<b>Total Transfers</b>	<u>\$ 1,491,989</u>	<u>\$ (1,491,989)</u>

During the fiscal year, the water and sewer fund was transferred \$160,737 to the general fund for administrative costs. The grants fund transferred \$52,500 to the water and sewer fund for water and sewer improvements. Also, the general fund transferred \$1,273,716 to the capital projects fund for the new city hall building and \$5,036 to the grant fund for grant expenditures.

Note 10 - Employee Retirement System

Texas Municipal Retirement System

Plan Description and Provisions

The City participates as one of 887 plans in the nontraditional, joint contributory, hybrid agent multiple-employer defined benefit pension plan administered by the Texas Municipal Retirement System (“TMRS”). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the “TMRS Act”) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS’s defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issue a comprehensive annual financial report (“CAFR”) available to the public that can be obtained at [www.tmr.org](http://www.tmr.org). All eligible employees of the City are required to participate in TMRS.

Benefits Provided

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

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

	Plan Year 2023
Employee deposit rate:	6%
Matching ratio (City to employee):	2 to 1
Years required for vesting:	5
Retirement Eligibility (Age/Service)	60/5, 0/20
Updated Service Credit:	50% Repeating Transfers
Annuity Increase (to retirees)	0% of CPI
Supplemental death benefit – active members	Yes
Supplemental death benefit – retirees	Yes

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	41
Inactive employees entitled to but not yet receiving benefits	53
Number of active employees receiving benefits	54
<b>Total</b>	<b>148</b>

**CITY OF HITCHCOCK, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

**Note 10 - Employee Retirement System (continued)**

***Texas Municipal Retirement System (continued)***

**Contributions**

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

Employees of the City were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City were 6.57% and 6.77% in calendar years 2023 and 2022, respectively. The City's contributions to TMRS for the year ended September 30, 2023 were \$209,331 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 rate	2.50%
Salary increases	3.50% to 11.50% including inflation
Investment rate of return	6.75%

Overall Payroll Growth is used to calculate the contribution rates for the retirement plan of each participating city as a level percentage of payroll. This represents the expected increase in total payroll. This increase rate is solely due to the effect of wage inflation on salaries, with no allowance for future membership growth. However, for cities with a decrease in the number of contributing members from 2008 to 2018, the payroll growth is decreased by half the annual percentage decrease in the count capped at a 1.0% decrease per year and rounded down to the nearest 0.1%.

**CITY OF HITCHCOCK, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

**Note 10 - Employee Retirement System (continued)**

**Actuarial Assumptions (continued)**

The long-term expected rate of return on pension plan investment 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 plan year 2019 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return (Arithmetic)</b>
Global Equity	35%	7.7%
Core Fixed Income	6%	4.9%
Non-Core Fixed Income	20%	8.7%
Other Public and Private Markets	12%	8.1%
Real Estate	12%	5.8%
Hedge Funds	5%	6.9%
Private Equity	10%	11.8%
<b>Total</b>	<b>100.0%</b>	

**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 the 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 period of projected benefit payments to determine the Total Pension Liability.

**Basis of Allocation**

Pension items are allocated between governmental activities and business-type activities on the basis of employee payroll funding. For the year ended September 30, 2023, those percentages were 80% and 20%, respectively, which approximated the prior year's allocations.

**CITY OF HITCHCOCK, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

**Note 10 - Employee Retirement System (continued)**

**Changes in Net Pension Liability**

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability (Asset)</b>
	(a)	(b)	(a) - (b)
<b>Balance at December 31, 2021</b>	\$ 4,859,743	\$ 5,417,052	\$ (557,309)
Service Cost	348,597	-	348,597
Interest (on the Total Pension Liability)	327,621	-	327,621
Changes of benefit terms	-	-	-
Difference between expected and actual experience	15,449	-	15,449
Contributions – employer	-	185,076	(185,076)
Contributions – employee	-	168,540	(168,540)
Net investment income	-	(394,515)	394,515
Administrative Expense	-	(3,422)	3,422
Other	-	4,083	(4,083)
Benefit payments, including refunds of employee contributions	(360,794)	(360,794)	-
<b>Balance at December 31, 2022</b>	<u>\$ 5,190,616</u>	<u>\$ 5,016,020</u>	<u>\$ 174,596</u>

**Sensitivity Of the Net Pension Liability (Asset) To Changes in The Discount Rate**

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

	<b>1% Decrease (5.75%)</b>	<b>Current (6.75%)</b>	<b>1% Increase (7.75%)</b>
City's Net Pension Liability (Asset)	\$ 820,730	\$ 174,596	\$ (355,483)

**Pension Plan Fiduciary Net Position**

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

For the year ended September 30, 2023, the City recognized pension expense of \$135,102.

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference in expected and actual experience	\$ 9,366	\$ (34,159)
Net difference between projected and actual earnings	333,358	-
Contributions made subsequent to measurement date	163,104	-
	<u>\$ 505,828</u>	<u>\$ (34,159)</u>

**CITY OF HITCHCOCK, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

**Note 10 - Employee Retirement System (continued)**

**Pension Plan Fiduciary Net Position (continued)**

The deferred outflows of resources related to contributions made subsequent to measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ended</b>	
<b>September 30:</b>	<b>Amount</b>
2024	\$ (18,991)
2025	85,467
2026	90,059
2027	152,030
<b>Total</b>	<b>\$ 308,565</b>

**Note 11 - Other Post-employment Benefits**

***TMRS Supplemental Death Benefits Fund***

**Plan Description**

The City’s single-employer defined benefit group-term life insurance plan is operated by the Texas Municipal Retirement System (TMRS) via 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 another post-employment benefit (OPEB). As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

Membership in the plan as of the measurement date of December 31, 2022 was as follows:

Inactive employees or beneficiaries currently receiving benefits	24
Inactive employees entitled to but not yet receiving benefits	10
Active employees	54
<b>Total</b>	<b>88</b>

**Note 11 - Other Post-employment Benefits (continued)**

**Contributions**

Contributions are made monthly based on the covered payroll of employee members of the participating member city. The contractually required contribution rate is determined annually. The City's contribution rates are 0.36% and 0.19% for calendar years 2023 and 2022, respectively. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. As such, contributions are utilized to fund active member deaths on a pay-as-you-go basis; any excess contributions and investment income over payments then become net position available for benefits.

**Discount Rate**

The TMRS SDBF program is treated as unfunded OPEB plan because the SDBF trust covers both active employees and retirees and the assets are not segregated for these groups. In accordance with GASB Statement No. 75, the applicable discount rate for an unfunded OPEB is based on an index of tax exempt 20-year municipal bond rates rated as AA or higher. As of December 31, 2022, the discount rate used in the development of the Total OPEB Liability was 4.05% compared to 1.84% as of December 31, 2021.

**Actuarial Assumptions**

The City's Total OPEB Liability was measured at December 31, 2022 and was determined by an actuarial valuation as of that date using the following actuarial assumptions:

Inflation	2.50%
Salary increase	3.50% to 11.50% including inflation
Discount rate*	4.05%
Retirees' share of benefit-related costs	\$0
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.

Notes: The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

**CITY OF HITCHCOCK, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

**Note 11 - Other Post-employment Benefits (continued)**

**Basis of Allocation**

Pension items are allocated between governmental activities and business-type activities on the basis of employee payroll funding. For the year ended September 30, 2023, those percentages were 77% and 23%, respectively, which approximated the prior year's allocations.

**Changes in Total OPEB Liability**

<b>Balance at December 31, 2021</b>	\$ 176,666
Changes for the Year:	
Service cost	20,225
Interest on Total OPEB Liability	3,416
Difference between expected and actual experience	(9,127)
Changes in assumptions or other inputs	(66,669)
Benefit payments	(2,247)
Net changes	<u>(54,402)</u>
<b>Balance at December 31, 2022</b>	<u><u>\$ 122,264</u></u>

**Sensitivity Analysis**

The following presents the total OPEB liability of the employer, calculated using the discount rate of 4.05%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower and 1 percentage point higher than the current rate. Note that the healthcare cost trend rate does not affect the total OPEB liability, so sensitivity to the healthcare cost trend rate is not shown.

	<b>1% Decrease (3.05%)</b>	<b>Current (4.05%)</b>	<b>1% Increase (5.05%)</b>
City's Total OPEB Liability	\$ 147,752	\$ 122,264	\$ 102,469

For the year ended September 30, 2023, the City recognized OPEB expense of \$18,200.

As of September 30, 2023, the City reported deferred outflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference in expected and actual experience	\$ 3,892	\$ (10,718)
Change in assumptions	17,194	(53,407)
Contributions made subsequent to measurement date	2,362	-
<b>Total</b>	<u><u>\$ 23,448</u></u>	<u><u>\$ (64,125)</u></u>

The amounts reported as deferred outflows of resources related to contributions made subsequent to measurement date will be recognized as a reduction of the OPEB liability in the subsequent fiscal year.



**CITY OF HITCHCOCK, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

**Note 11 - Other Post-employment Benefits (continued)**

**Sensitivity Analysis (continued)**

Amounts currently reported as deferred outflows of resources related to OPEBs, excluding contributions subsequent to the measurement date, will be recognized in OPEB expense as follows:

<b>Year Ended</b>	
<b>September 30:</b>	<b>Amount</b>
2024	\$ (6,585)
2025	(10,332)
2026	(15,390)
2027	(10,732)
<b>Total</b>	<b>\$ (43,039)</b>

**Note 12 - Risk Management**

**General Liability**

The City is exposed to various risks of loss related to torts; theft of damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City’s risk management program encompasses various means of protecting the City against loss by obtaining property, casualty and liability coverage through commercial insurance carriers and from participation in a risk pool. The participation of the City in the risk pool is limited to the payment of premiums. There has not been any significant reduction in insurance coverage in the past three years.

**Workers’ Compensation**

The City is a member of the Texas Municipal League (TML) Workers’ Compensation Intergovernmental Risk Pool, an unincorporated association of political subdivision of the State of Texas. The company is not intended to operate as an insurance company but rather a contracting mechanism by which the City provides self-insurance benefits to its employees. The fund contracts with a third party administrator for administration, investigation and adjustment services in the handling of claims. Premiums are based on the estimated City payroll by risk factor and rates. The premiums are adjusted by the City’s experience modifier. All loss contingencies, including claims incurred but not reported, if any, are recorded and accounted for by the TML Pool.

**Note 13 - Amounts Due to Developer**

In a prior year the City created Reinvestment Zone One (the “Zone”). The development and financing agreement between the City, the Zone and the developer provides that the developer will advance the funds to provide for construction costs that will be reimbursed from proceeds of bonds issued by the City and payable from tax increments, as provided in the agreement, which was amended on September 1, 2006.

## **CITY OF HITCHCOCK, TEXAS**

### **NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

#### **Note 13 - Amounts Due to Developer (continued)**

The property included in the Zone is adjacent to West Bay and the Highland Bayou Diversionary Canal. Originally, the only vehicular access to this waterfront land was via 2nd Street. Now, primary vehicular access to this waterfront property is via Harbor Drive from State Highway 6. The construction of a bridge over the Diversionary Canal and reconstruction of Basford Bayou Bridge are completed. The public improvement and associated cost are estimated at \$13.56 million, while the estimated appraised value is estimated by the Galveston Central Appraisal District to be \$71.9 million as of January 1, 2014. Since the Zone's creation in 1999, \$13.9 million in expenses have been paid or advanced to finance the development expenses, engineering cost, environmental studies, land surveys, bridge construction/repairs, regional lift station, road improvements and tax zone expenses. The amounts due to developer are to be paid from tax increment funds meeting the requirements in Section 4.08 of the amended agreement. The Board of the Zone must approve an independent accountants' report detailing the project costs to be paid and verifying the amount of interest owed to the Developer for advancement of Project Costs.

In November 2018, the Board of Reinvestment Zone One approved the Independent Accountant's Report on Applying Agreed-Upon Procedures related to the amounts due to Harborwalk LP (the "Developer"). Based on the report approved by the Board, the total amount to be paid to the Developer was \$7,702,520. In April 2019, approximately \$750 thousand was paid to the Developer. The remaining will be paid in accordance with Section 4.08 of the Development and Financing Agreement. During fiscal year 2021, the City paid \$950,000 to Harborwalk, LP pursuant to the Indenture of Trust and Amendment to Development and Financing Agreement dated September 1, 2006 by and between the City of Hitchcock, Reinvestment Zone Number One, City of Hitchcock, Texas, Wells Fargo Bank, NA and Harborwalk, LP.

## **REQUIRED SUPPLEMENTARY INFORMATION**



**CITY OF HITCHCOCK, TEXAS**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**

**FUND BALANCE - BUDGET AND ACTUAL**

**GENERAL FUND**

**For the Year Ended September 30, 2023**

	<u>Budgeted Amounts</u>			Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Property taxes	\$ 2,575,740	\$ 2,582,293	\$ 2,600,405	\$ 18,112
Sales, franchise and local taxes	1,488,000	1,470,657	1,473,629	2,972
Licenses and permits	1,323,445	1,075,762	1,077,465	1,703
Charges for services	722,083	746,435	753,946	7,511
Fines and forfeitures	291,600	282,001	282,001	-
Earnings on investments	33,000	79,666	79,666	-
Intergovernmental	-	-	50,988	50,988
Other	40,513	109,110	107,867	(1,243)
<b>Total Revenues</b>	<u>6,474,381</u>	<u>6,345,924</u>	<u>6,425,967</u>	<u>80,043</u>
<b>Expenditures</b>				
Current:				
General government	1,335,954	1,221,447	1,110,723	110,724
Public safety	2,892,335	2,915,243	2,906,248	8,995
Public works	2,356,035	1,963,157	1,736,217	226,940
Community development	265,325	256,294	268,378	(12,084)
Capital Outlay	700,649	284,601	176,675	107,926
Debt service:				
Principal retirement	120,510	115,584	115,681	(97)
Interest and fees	10,220	10,220	14,996	(4,776)
<b>Total Expenditures</b>	<u>7,681,028</u>	<u>6,766,546</u>	<u>6,328,918</u>	<u>437,628</u>
Excess (deficiency) of revenues over (under) expenditures	(1,206,647)	(420,622)	97,049	517,671
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of capital assets	15,065	-	-	-
Transfers in	160,737	160,737	160,737	-
Transfer out	(895,135)	(1,273,716)	(1,278,752)	(5,036)
<b>Total Other Financing Sources (Uses)</b>	<u>(719,333)</u>	<u>(1,112,979)</u>	<u>(1,118,015)</u>	<u>(5,036)</u>
Net change in fund balance	(1,925,980)	(1,533,601)	(1,020,966)	512,635
<b>Fund Balances - Beginning</b>	<u>7,228,459</u>	<u>7,228,459</u>	<u>7,228,459</u>	<u>-</u>
<b>Fund Balances - Ending</b>	<u>\$ 5,302,479</u>	<u>\$ 5,694,858</u>	<u>\$ 6,207,493</u>	<u>\$ 512,635</u>

## **CITY OF HITCHCOCK, TEXAS**

### **NOTES TO REQUIRED SUPPLEMENTARY BUDGETARY INFORMATION**

***Year Ended September 30, 2023***

#### **A. Legal Compliance - Budgets**

Prior to October 1, the departments and agencies of the City transmit their estimates of their budgetary requirements to the Mayor. The Council may revise, alter, increase or decrease the items of the budget, provided that when it shall increase the total proposed expenditures, it shall also increase the total anticipated income. At least ten days before the beginning of the fiscal year, the Council approves the budget plan. One or more public hearings are conducted to obtain taxpayer comments. The budget is legally enacted prior to October 1. The City adopts budgets for funds at the department level.

#### **B. Basis of Accounting**

The City adopts a budget based on Generally Accepted Accounting Principles (GAAP).

#### **C. Expenditures in Excess of Appropriations**

The City exceeded appropriations in debt service and community development.

# CITY OF HITCHCOCK, TEXAS

## REQUIRED PENSION SYSTEM SUPPLEMENTARY INFORMATION

### Texas Municipal Retirement System (Unaudited)

#### Schedule of Changes in Net Pension Liability and Related Ratios

#### For the Last Nine Measurement Years

	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability:</b>									
Service cost	\$ 348,597	\$ 285,544	\$ 200,879	\$ 196,833	\$ 200,384	\$ 228,554	\$ 205,211	\$ 162,996	\$ 133,102
Interest	327,621	324,866	297,890	284,857	276,531	255,650	233,888	229,110	215,538
Changes of benefit terms	-	278,721	-	-	-	-	-	-	-
Difference between expected and actual experience	15,449	(229,361)	(53,198)	20,919	(108,675)	6,954	2,434	(184,715)	(8,473)
Change in assumptions	-	-	-	11,836	-	-	-	108,274	-
Benefit payments, including refunds of employee contributions	(360,794)	(382,729)	(351,222)	(295,566)	(190,645)	(144,813)	(116,794)	(172,736)	(149,740)
Net change in total pension liability	330,873	277,041	94,349	218,879	177,595	346,345	324,739	142,929	190,427
<b>Total Pension Liability - Beginning</b>	<b>4,859,743</b>	<b>4,582,702</b>	<b>4,488,353</b>	<b>4,269,474</b>	<b>4,091,879</b>	<b>3,745,534</b>	<b>3,420,795</b>	<b>3,277,866</b>	<b>3,087,439</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 5,190,616</b>	<b>\$ 4,859,743</b>	<b>\$ 4,582,702</b>	<b>\$ 4,488,353</b>	<b>\$ 4,269,474</b>	<b>\$ 4,091,879</b>	<b>\$ 3,745,534</b>	<b>\$ 3,420,795</b>	<b>\$ 3,277,866</b>
<b>Plan Fiduciary Net Position:</b>									
Contributions - employer	\$ 185,076	\$ 95,794	\$ 89,587	\$ 91,239	\$ 92,159	\$ 110,278	\$ 87,163	\$ 82,579	\$ 69,866
Contributions - employee	168,540	115,981	107,422	107,913	111,572	129,419	114,133	98,309	86,042
Net investment income	(394,515)	643,824	359,588	648,700	(129,234)	514,110	229,604	4,998	183,055
Benefit payments, including refunds of employee contributions	(360,794)	(382,729)	(351,222)	(295,566)	(190,645)	(144,813)	(116,794)	(172,736)	(149,740)
Administrative expense	(3,422)	(2,984)	(2,330)	(3,665)	(2,498)	(2,664)	(2,593)	(3,044)	(1,911)
Other	4,083	18	(91)	(110)	(130)	(134)	(141)	(151)	(157)
Net change in plan fiduciary net position	(401,032)	469,904	202,954	548,511	(118,776)	606,196	311,372	9,955	187,155
<b>Plan Fiduciary Net Position - Beginning</b>	<b>5,417,052</b>	<b>4,947,148</b>	<b>4,744,194</b>	<b>4,195,683</b>	<b>4,314,459</b>	<b>3,708,263</b>	<b>3,396,891</b>	<b>3,386,936</b>	<b>3,199,781</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 5,016,020</b>	<b>\$ 5,417,052</b>	<b>\$ 4,947,148</b>	<b>\$ 4,744,194</b>	<b>\$ 4,195,683</b>	<b>\$ 4,314,459</b>	<b>\$ 3,708,263</b>	<b>\$ 3,396,891</b>	<b>\$ 3,386,936</b>
<b>Net Pension (Asset) Liability - Ending (a) - (b)</b>	<b>\$ 174,596</b>	<b>\$ (557,309)</b>	<b>\$ (364,446)</b>	<b>\$ (255,841)</b>	<b>\$ 73,791</b>	<b>\$ (222,580)</b>	<b>\$ 37,271</b>	<b>\$ 23,904</b>	<b>\$ (109,070)</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	96.64%	111.47%	107.95%	105.70%	98.27%	105.44%	99.00%	99.30%	103.33%
<b>Covered Payroll</b>	<b>\$ 2,808,999</b>	<b>\$ 2,319,608</b>	<b>\$ 2,199,839</b>	<b>\$ 2,158,252</b>	<b>\$ 2,231,442</b>	<b>\$ 2,588,381</b>	<b>\$ 2,282,664</b>	<b>\$ 1,966,176</b>	<b>\$ 1,720,845</b>
<b>Net Pension Asset as a Percentage of Covered Payroll</b>	6.22%	-24.03%	-16.57%	-11.85%	3.31%	-8.60%	1.63%	1.22%	-6.34%

Note 1: The amounts presented are for each measurement year, which end the preceding December 31 of the City's fiscal year end.

Note 2: Ten years of data should be presented in this schedule but data was unavailable prior to 2014.

**CITY OF HITCHCOCK, TEXAS**

**REQUIRED PENSION SYSTEM SUPPLEMENTARY INFORMATION**

**Texas Municipal Retirement System (Unaudited)**

**Schedule of City Contributions**

**For the Last Ten Fiscal Years**

	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Actuarially Determined Contributions	\$ 209,331	\$ 166,309	\$ 94,157	\$ 89,045	\$ 90,022
Contribution in relation of the actuarially determined contribution	209,331	166,309	94,157	89,045	90,022
Contribution deficiency(excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$3,327,951	\$2,786,247	\$2,272,209	\$2,125,781	\$2,140,918
Contributions as a percentage of covered payroll	6.29%	5.97%	4.14%	4.19%	4.20%
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Actuarially Determined Contributions	\$ 103,138	\$ 113,759	\$ 92,303	\$ 75,141	\$ 56,263
Contribution in relation of the actuarially determined contribution	103,138	113,759	92,303	75,141	56,263
Contribution deficiency(excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$2,356,563	\$2,614,412	\$2,174,840	\$1,802,750	\$1,703,174
Contributions as a percentage of covered payroll	4.38%	4.35%	4.24%	4.17%	3.30%

**Valuation Date**

Actuarially determined contribution rates are calculated on a calendar year basis 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 rate	2.50%
Salary increases	3.50% to 11.50% including inflation
Investment rate of return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018.
Mortality rate	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 notes	During fiscal year 2022: Adopted 50% repeating USC with transfer. Adopted 20 yr, any age retirement eligibility. Increased Member contribution rate from 5% to 6%. Increased statutory max to 12.50% due to plan changes.



# CITY OF HITCHCOCK, TEXAS

## REQUIRED PENSION SYSTEM SUPPLEMENTARY INFORMATION

### Texas Municipal Retirement System (Unaudited)

#### Schedule of Changes in Total OPEB Liability and Related Ratios

#### Last Six Measurement Years

	2022	2021	2020	2019	2018
<b>Total OPEB Liability:</b>	\$ 176,666	\$ 155,430	\$ 124,140	\$ 80,510	\$ 86,123
Service cost	20,225	9,510	10,527	7,770	8,926
Interest on total OPEB liability	3,416	3,190	3,553	3,127	2,995
Difference between expected and actual experience	(9,127)	3,746	(5,982)	7,150	(10,811)
Changes in assumptions	(66,669)	6,182	23,622	25,799	(6,500)
Benefit payments *	(2,247)	(1,392)	(430)	(216)	(223)
Net changes in total OPEB liability	\$ (54,402)	\$ 21,236	\$ 31,290	\$ 43,630	\$ (5,613)
<b>Total OPEB liability - December 31</b>	<b>\$ 122,264</b>	<b>\$ 176,666</b>	<b>\$ 155,430</b>	<b>\$ 124,140</b>	<b>\$ 80,510</b>
<b>Covered Payroll</b>	<b>\$ 2,808,999</b>	<b>\$ 2,319,608</b>	<b>\$ 2,199,839</b>	<b>\$ 2,158,252</b>	<b>\$ 2,231,442</b>
<b>Total OPEB Liability as a Percentage of Covered Payroll</b>	<b>4.35%</b>	<b>7.62%</b>	<b>7.07%</b>	<b>5.75%</b>	<b>3.61%</b>
	<b>2017</b>				
<b>Total OPEB Liability:</b>	\$ 66,549				
Service cost	9,318				
Interest on total OPEB liability	2,687				
Difference between expected and actual experience	-				
Changes in assumptions	7,828				
Benefit payments *	(259)				
Net changes in total OPEB liability	\$ 19,574				
<b>Total OPEB liability - December 31</b>	<b>\$ 86,123</b>				
<b>Covered Payroll</b>	<b>\$ 2,588,381</b>				
<b>Total OPEB Liability as a Percentage of Covered Payroll</b>	<b>3.33%</b>				

The amounts presented are for each measurement year, which end the preceding December 31 of the City's fiscal year end. Total OPEB liability is calculated using a new methodology and will be presented prospectively in accordance with GASB 75. Ten years of data should be presented in this schedule but data was unavailable prior to 2017.

#### Actuarial Methods and Assumptions

##### Notes to Schedule:

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

##### Summary of Actuarial Assumptions:

Inflation	2.50%
Salary increase	3.50% to 11.50% including inflation
Discount rate*	4.05%
Retirees' share of benefit-related costs	\$0
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.



## **OTHER SUPPLEMENTARY INFORMATION**



**CITY OF HITCHCOCK, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**September 30, 2023**

	<i>Special Revenue</i>							
	<b>Court Security and Technology Fund</b>	<b>Parks and Recreation</b>	<b>Donation Fund</b>	<b>Seizure Fund</b>	<b>Hotel Tax Fund</b>	<b>Truancy Prevention &amp; Diversion Fund</b>	<b>Jury Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Assets</b>								
Cash and cash equivalents	\$ 34,533	\$ 5,295	\$ 621	\$ 4,659	\$ 23,628	\$ 16,694	\$ 479	\$ 85,909
Prepaid Items	8,372	-	-	-	-	-	-	8,372
<b>Total Assets</b>	<u>\$ 42,905</u>	<u>\$ 5,295</u>	<u>\$ 621</u>	<u>\$ 4,659</u>	<u>\$ 23,628</u>	<u>\$ 16,694</u>	<u>\$ 479</u>	<u>\$ 94,281</u>
<b>Fund Balances</b>								
<b>Non-spendable:</b>								
Prepaid items	\$ 8,372	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,372
<b>Restricted:</b>								
Culture and recreation	-	5,295	-	-	23,628	-	-	28,923
Municipal court operations	34,533	-	-	-	-	16,694	479	51,706
Public safety	-	-	621	4,659	-	-	-	5,280
<b>Total Fund Balance</b>	<u>\$ 42,905</u>	<u>\$ 5,295</u>	<u>\$ 621</u>	<u>\$ 4,659</u>	<u>\$ 23,628</u>	<u>\$ 16,694</u>	<u>\$ 479</u>	<u>\$ 94,281</u>

**CITY OF HITCHCOCK, TEXAS**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**

**CHANGES IN FUND BALANCES**

**NONMAJOR GOVERNMENTAL FUNDS**

**For the Year Ended September 30, 2023**

	<i>Special Revenue</i>							
	Court Security and Technology Fund	Parks and Recreation	Donation Fund	Seizure Fund	Hotel Tax Fund	Truancy Prevention & Diversion Fund	Jury Fund	Total Nonmajor Governmental Funds
<b>Revenues</b>								
Sales, franchise and local taxes	\$ -	\$ -	\$ -	\$ -	\$ 32,155	\$ -	\$ -	\$ 32,155
Charges for services	-	-	-	-	-	36	136	172
Fines and forfeitures	12,164	-	-	-	-	-	-	12,164
Earnings on investments	218	22	-	20	100	-	-	360
<b>Total Revenues</b>	<u>12,382</u>	<u>22</u>	<u>-</u>	<u>20</u>	<u>32,255</u>	<u>36</u>	<u>136</u>	<u>44,851</u>
<b>Expenditures</b>								
Current:								
Public safety	2,741	-	-	-	-	-	-	2,741
Culture and recreation	-	-	-	-	25,000	-	-	25,000
Capital outlay	18,701	-	-	-	-	-	-	18,701
<b>Total Expenditures</b>	<u>21,442</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>46,442</u>
Net change in fund balances	(9,060)	22	-	20	7,255	36	136	(1,591)
<b>Fund Balances - Beginning</b>	<u>51,965</u>	<u>5,273</u>	<u>621</u>	<u>4,639</u>	<u>16,373</u>	<u>16,658</u>	<u>343</u>	<u>95,872</u>
<b>Fund Balances - Ending</b>	<u>\$ 42,905</u>	<u>\$ 5,295</u>	<u>\$ 621</u>	<u>\$ 4,659</u>	<u>\$ 23,628</u>	<u>\$ 16,694</u>	<u>\$ 479</u>	<u>\$ 94,281</u>

**CITY OF HITCHCOCK, TEXAS**  
**COMBINING BALANCE SHEET**  
**COMPONENT UNITS**  
**September 30, 2023**

	<b>HIDC</b>	<b>TIRZ #1</b>	<b>Total Component Units</b>
<b>Assets</b>			
Cash and temporary investments	\$ (188,570)	\$ 345,508	\$ 156,938
Due from primary government	77,442	-	77,442
Sales tax receivable	67,576	-	67,576
Prepaid	6,546	-	6,546
Restricted Assets:			
Cash and temporary investments	757,899	318,000	1,075,899
<b>Total Assets</b>	<b>\$ 720,893</b>	<b>\$ 663,508</b>	<b>\$ 1,384,401</b>
<b>Liabilities</b>			
Accounts payable	\$ 2,846	\$ -	\$ 2,846
<b>Total Liabilities</b>	<b>2,846</b>	<b>-</b>	<b>2,846</b>
<b>Fund Balance:</b>			
<b>Restricted:</b>			
Community development	718,047	663,508	1,381,555
<b>Total Fund Balance</b>	<b>718,047</b>	<b>663,508</b>	<b>1,381,555</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 720,893</b>	<b>\$ 663,508</b>	<b>\$ 1,384,401</b>
 <b>Reconciliation from Fund Balance to Net Position</b>			
Fund Balance	\$ 718,047	\$ 663,508	\$ 1,381,555
Sales tax obligation	(709,002)	-	(709,002)
Notes payable	(776,187)	-	(776,187)
Bonds payable		(3,180,000)	(3,180,000)
Capital assets	502,162	-	502,162
(Deficit) Net Position - Restricted/(Unrestricted)	<b>\$ (264,980)</b>	<b>\$ (2,516,492)</b>	<b>\$ (2,781,472)</b>

**CITY OF HITCHCOCK, TEXAS**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**

**COMPONENT UNITS**

*For the Year Ended September 30, 2023*

	HIDC	TIRZ #1	Total Component Units
<b>Revenues</b>			
Property taxes	\$ -	\$ 633,110	\$ 633,110
Sales tax	355,724	-	355,724
Earnings on investments	3,295	3,221	6,516
Other	8,600	-	8,600
<b>Total Revenues</b>	<u>367,619</u>	<u>636,331</u>	<u>1,003,950</u>
<b>Expenditures</b>			
Economic Development	995,089	57,652	1,052,741
Culture and recreation	-	3,569,235	3,569,235
Debt service:			
Principal retirement	23,813	310,000	333,813
Interest and fees	41,200	97,798	138,998
<b>Total Expenditures</b>	<u>1,060,102</u>	<u>4,034,685</u>	<u>5,094,787</u>
<b>Other Financing Sources (Uses)</b>			
Note payable issued	-	3,490,000	3,490,000
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>3,490,000</u>	<u>3,490,000</u>
<b>Net change in fund balances</b>	(692,483)	91,646	(600,837)
<b>Fund balances - beginning</b>	<u>1,410,530</u>	<u>571,862</u>	<u>1,982,392</u>
<b>Fund balances - ending</b>	<u>\$ 718,047</u>	<u>\$ 663,508</u>	<u>\$ 1,381,555</u>
<b>Reconciliation from changes in fund balance to changes in net position</b>			
Change in Fund Balance	\$ (692,483)	\$ 91,646	\$ (600,837)
Sales tax obligation - current year			
reductions to sales tax revenue	27,096	-	27,096
Capital outlay	502,162	-	502,162
Note payable issued	-	-	-
Bonds payable issued		(3,490,000)	(3,490,000)
Principal payments	23,813	310,000	333,813
<b>Changes in Net Position</b>	<u>\$ (139,412)</u>	<u>\$ (3,088,354)</u>	<u>\$ (3,227,766)</u>