

CITY OF HEMPHILL, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2024

CITY OF HEMPHILL, TEXAS
Annual Financial Report
For the Year Ended June 30, 2024

Table of Contents

	Page
FINANCIAL SECTION	
Independent Auditor’s Report	1-3
Management’s Discussion and Analysis	4-11
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	12
Statement of Activities	13-14
Fund Financial Statements:	
Balance Sheet - Governmental Funds	15
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	16
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	17
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	18
Statement of Net Position - Proprietary Fund	19
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund	20
Statement of Cash Flows - Proprietary Fund	21
Notes to the Financial Statements	22-39
 Required Supplementary Information:	
Budgetary Comparison Reporting	
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	40
Texas Municipal Retirement System	
Schedule of Changes in Net Pension Liability and Related Ratios - TMRS	41-42
Schedule of Pension Contributions - TMRS	43-44
Schedule of Changes in Net OPEB Liability and Related Ratios - TMRS	45-46
Schedule of OPEB Contributions - TMRS	47-48
Notes to the Required Supplementary Information	49-50
 Other Supplementary Information:	
Other Schedules	
Schedule of General Fund Expenditures by Department - Budget and Actual	51-52
Schedule of Utility Fund Expenditures by Department - Budget and Actual	53-54
 Statistical Tables:	
Schedule of Insurance Policies in Force	55

CITY OF HEMPHILL, TEXAS
Annual Financial Report
For the Year Ended June 30, 2024

Table of Contents

	Page
FEDERAL AWARDS SECTION	
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	56-57
Schedule of Findings	58
Schedule of Status of Prior Audit Findings	59
Corrective Action Plan	60

FINANCIAL SECTION



Certified Public Accountants

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Independent Auditor's Report

Honorable Mayor and Members of the City Council
City of Hemphill, 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, each major fund, and the aggregate remaining fund information of the City of Hemphill, Texas (City), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City 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.

Independent Auditor's Report

Honorable Mayor and Members of City Council

Page 2

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

1. Exercise professional judgment and maintain professional skepticism throughout the audit.
2. 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.
3. 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.
4. 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.
5. 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 the management's discussion and analysis (pages 4-11), budgetary comparison information (page 40), and the TMRS pension and other post-employment benefits (OPEB) schedules (pages 41-50) 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.

Independent Auditor’s Report

Honorable Mayor and Members of City Council
Page 3

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 accompanying other schedules 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 other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 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, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City’s internal control over financial reporting and compliance.

Goff & Herrington, P.C.

GOFF & HERRINGTON, P. C.
Certified Public Accountants

December 6, 2024

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Hemphill, Texas annual financial report presents our narrative discussion and analysis of the City's financial activities for the year ended June 30, 2024. Please read it in conjunction with the City's financial statements, which immediately follow this section.

Financial Highlights

- ▶ The City's total net position was \$6,266,479 as of June 30, 2024. Of this amount, \$2,037,984 (unrestricted) may be used to meet the City's continuing obligations to citizens, customers and creditors.
- ▶ During the year ended June 30, 2024, the City's net position increased by \$343,666 from operations.
- ▶ At the end of the current fiscal year, unassigned fund balance for the general fund was \$49,272.

Overview of the Financial Statements

This annual financial report consists of three parts - **management's discussion and analysis** (this section), the **basic financial statements**, and **required supplementary information**. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The required supplementary information further explains and supports the information in the financial statements.

Government-wide Financial Statements

The City's annual financial report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's finances. Financial reporting at this level uses a perspective similar to that found in the private sector.

The first of these government-wide financial statements is the **Statement of Net Position**. This is the City wide statement of financial position presenting information that includes all of the City's assets, deferred outflows and inflows of resources, and liabilities, 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 as a whole is improving or deteriorating. Evaluation of the overall health of the City would extend to other non financial factors such as changes to the City's tax base.

The second government-wide financial statement is the **Statement of Activities**, which reports how the City's net position changed during the current year. All current revenues and expenses are included regardless of when the cash is received or paid.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Both of the government-wide financial statements distinguish governmental activities of the City that are principally supported by taxes and intergovernmental revenues, from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, streets, parks and recreation, health and welfare, and sanitation collection. Business-type activities include water and sewer operations, natural gas utilities, and electric services.

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 cash 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 the City'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 City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and change in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains one individual governmental fund, the general fund, which is considered a major fund. The City adopts an annual budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds - Proprietary 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 (a type of proprietary fund) to account for its water and sewer operations, natural gas utilities, and electric services.

Notes to the financial statements - The accompanying notes to the financial statements provide essential information to a full understanding of the government-wide and fund financial statements.

Other information - In addition to the basic financial statements and accompanying notes, this report also presents other supplementary information which includes detail expenditures by fund and department. Supplementary information follows the notes to the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-wide Financial Analysis

Net Position. As noted earlier, net position may serve over time as a useful indicator of the City's financial position. The City's net position was \$6,266,479 at the close of the fiscal year.

By far the largest portion of the City's net position (64.13 percent) reflects its investment in capital assets (land, buildings, utility systems, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these assets to provide services to the citizens, consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The City's Net Position

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Current and Other Assets	190,561	152,722	2,816,641	2,317,766	3,007,202	2,470,488
Capital and Non-Current	1,208,636	1,294,452	3,019,859	3,271,748	4,228,495	4,566,200
Total Assets	1,399,197	1,447,174	5,836,500	5,589,514	7,235,697	7,036,688
Deferred outflows - TMRS	72,135	111,196	113,280	178,264	185,415	289,460
Total Deferred Outflows	72,135	111,196	113,280	178,264	185,415	289,460
Other Liabilities	141,289	92,841	247,352	313,926	388,641	406,767
Long Term Liabilities	206,004	340,365	499,923	577,203	705,927	917,568
Total Liabilities	347,293	433,206	747,275	891,129	1,094,568	1,324,335
Deferred inflows - TMRS	23,396	30,505	36,669	48,495	60,065	79,000
Total Deferred Inflows	23,396	30,505	36,669	48,495	60,065	79,000
Net Position:						
Net Investment in						
Capital Assets	998,654	1,058,626	3,019,859	2,915,154	4,018,513	3,973,780
Restricted	209,982	215,826	-	-	209,982	215,826
Unrestricted	(107,993)	(179,793)	2,145,977	1,913,000	2,037,984	1,733,207
Total Net Position	1,100,643	1,094,659	5,165,836	4,828,154	6,266,479	5,922,813

MANAGEMENT'S DISCUSSION AND ANALYSIS

A portion of the City's net assets (3.35 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position in the amount of \$2,037,984 may be used to meet the City's ongoing obligations to citizens and creditors.

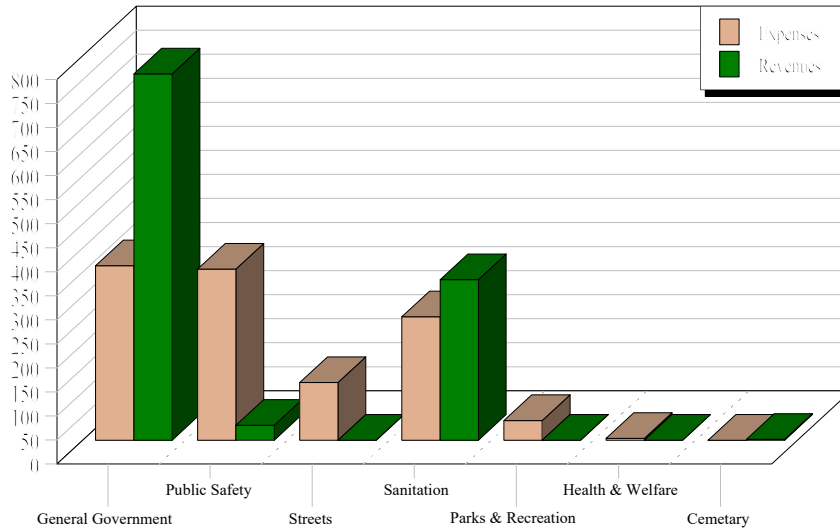
Changes in the City's Net Position

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Revenues:						
Program Revenues:						
Charges for services	406,882	401,066	4,023,380	4,227,946	4,430,262	4,629,012
Operating grants	58,442	147,028	-	-	58,442	147,028
Capital grants	-	-	189,740	155,360	189,740	155,360
General Revenues:						
Sales taxes	640,244	631,289	-	-	640,244	631,289
Other taxes and fees	4,944	19,639	-	-	4,944	19,639
Other	17,970	11,119	63,386	22,127	81,356	33,246
Total revenues	1,128,482	1,210,141	4,276,506	4,405,433	5,404,988	5,615,574
Expenses:						
General government	454,076	554,876	-	-	454,076	554,876
Public safety	428,556	424,699	-	-	428,556	424,699
Streets	77,094	66,821	-	-	77,094	66,821
Sanitation	283,133	270,458	-	-	283,133	270,458
Parks and recreation	54,857	71,079	-	-	54,857	71,079
Health and welfare	14,152	14,623	-	-	14,152	14,623
Cemetery	188	-	-	-	188	-
Debt service	-	-	-	-	-	-
Electric	-	-	2,355,959	2,477,941	2,355,959	2,477,941
Natural gas	-	-	220,882	291,002	220,882	291,002
Water	-	-	680,705	802,002	680,705	802,002
Sewer	-	-	491,720	460,352	491,720	460,352
Total expenses	1,312,056	1,402,556	3,749,266	4,031,297	5,061,322	5,433,853
Transfers	189,558	129,876	(189,558)	(129,876)	-	-
Change in net position	5,984	(62,539)	337,682	244,260	343,666	181,721
Beginning net position	1,094,659	1,157,198	4,828,154	4,583,894	5,922,813	5,741,092
Ending net position	<u>1,100,643</u>	<u>1,094,659</u>	<u>5,165,836</u>	<u>4,828,154</u>	<u>6,266,479</u>	<u>5,922,813</u>

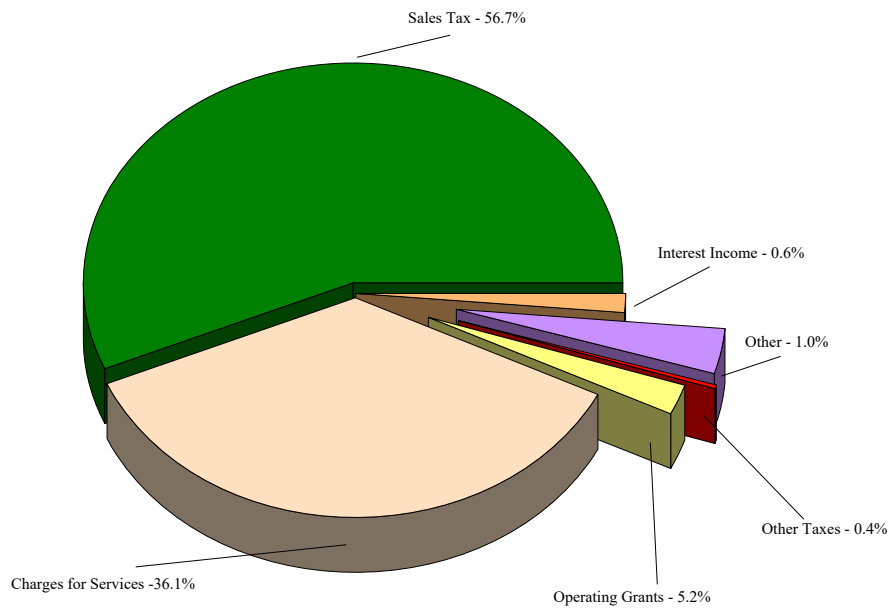
MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Activities. Governmental activities increased the City's net position by \$5,984, contributing the overall increase in the City's total net position.

Expenses and Program Revenues - Governmental Activities



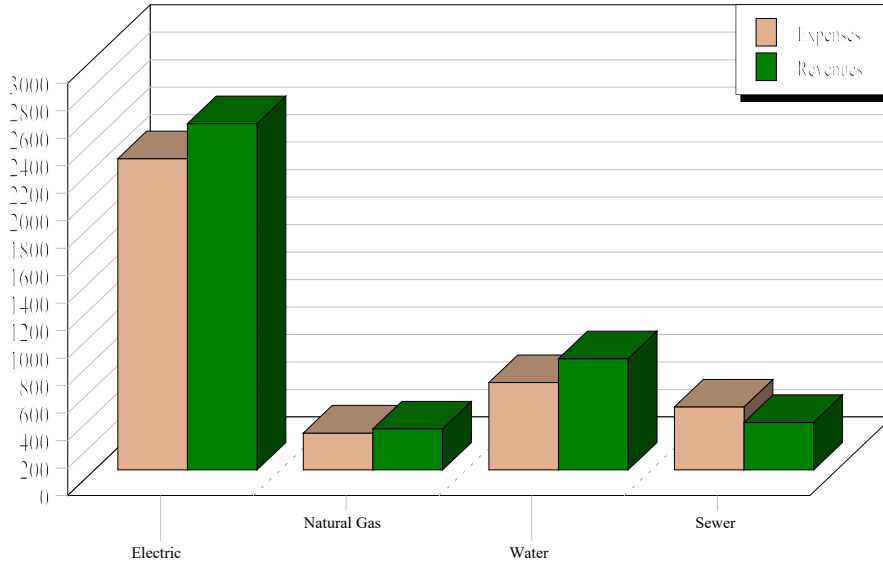
Revenues by Source - Governmental Activities



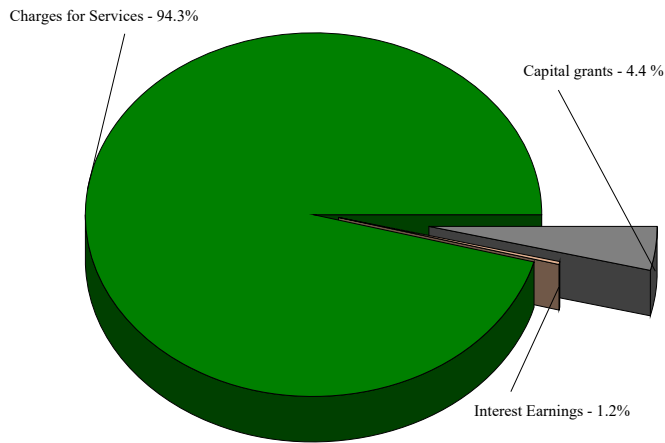
MANAGEMENT’S DISCUSSION AND ANALYSIS

Business-type Activities. Business-type activities increased the City’s net position by \$337,682, contributing to the overall increase in the City’s total net position.

Expenses and Program Revenues - Business-Type Activities



Revenues by Source - Business-Type Activities



Financial Analysis of the City’s Funds

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

MANAGEMENT DISCUSSION AND ANALYSIS

As of the end of the current fiscal year, the City’s governmental funds reported an ending fund balance of \$259,254 a increase of \$45,071 from the prior year.

Proprietary funds. The City’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the proprietary fund at the end of the year amounted to \$2,145,977.

General Fund Budgetary Highlights

During the year, the City monitored it’s budget as its actual results were analyzed. Actual expenditures were \$116,365 below the final budget amounts. The most significant positive variance was in public safety, as expenditures were less than anticipated.

Actual revenues were \$67,382 above the final budget amounts. The most significant positive variances were in sales tax receipts and contributions and donations, as these revenues were higher than expected.

Capital Asset and Debt Administration

Capital Assets. At the end of the current fiscal year, the City’s investment in capital assets for the governmental and business type activities amounted to \$3,854,247 (net of accumulated depreciation). This investment in capital assets included land, buildings, utility system improvements, machinery, equipment, and park facilities.

City’s Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Land	319,468	319,468	79,523	79,523	398,991	398,991
Buildings & improvements	419,685	447,714	66,268	55,611	485,953	503,325
Utility systems	-	-	2,330,908	2,439,821	2,330,908	2,439,821
Vehicles and equipment	259,501	291,444	174,863	136,170	434,364	427,614
Construction in progress	-	-	368,297	204,031	204,031	204,031
Net capital assets	<u>998,654</u>	<u>1,058,626</u>	<u>3,019,859</u>	<u>2,915,156</u>	<u>3,854,247</u>	<u>3,973,782</u>

More detailed information about the City’s capital assets is presented in the notes to the financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

Economic Factors and Next Year's Budgets and Rates

The City considered many factors when setting the fiscal year 2024-2025 budget, including estimated sales tax receipts and fees that will be charged for business-type activities. The City estimates revenues and operating transfers in the General Fund will provide resources to fund the necessary operating expenses of the General Fund. The other ongoing general fund revenue items (charges for services, etc.) should generate similar revenues as the prior year. The City's business-type activities budget reflect increases in utility rates beginning during the year ended June 30, 2024.

Additionally, the City anticipates spending \$291,695 in capital improvements during fiscal year 2024-2025. These include electrical, sewer, and water system upgrades, general improvements, and equipment purchases.

If these estimates are realized, the City's budgetary general fund balance and utility reserves are expected to decrease slightly at the close of fiscal year 2025.

Request for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City of Hemphill's finances and to demonstrate accountability for the money it receives. If you have any questions about this report or need additional financial information contact the City Secretary, P. O. Box 788, Hemphill, Texas, 75948.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF HEMPHILL, TEXAS
STATEMENT OF NET POSITION
JUNE 30, 2024

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	118,479	2,445,098	2,563,577
Sales tax receivable	45,091	-	45,091
Accounts receivable, net	26,991	353,595	380,586
Inventories	-	17,948	17,948
Restricted assets:			
Cash and cash equivalents	209,982	-	209,982
Capital Assets (net of accumulated depreciation):			
Land	319,468	79,523	398,991
Other capital assets, net of depreciation	679,186	2,940,336	3,619,522
Total assets	<u>1,399,197</u>	<u>5,836,500</u>	<u>7,235,697</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to TMRS - Pension	69,169	106,802	175,971
Deferred outflows related to TMRS - OPEB	2,966	6,478	9,444
Total deferred outflows of resources	<u>72,135</u>	<u>113,280</u>	<u>185,415</u>
LIABILITIES			
Accounts payable	40,038	222,430	262,468
Accrued expenses	19,728	24,922	44,650
Unearned revenues	81,523	-	81,523
Customer meter deposits	-	167,006	167,006
Long Term Liabilities:			
Net pension liability	164,591	264,020	428,611
Net OPEB Liability	41,413	68,897	110,310
Total liabilities	<u>347,293</u>	<u>747,275</u>	<u>1,094,568</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to TMRS - Pension	15,337	24,222	39,559
Deferred inflows related to TMRS - OPEB	8,059	12,447	20,506
Total deferred inflows of resources	<u>23,396</u>	<u>36,669</u>	<u>60,065</u>
NET POSITION			
Net investment in capital assets	998,654	3,019,859	4,018,513
Restricted for other purposes	209,982	-	209,982
Unrestricted	(107,993)	2,145,977	2,037,984
Total net position	<u>1,100,643</u>	<u>5,165,836</u>	<u>6,266,479</u>

See accompanying notes to the financial statements

**CITY OF HEMPHILL, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024**

<u>Functions/Programs</u>	<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Governmental activities:			
General government	454,076	61,143	56,047
Public safety	428,556	-	2,395
Streets	77,094	-	-
Sanitation	283,133	344,283	-
Parks and recreation	54,857	-	-
Health and welfare	14,152	-	-
Cemetery	188	1,456	-
Total governmental activities	<u>1,312,056</u>	<u>406,882</u>	<u>58,442</u>
Business-type activities:			
Electric	2,355,959	2,618,208	-
Natural gas	220,882	247,536	-
Water	680,705	794,211	-
Sewer	491,720	363,424	-
Total business-type activities	<u>3,749,266</u>	<u>4,023,380</u>	<u>-</u>
	<u>5,061,322</u>	<u>4,430,262</u>	<u>58,442</u>

General revenues:

Sales taxes
Franchise taxes
Fines and penalties
Miscellaneous
Investment earnings
Transfers

Total general revenues and transfers

Change in net position

Net position, beginning
Net position, ending

See accompanying notes to the financial statements

Program Revenues Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Position		
	Governmental Activities	Business Activities	Total
-	(336,886)	-	(336,886)
-	(426,161)	-	(426,161)
-	(77,094)	-	(77,094)
-	61,150	-	61,150
-	(54,857)	-	(54,857)
-	(14,152)	-	(14,152)
-	1,268	-	1,268
-	<u>(846,732)</u>	-	<u>(846,732)</u>
-	-	262,250	262,250
-	-	26,654	26,654
189,740	-	303,246	303,246
-	-	(128,296)	(128,296)
<u>189,740</u>	<u>-</u>	<u>463,854</u>	<u>463,854</u>
<u>189,740</u>	<u>(846,732)</u>	<u>463,854</u>	<u>(382,878)</u>
	640,244	-	640,244
	4,944	-	4,944
	11,346	-	11,346
	-	11,421	11,421
	6,624	51,965	58,589
	<u>189,558</u>	<u>(189,558)</u>	<u>-</u>
	<u>852,716</u>	<u>(126,172)</u>	<u>726,544</u>
	5,984	337,682	343,666
	<u>1,094,659</u>	<u>4,828,154</u>	<u>5,922,813</u>
	<u><u>1,100,643</u></u>	<u><u>5,165,836</u></u>	<u><u>6,266,479</u></u>

See accompanying notes to the financial statements

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FUND FINANCIAL STATEMENTS

**CITY OF HEMPHILL, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2024**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	118,479	-	118,479
Sales tax receivable	45,091	-	45,091
Grants receivable	26,991	-	26,991
Cash and cash equivalents - restricted	209,982	-	209,982
Total assets	<u>400,543</u>	<u>-</u>	<u>400,543</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	40,038	-	40,038
Accrued liabilities	19,728	-	19,728
Unearned revenues	81,523	-	81,523
Total liabilities	<u>141,289</u>	<u>-</u>	<u>141,289</u>
Fund balances:			
Restricted fund balance	209,982	-	209,982
Unassigned fund balance	49,272	-	49,272
Total fund balances	<u>259,254</u>	<u>-</u>	<u>259,254</u>
Total liabilities and fund balances	<u>400,543</u>	<u>-</u>	<u>400,543</u>

See accompanying notes to the financial statements

CITY OF HEMPHILL, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2024

Total fund balances - governmental funds	259,254
Capital assets used in governmental activities are not financial resources, and therefore; are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$3,118,109 and the accumulated depreciation was \$2,122,483. The effect of including beginning balances for capital assets (net of depreciation) in the governmental activities is to increase (decrease) net position.	1,058,626
Capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of including the current year capital outlays, less current year depreciation is to decrease net position.	(59,972)
Included in the items related to debt is the recognition of the City's proportionate share of the net pension liability required by GASB 68 in the amount of \$164,591, a Deferred Resource Inflow related to TMRS in the amount of \$15,337, and a Deferred Resource Outflow related to TMRS in the amount of \$69,169. This amounted to a decrease in Net Position in the amount of \$110,759.	(110,759)
Included in the items related to debt is the recognition of the City's proportionate share of the net OPEB liability required by GASB 75 in the amount of \$41,413, a Deferred Resource Inflow related to TMRS in the amount of \$8,059, and a Deferred Resource Outflow related to TMRS in the amount of \$2,966. This amounted to a decrease in Net Position in the amount of \$46,506.	<u>(46,506)</u>
Net position of governmental activities	<u><u>1,100,643</u></u>

See accompanying notes to the financial statements

CITY OF HEMPHILL, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2024

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES	<u> </u>	<u> </u>	<u> </u>
Taxes:			
Sales taxes	640,244	-	640,244
Franchise taxes	4,944	-	4,944
Permits, fees and assessments	61,143	-	61,143
Fines	11,346	-	11,346
Charges for services	345,683	-	345,683
Interest income	6,624	-	6,624
Contributions and donations	58,497	-	58,497
Other	-	-	-
Total revenues	<u>1,128,481</u>	<u>-</u>	<u>1,128,481</u>
 EXPENDITURES			
Current:			
General government:			
Finance and administration	395,800	-	395,800
Municipal court	49,963	-	49,963
Public safety:			
Fire	49,700	-	49,700
Police	347,464	-	347,464
Streets	72,919	-	72,919
Sanitation	283,389	-	283,389
Parks and recreation	44,060	-	44,060
Health and welfare	14,212	-	14,212
Cemetery	8,041	-	8,041
Capital outlay	7,420	-	7,420
Total expenditures	<u>1,272,968</u>	<u>-</u>	<u>1,272,968</u>
 Excess (deficiency) of revenues over expenditures	(144,487)	-	(144,487)
 OTHER FINANCING SOURCES (USES)			
Transfers in	189,558	-	189,558
Transfers out	-	-	-
Total other financing sources and uses	<u>189,558</u>	<u>-</u>	<u>189,558</u>
 Net change in fund balance	45,071	-	45,071
Fund balance - beginning	<u>214,183</u>	<u>-</u>	<u>214,183</u>
 Fund balance - ending	<u>259,254</u>	<u>-</u>	<u>259,254</u>

See accompanying notes to the financial statements

CITY OF HEMPHILL, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024

Net change in fund balances - governmental funds	45,071
Current year capital outlays are expenditures in the governmental fund financial statements but they should be shown as increases in capital assets in the government-wide financial statements. The effect of removing the current year capital outlays is to increase net position.	22,576
Depreciation is not recognized as an expense in governmental fund financial statements since it does not require the use of current financial resources. The net effect of the current year depreciation and retiring assets not fully depreciated is to decrease net position.	(82,548)
The City recorded their share of the pension expense as part of GASB 68 requirement to record the net pension liability. The effect of recording the current year pension expense increased the net position.	18,440
The City recorded their share of the OPEB expense as part of GASB 75 requirement to record the net OPEB liability. The effect of recording the current year pension expense increased the net position.	<u>2,445</u>
Change in net position of governmental activities	<u><u>5,984</u></u>

See accompanying notes to the financial statements

CITY OF HEMPHILL, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2024

ASSETS

Current assets:	
Cash and cash equivalents	2,445,098
Accounts receivable, net	353,595
Inventories	17,948
Total current assets	<u>2,816,641</u>
Noncurrent assets:	
Capital assets:	
Land	79,523
Other capital assets, net of depreciation	2,940,336
Total noncurrent assets	<u>3,019,859</u>
Total assets	<u>5,836,500</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to TMRS Pension	106,802
Deferred outflows related to TMRS OPEB	6,478
Total deferred outflows of resources	<u>113,280</u>
Total assets and deferred outflows	<u>5,949,780</u>

LIABILITIES

Current liabilities:	
Accounts payable	222,430
Accrued expenses	24,922
Total current liabilities	<u>247,352</u>
Noncurrent liabilities:	
Customer deposits	167,006
Net pension liability	264,020
Net OPEB liability	68,897
Total noncurrent liabilities	<u>499,923</u>
Total liabilities	<u>747,275</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to TMRS Pension	24,222
Deferred inflows related to TMRS OPEB	12,447
Total deferred inflows of resources	<u>36,669</u>

NET ASSETS

Invested in capital assets, net of related debt	3,019,859
Unrestricted	2,145,977
Total net position	<u>5,165,836</u>
Total liabilities, deferred inflows, and net position	<u>5,949,780</u>

See accompanying notes to the financial statements

CITY OF HEMPHILL, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2024

Operating revenues:	
Water sales	776,074
Sewer charges	345,287
Electric sales	2,600,071
Gas sales	229,399
Other services	<u>72,549</u>
 Total operating revenues	 <u>4,023,380</u>
Operating expenses:	
Personnel	1,023,900
Supplies and materials	343,923
Maintenance and repairs	82,786
Contractual services	90,956
Cost of services	1,795,804
Depreciation	305,727
Other operating	<u>78,674</u>
 Total operating expenses	 <u>3,721,770</u>
 Operating income	 <u>301,610</u>
Nonoperating revenues (expenses):	
Pension benefit (expense)	(26,275)
OPEB benefit (expense)	(1,221)
Capital grants	189,740
Gain (loss) on sale of assets	11,421
Interest income	<u>51,965</u>
 Total nonoperating revenue (expenses)	 <u>225,630</u>
 Income before transfers	 527,240
 Transfers to other funds	 <u>(189,558)</u>
 Change in net position	 337,682
 Total net position - beginning	 <u>4,828,154</u>
 Total net position - ending	 <u><u>5,165,836</u></u>

See accompanying notes to the financial statements

**CITY OF HEMPHILL, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2024**

Cash flows from operating activities:	
Receipts from customers	4,016,962
Payments to suppliers and contractors	(2,467,390)
Payments to employees	(1,075,376)
Net cash provided by (used for) operating activities	<u>474,196</u>
Cash flows from noncapital financing activities:	
Operating transfers	(189,558)
Net cash provided by (used for) noncapital activities	<u>(189,558)</u>
Cash flows from capital and related financing activities:	
Purchases of capital assets	(410,432)
Proceeds from sale of capital assets	11,421
Capital contributions	189,740
Net cash provided by (used for) capital activities	<u>(209,271)</u>
Cash flows from investing activities:	
Interest received	51,965
Net cash provided by (used for) investing activities	<u>51,965</u>
Net increase (decrease) in cash and cash equivalents	127,332
Cash and cash equivalents, beginning	<u>2,317,766</u>
Cash and cash equivalents, ending	<u><u>2,445,098</u></u>
Reconciliation of operating income to net cash used by operating activities:	
Operating income	301,610
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	305,727
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(14,087)
(Increase) decrease in supply inventory	(862)
Increase (decrease) in accounts payable	(74,385)
Increase (decrease) in accrued liabilities	(51,476)
Increase (decrease) in customer meter deposits	7,669
Net cash provided by operating activities	<u>474,196</u>

See accompanying notes to the financial statements

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CITY OF HEMPHILL, TEXAS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity - The City of Hemphill, Texas, (City) operates under Section 4, Article XI of the Texas constitution as a general law city. The City is governed by a Mayor and five council members. The accompanying financial statements present the City's primary government which includes all functions which the City's mayor and council exercise significant influence and are financially accountable. Significant influence or accountability is based on any budget adoption, rate setting, taxing authority, outstanding debt secured by the City to finance any deficits that may occur, and receipt of significant subsidies from the City.

Government-wide and Fund Financial Statements - The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City as a whole. Individual funds are not displayed in the government-wide financial statements. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally 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 are offset by program revenue. 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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for governmental funds and proprietary funds.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation - The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governments. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The proprietary fund applies Financial Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which GASB prevails.

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

CITY OF HEMPHILL, TEXAS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

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

Sales tax, franchise taxes, and interest associated with the current fiscal year are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except for those required to be accounted for in another fund.

The City reports the following major proprietary funds:

Utility Fund - accounts for the activities of the City's electric distribution operations, water and sewer services, and natural gas utilities.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's utility functions and various other functions of the City. Elimination of these charges would distort the direct cost and program revenues reported for the various functions concerned.

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 operations. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

The proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal operations. The principal operating revenues of the Utility Fund are charges to customers for sale and services. The Utility Fund also recognizes as operating revenues tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the Utility Fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF HEMPHILL, TEXAS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

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.

Budget - Annual appropriated budgets are adopted for the general fund and utility fund. All annual appropriations lapse at fiscal year end. The budget presented includes all approved amendments.

Deposits and Investments - The City’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The City only invests in short term certificates of deposit. Investments are stated at cost, which approximates market.

Short-term Interfund Receivables/Payables - During the course of operations, transactions occur between individual funds for advances or for goods provided or services rendered. These receivables and payables are classified as due from other funds or due to other funds on the balance sheet.

Inventory of Supplies - Inventory of supplies consist primarily of supplies held for consumption stated at cost, which approximates market. Inventory is expended at the time the individual items are used or consumed.

Restricted Assets - Certain resources set aside for repayment of utility fund revenue bonds and tax anticipation notes are classified as restricted assets on the balance sheet, since use is limited by bond covenants or City Council authorization.

Capital assets - Capital assets, which include property, utility systems, buildings, vehicles and equipment, are reported in the applicable governmental or business-types activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation is provided on all capital assets used by the general and utility funds over the following estimated useful lives using the straight-line method. The estimated useful lives are:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	10-30
Utility distribution systems	15-30
Vehicles and equipment	3-10
Furniture and equipment	5-10

CITY OF HEMPHILL, TEXAS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then.

Net Position and Fund Balance - Net position in the statement of net position include components that are restricted for debt service and other specific uses. Unreserved fund balance in the governmental fund financial statements represents that portion of fund balance that is available for budgeting in future periods.

Fund Balance Policy - The City reports fund balances for governmental funds in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The nonspendable classification represents assets that will be consumed or “must be maintained intact” and therefore will never convert to cash, such as inventories of supplies and endowments. Provisions of laws, contracts, and grants specify how fund resources can be used in the restricted classification. The nature of these two classifications precludes a need for a policy from the City Council. However, the City Council has adopted fund balance policies for the three unrestricted classifications-committed, assigned, and unassigned.

The City’s restricted fund balances represents amounts for cemetery expenses and amounts to be spent on technology, security, and sewer improvements.

Compensated Absences - The City allows employees to accumulate sick leave and vacation time. Upon termination, the City pays any accumulated vacation that is earned, but not used. Accumulated sick leave is not paid upon termination. Accumulated vacation is accrued, when incurred in the fund financial statements.

Long-Term Obligations - In the government-wide financial statements, and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund financial statements. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS’s Fiduciary Net Position have been determined on the same basis as they are reported by TMRS.

CITY OF HEMPHILL, TEXAS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

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.

Other Post-Employment Benefits (OPEB) - The fiduciary net position of the TMRS Supplemental Death and Disability Plan (SDD) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from the TMRS SDD Plan's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

Interfund Transactions - Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. All other interfund transactions are reported as operating transfers.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

Statement of Cash Flows - For the purposes of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Subsequent Events - Management has evaluated subsequent events through December 6, 2024, which is the date that these financial statements were available to be issued.

DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments. The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of

CITY OF HEMPHILL, TEXAS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

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

Deposits

Custodial Credit Risk - Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City’s policy regarding types of deposits allowed and collateral requirements is that the funds of the City must be deposited under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the City’s agent bank 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. The City’s cash deposits at June 30, 2024 were entirely covered by FDIC insurance or by pledged collateral held by the City’s agent bank in the City’s name.

As of June 30, 2024, the bank balances of the City’s deposits at the depository bank (demand and certificates) were \$1,400,627, and is not exposed to custodial credit risk for its deposits as all are covered by depository insurance or by pledged collateral as of June 30, 2024 as follows:

FDIC Insurance	250,000
Market value of securities pledged	<u>1,300,000</u>
Total coverage	<u><u>1,550,000</u></u>

Investments

Credit Risk. - This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. The City was not exposed to credit risk at June 30, 2024.

Custodial Credit Risk. - Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty’s trust department or agent but not in the name of the City. The City was not exposed to custodial credit risk at June 30, 2024.

CITY OF HEMPHILL, TEXAS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

Interest Rate Risk. - This is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's investment policy states that the investment officer should monitor the investment portfolio and keep the Council informed of significant declines in the market value of the City's investment portfolio.

Concentration of Credit Risk.- This is the risk of loss attributed to the magnitude of the government's investment in a single issuer. The City was not exposed to concentration of credit risk at June 30, 2024.

Foreign Currency Risk. - This is the risk that exchange rates will adversely affect the fair value of an investment. The City was not exposed to foreign currency risk at June 30, 2024.

The City's investments, which are reported as cash and cash equivalents, as of June 30, 2024 are with Raymond James in short-term certificates of deposit in the amount of \$1,397,119.

Restricted deposits. - Resources set aside for repayment of revenue bonds are classified as restricted assets in the statement of net position since their use is limited by bond covenants. At June 30, 2024, the City's governmental activities restricted assets consisted of \$197,084 for FEMA repairs and maintenance expenses related to Hurricane Harvey, \$2,894 for cemetery operations and \$10,004 for other purposes.

PROPERTY TAXES

The City did not levy property taxes in October, 2023. An allowance in the amount of \$2,224 is established for the entire balance of delinquent property taxes due to the City.

DUE FROM OTHER GOVERNMENTS

Amounts due from other governments as of June 30, 2024 are \$45,091 for sales tax due from the State of Texas.

CITY OF HEMPHILL, TEXAS
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2024 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Adjustments</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	319,468	-	-	319,468
Capital assets, being depreciated:				
Buildings and improvements	1,862,435	7,420	-	1,869,855
Vehicles and equipment	999,206	15,156	-	1,014,362
Total capital assets being depreciated	2,861,641	22,576	-	2,884,217
Less accumulated depreciation for:				
Buildings and improvements	1,414,721	35,449	-	1,450,170
Vehicles and equipment	707,762	47,099	-	754,861
Total accumulated depreciation	2,122,483	82,548	-	2,205,031
Total capital assets, being depreciated, net	739,158	(59,972)	-	679,186
Governmental activities capital assets, net	1,058,626	(59,972)	-	998,654
Business-type activities:				
Capital assets, not being depreciated:				
Land	79,523	-	-	79,523
Capital assets, being depreciated:				
Buildings and improvements	98,494	14,000	-	112,494
Utility systems	10,235,283	105,133	-	10,340,416
Vehicles and equipment	1,223,482	127,033	(64,961)	1,285,554
Construction in progress	204,031	164,266	-	368,297
Totals at cost	11,761,290	410,432	(64,961)	12,106,761
Less accumulated depreciation:				
Buildings and improvements	42,883	3,343	-	46,226
Utility system	7,795,463	214,045	-	8,009,508
Vehicles and equipment	1,087,313	88,339	(64,961)	1,110,691
Total accumulated depreciation	8,925,659	305,727	(64,961)	9,166,425
Total capital assets, being depreciated, net	2,835,631	104,705	-	2,940,336
Business-type activities capital assets, net	2,915,154	104,705	-	3,019,859

CITY OF HEMPHILL, TEXAS
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

Depreciation expense was charged to functions of the City as follows:

Governmental activities:	
General government	16,556
Public safety	41,031
Streets	5,827
Sanitation	7,045
Health and welfare	390
Parks and recreation	<u>11,699</u>
Total depreciation expense - governmental activities	<u><u>82,548</u></u>
Business-type activities:	
Overhead	91,682
Water	13,205
Sewer	75,707
Natural Gas	41
Electric	23,284
Water Plant	<u>101,808</u>
Total depreciation expense - business-type activities	<u><u>305,727</u></u>

AGREEMENT TO PURCHASE WATER

On July 1, 2011, the City entered into a long term water supply contract with the Sabine River Authority of Texas (Authority) to purchase raw untreated water. The agreement initially requires the City to take and pay for a minimum of 500,000 gallons per day of untreated raw water. The City will pay the Authority a monthly fee based on the contractual rate for raw water.

RISK MANAGEMENT

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 maintains workers' compensation and other risks of loss coverage through the Texas Municipal League Intergovernmental Risk Pool, which is a public entity risk pool. The pool is to be self-sustaining through member premiums and obtains reinsurance through commercial insurance companies for claims in excess of dollar amount. City management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims did not exceed the commercial coverage during the current fiscal year.

CITY OF HEMPHILL, TEXAS
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

COMMITMENTS AND CONTINGENCIES

Intergovernmental grants received by the City are subject to audit and adjustment by the funding agency or its representatives. If grant revenues are received for expenditures which are subsequently disallowed, the City may be required to repay the revenues to the funding agency. In the opinion of City management, liabilities resulting from such disallowed expenditures, if any, will not be material to the accompanying financial statements as of June 30, 2024.

INTERFUND TRANSFERS

During the year ended June 30, 2024, the City had \$189,558 of interfund transfers from the utility fund to the general fund.

DEFINED BENEFIT PENSION PLAN

Plan Description

The City participates as one of 934 plans in the defined benefit cash balanced pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (Annual Report) that can be obtained at www.tmrs.com.

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

Benefits Provided

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment 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.

CITY OF HEMPHILL, TEXAS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

Employees Covered by Benefit Terms

At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	19
Inactive employees entitled to but not yet receiving benefits	13
Active employees	<u>24</u>
	56

Contributions

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

Employees for the City were required to contribute 5.0% of their annual gross earnings during the fiscal year. The contribution rates for the City were 7.42% and 7.14% in calendar years 2024 and 2023, respectively. The city's contributions to TMRS's pension plan for the year ended June 30, 2024 was \$91,188, which equated the required contributions.

Net Pension Asset/Liability

The city's Net Pension Asset/Liability (NPL) was measured as of December 31, 2023, and the Total Pension Liability (TPL) used to calculate the Net Pension Asset/Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

Total Pension Liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall Payroll Growth	3.60% to 11.85%, including inflation
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with 110% of the Public Safety table used for males and 100% of the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for actives, healthy retirees and beneficiaries are

CITY OF HEMPHILL, TEXAS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018 to December 31, 2022. They were adopted in 2023 and first used in the December 31, 2023 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined by best estimate ranges of expected returns for each major asset class. The long-term expected rate of return is determined by weighting the expected return for each major asset class by the respective target asset allocation percentage. The target allocation and best estimates of the expected return for each major asset class in fiscal year 2023 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return (Arithmetic)
Global Equity	35.00%	6.70%
Core Fixed Income	6.00%	4.70%
Non-Core Fixed Income	20.00%	8.00%
Other Public/Private Markets	12.00%	8.00%
Real Estate	12.00%	7.60%
Hedge Funds	5.00%	6.40%
Private Equity	10.00%	11.60%
Total	100.00%	

CITY OF HEMPHILL, TEXAS
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

Discount Rate

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

Changes in the Net Pension Asset/Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) Liability (a) - (b)
Balance at 12/31/2022	\$3,973,926	\$3,396,988	\$ 576,938
Changes for the year:			
Service cost	120,938	-	120,938
Interest	262,757	-	262,757
Change in benefit terms	-	-	-
Difference between expected and actual expense	49,696	-	49,696
Changes of assumptions	(41,751)	-	(41,751)
Contributions - employer	-	87,398	(87,398)
Contributions - employee	-	61,204	(61,204)
Net investment income	-	393,884	(393,884)
Benefit payments, including refunds of employee			
Contributions	(283,386)	(283,386)	-
Administrative expense	-	(2,501)	2,501
Other charges	-	(18)	18
Net Changes	108,254	256,581	(148,327)
Balance at 12/31/2023	<u>\$4,082,180</u>	<u>\$ 3,653,569</u>	<u>\$ 428,611</u>

CITY OF HEMPHILL, TEXAS
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

Sensitivity of the net pension asset/liability to changes in the discount rate.

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City’s Net Pension (Asset)Liability	\$ 847,576	\$ 428,611	\$ 74,379

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.tmr.com.

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

For the year ended June 30, 2024, the City recognized pension expense of \$42,069.

At June 30, 2024 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	31,558	13,046
Changes in actuarial assumptions	-	26,513
Difference between projected and actual investment earnings	99,041	-
Contributions subsequent to measurement date	45,372	-
Total	175,971	39,559

The amount of \$45,372 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending June 30, 2025.

CITY OF HEMPHILL, TEXAS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

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

	Net Deferred Outflows (Inflows) of Resources
2025	15,139
2026	33,290
2027	75,527
2028	(32,916)
2029	-
Thereafter	-
Total	91,040

POST EMPLOYMENT-BENEFIT OTHER THAN PENSIONS (OPEB)

Plan description

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

Benefits provided

TMRS provides supplemental death benefits for retirees. Benefits are provided through a third-party insurer, and the full cost of the benefits is covered by the plan.

Employees Covered by Benefit Terms

At December 31, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	19
Inactive employees entitled to but not yet receiving benefits	2
Active employees	<u>24</u>
	45

CITY OF HEMPHILL, TEXAS
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

Contributions

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

Employees for the City were required to contribute 5.0% of their annual gross earnings during the fiscal year. The contribution rates for the City was 0.61% and 0.65% in calendar years 2024 and 2023, respectively. The city's contributions to TMRS's SDD plan for the year ended June 30, 2024, was \$7,901, which equated the required contributions.

Net OPEB Liability

The City's net OPEB liability was measured as of December 31, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial assumptions

The total OPEB liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50% per year
Overall Payroll Growth	3.60% to 11.85% , including inflation
Discount Rate*	3.77%

**The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2023.*

Discount rate

The discount rate used to measure the total OPEB liability was 3.77 percent. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current, active, and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

CITY OF HEMPHILL, TEXAS
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

Changes in the Net OPEB Asset/Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB (Asset) Liability (a) - (b)
Balance at 12/31/2022	\$ 99,770	\$ -	\$ 99,770
Changes for the year:			
Service cost	2,938	-	2,938
Interest	4,023	-	4,023
Change in benefit terms	-	-	-
Difference between expected and actual expense	2,590	-	2,590
Changes of assumptions	4,784	-	4,784
Contributions - employer	-	3,795	(3,795)
Contributions - employee	-	-	-
Net investment income	-	-	-
Benefit payments, including refunds of employee			
Contributions	(3,795)	(3,795)	-
Administrative expense	-	-	-
Other charges	-	-	-
Net Changes	10,540	-	10,540
Balance at 12/31/2023	\$ 110,310	\$ -	\$110,310

CITY OF HEMPHILL, TEXAS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

Sensitivity of the net OPEB liability to changes in the discount rate and health-care cost trend rates

The following presents the net OPEB liability of the City, as well as what the City’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.00 percent) or 1-percentage-point higher (3.00 percent) than the current discount rate:

	1% Decrease in Discount Rate (2.77%)	Discount Rate (3.77%)	1% Increase in Discount Rate (4.77%)
City’s Net OPEB (Asset)Liability	\$ 127,606	\$ 110,310	\$ 96,317

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

For the year ended June 30, 2024, the City recognized OPEB expense of \$180.

At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	1,837	17,105
Changes in actuarial assumptions	3,877	3,401
Difference between projected and actual investment earnings	-	-
Contributions subsequent to measurement date	3,730	-
Total	9,444	20,506

The amount of \$3,730 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the year ending June 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	Net Deferred Outflows (Inflows) of Resources
2025	(11,496)
2026	(4,239)
2027	943
2028	-
2029	-
Thereafter	-
Total	(14,792)

REQUIRED SUPPLEMENTARY SCHEDULES

CITY OF HEMPHILL, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2024

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Sales taxes	605,132	605,132	640,244	35,112
Franchise taxes	6,742	6,742	4,944	(1,798)
Permits, fees & assessments	58,873	58,873	61,143	2,270
Fines	14,744	14,744	11,346	(3,398)
Charges for services	332,076	332,076	345,683	13,607
Interest income	4,490	4,490	6,624	2,134
Contributions and donations	927,050	30,906	58,497	27,591
Other	8,136	8,136	0	(8,136)
Total revenues	<u>1,957,243</u>	<u>1,061,099</u>	<u>1,128,481</u>	<u>67,382</u>
EXPENDITURES				
General government:				
Finance and administration	407,361	464,717	395,800	68,917
Municipal court	51,086	51,086	49,963	1,123
Public safety:				
Fire	51,321	59,531	49,700	9,831
Police	368,479	368,479	347,464	21,015
Streets	76,967	79,271	72,919	6,352
Sanitation	271,320	271,320	283,389	(12,069)
Parks and recreation	61,846	61,846	44,060	17,786
Health and welfare	17,233	17,233	14,212	3,021
Cemetery	500	8,350	8,041	309
Capital outlay	1,031,085	7,500	7,420	80
Total expenditures	<u>2,337,198</u>	<u>1,389,333</u>	<u>1,272,968</u>	<u>116,365</u>
Excess (deficiency) of revenues over expenditures	(379,955)	(328,234)	(144,487)	183,747
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	189,558	189,558
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>189,558</u>	<u>189,558</u>
Net change in fund balance	(379,955)	(328,234)	45,071	373,305
Fund balance - beginning	<u>324,412</u>	<u>324,412</u>	<u>324,412</u>	<u>-</u>
Fund balance - ending	<u>(55,543)</u>	<u>(3,822)</u>	<u>369,483</u>	<u>373,305</u>

See accompanying notes to the financial statements

CITY OF HEMPHILL, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED DECEMBER 31,

	<u>FY 2024</u> <u>Plan Yr 2023</u>	<u>FY 2023</u> <u>Plan Yr 2022</u>	<u>FY 2022</u> <u>Plan Yr 2021</u>
TOTAL PENSION LIABILITY			
Service cost	120,938	109,778	118,219
Interest (on the Total Pension Liability)	262,757	260,672	258,920
Changes of benefit terms	-	-	-
Difference between expected and actual experience	49,696	(42,696)	(55,946)
Changes in assumptions	(41,751)	-	-
Benefit payments, including refunds of employee contributions	(283,386)	(321,489)	(260,556)
Net Change in Total Pension Liability	108,254	6,265	60,637
Total Pension Liability - Beginning	3,973,926	3,967,661	3,907,024
Total Pension Liability - Ending (a)	<u>4,082,180</u>	<u>3,973,926</u>	<u>3,967,661</u>
PLAN FIDUCIARY NET POSITION			
Contributions:			
Employer	87,398	89,173	90,076
Employee	61,204	56,297	60,132
Net investment income	393,884	(282,057)	458,741
Benefit payments, including refund of employee contributions	(283,386)	(321,489)	(260,556)
Administrative expense	(2,501)	(2,435)	(2,116)
Other	(18)	2,907	14
Net Change in Plan Fiduciary Net Position	256,581	(457,604)	346,291
Plan Fiduciary Net Position - Beginning	3,396,988	3,854,592	3,508,301
Plan Fiduciary Net Position - Ending (b)	<u>3,653,569</u>	<u>3,396,988</u>	<u>3,854,592</u>
Net Pension (Asset)Liability - Ending (a) - (b)	428,611	576,938	113,069
Plan Fiduciary Net Position as a Percentage of Total Pension Asset/Liability	89.50%	85.48%	97.15%
Covered Payroll	1,224,071	1,125,932	1,202,632
Net Pension Asset/Liability as a Percentage of Covered Payroll	35.02%	51.24%	9.40%

NOTE: GASB 68, Paragraph 81 requires that the data in this schedule be data from the period corresponding with the periods covered as of the measurement dates of December 31, 2023 for fiscal year 2024, December 31, 2022 for fiscal year 2023, December 31, 2021 for fiscal year 2022, December 31, 2020 for fiscal year 2021, December 31, 2019 for fiscal year 2020, December 31, 2018 for fiscal year 2019, December 31, 2017 for fiscal year 2018, December 31, 2016 for fiscal year 2017, December 31, 2015 for the fiscal year 2016, and December 31, 2014 for the fiscal year 2015.

See accompanying notes to the financial statements

FY 2021 Plan Yr 2020	FY 2020 Plan Yr 2019	FY 2019 Plan Yr 2018	FY 2018 Plan Yr 2017	FY 2017 Plan Yr 2016	FY 2016 Plan Yr 2015	FY 2015 Plan Yr 2014
114,765	118,227	114,306	111,009	114,286	90,088	76,685
250,974	240,152	228,964	212,775	193,615	174,273	143,886
-	-	-	-	-	281,065	-
15,883	35,258	(45,086)	(2,159)	52,548	64,580	(26,977)
-	(2,018)	-	-	-	87,370	-
<u>(270,693)</u>	<u>(188,422)</u>	<u>(80,372)</u>	<u>(86,509)</u>	<u>(63,427)</u>	<u>(35,868)</u>	<u>(58,639)</u>
110,929	203,197	217,812	235,116	297,022	661,508	134,955
3,796,095	3,592,898	2,842,948	3,139,970	2,842,948	2,181,440	2,046,485
<u>3,907,024</u>	<u>3,796,095</u>	<u>3,060,760</u>	<u>3,375,086</u>	<u>3,139,970</u>	<u>2,842,948</u>	<u>2,181,440</u>
86,724	95,811	92,253	87,580	74,016	54,897	48,602
59,157	61,576	57,731	55,784	56,243	54,139	50,207
257,288	458,430	(89,452)	356,608	158,204	3,343	120,494
(270,692)	(188,422)	(80,372)	(86,509)	(63,427)	(35,868)	(58,639)
(1,659)	(2,579)	(1,722)	(1,841)	(1,786)	(2,036)	(1,258)
<u>(67)</u>	<u>(77)</u>	<u>(90)</u>	<u>(93)</u>	<u>(96)</u>	<u>(100)</u>	<u>(103)</u>
130,751	424,739	(21,652)	411,529	223,154	74,375	159,303
3,377,550	2,952,811	2,339,780	2,562,934	2,339,780	2,265,405	2,106,102
<u>3,508,301</u>	<u>3,377,550</u>	<u>2,318,128</u>	<u>2,974,463</u>	<u>2,562,934</u>	<u>2,339,780</u>	<u>2,265,405</u>
398,723	418,545	742,632	400,623	577,036	503,168	(83,965)
89.79%	88.97%	75.74%	88.13%	81.62%	82.30%	103.85%
1,183,143	1,231,518	1,154,610	1,115,670	1,124,858	1,082,784	1,004,144
33.70%	33.99%	64.32%	35.91%	51.30%	46.47%	8.36%

**CITY OF HEMPHILL, TEXAS
SCHEDULE OF PENSION CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30,**

	2024	2023	2022
Actuarial Determined Contributions	91,188	90,377	87,833
Contributions in relation to the actuarially determined contribution	(91,188)	(90,377)	(87,833)
Contribution Deficiency (Excess)	-	-	-
Covered Payroll	1,253,170	1,198,485	1,143,400
Contributions as a Percentage of Covered Payroll	7.28%	7.54%	7.68%

NOTE: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the City's respective fiscal years as opposed to the time periods covered by the measurement dates ending December 31 for the respective fiscal years.

See accompanying notes to the financial statements

<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
85,929	92,647	95,119	88,536	80,906	64,307	55,633
<u>(85,929)</u>	<u>(92,647)</u>	<u>(95,119)</u>	<u>(88,536)</u>	<u>(80,906)</u>	<u>(64,307)</u>	<u>(55,633)</u>
-	-	-	-	-	-	-
1,159,869	1,225,092	1,206,211	1,118,083	1,124,441	1,106,014	1,057,996
7.41%	7.56%	7.89%	7.92%	7.20%	5.81%	5.26%

CITY OF HEMPHILL, TEXAS
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED DECEMBER 31,

	<u>FY 2024</u> <u>Plan Yr 2023</u>
TOTAL OPEB LIABILITY	
Service cost	2,938
Interest (on the Total OPEB Liability)	4,023
Changes of benefit terms	-
Difference between expected and actual experience	2,590
Changes in assumptions	4,784
Benefit payments, including refunds of employee contributions	(3,795)
Net Change in Total OPEB Liability	<u>10,540</u>
Total OPEB Liability - Beginning	<u>99,770</u>
Total OPEB Liability - Ending (a)	<u><u>110,310</u></u>
PLAN FIDUCIARY NET POSITION	
Contributions:	
Employer	-
Employee	3,795
Net investment income	
Benefit payments, including refund of employee contributions*	(3,795)
Administrative expense	
Other	-
Net Change in Plan Fiduciary Net Position	<u>-</u>
Plan Fiduciary Net Position - Beginning	<u>-</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>-</u></u>
Net OPEB (Asset)Liability - Ending (a) - (b)	110,310
Plan Fiduciary Net Position as a Percentage of Total OPEB Asset/Liability	0.00%
Covered Payroll	1,224,071
Net OPEB Asset/Liability as a Percentage of Covered Payroll	9.01%

**Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.*

NOTE: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. Therefore the amounts reported for FY 2024, 2023, 2022, 2021, 2020, 2019 and 2018 are based on the December 31, 2023, 2022, 2021, 2020, 2019, 2018 and

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

See accompanying notes to the financial statements

FY 2023	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018
Plan Yr 2022	Plan Yr 2021	Plan Yr 2020	Plan Yr 2019	Plan Yr 2018	Plan Yr 2017
5,517	5,773	5,679	3,325	3,926	3,347
2,629	2,749	3,098	3,258	2,889	2,845
-	-	-	-	-	-
(6,768)	(4,114)	2,059	1,441	(7)	-
(40,382)	3,718	15,461	16,295	(5,430)	5,921
(2,702)	(2,405)	(710)	(616)	(462)	(335)
(41,706)	5,721	25,587	23,703	916	11,778
141,476	135,755	110,168	86,465	85,549	73,771
99,770	141,476	135,755	110,168	86,465	85,549
-	-	-	-	-	-
2,702	2,405	710	616	462	335
(2,702)	(2,405)	(710)	(616)	(462)	(335)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
99,770	141,476	135,755	110,168	86,465	85,549
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
1,125,932	1,202,632	1,183,143	1,231,518	1,154,610	1,115,670
8.86%	11.76%	11.47%	8.95%	7.49%	7.67%

**CITY OF HEMPHILL, TEXAS
SCHEDULE OF OPEB CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30,**

	2024
Actuarial Determined Contributions	7,901
Contributions in relation to the actuarially determined contribution	(7,901)
Contribution Deficiency (Excess)	-
Covered Payroll	1,253,170
Contributions as a Percentage of Covered Payroll	0.63%

NOTE: GASB Codification, Vol. 2 P50.238 requires that the data in this schedule be presented as of the City's respective fiscal years as opposed to the time periods covered by the measurement dates ending December 31 of the preceding year.

NOTE: Information in this schedule should be provided for the years where data is available. Eventually, 10 years of data should be presented.

See accompanying notes to the financial statements

<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
6,373	4,690	4,287	4,478	4,401	3,913
<u>(6,373)</u>	<u>(4,690)</u>	<u>(4,287)</u>	<u>(4,478)</u>	<u>(4,401)</u>	<u>(3,913)</u>
-	-	-	-	-	-
1,198,485	1,143,400	1,159,869	1,225,092	1,206,211	1,118,083
0.53%	0.41%	0.37%	0.37%	0.36%	0.35%

**CITY OF HEMPHILL
NOTES TO THE REQUIRED SUPPLEMENTARY SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2024**

NOTE A: NOTES TO THE PENSION SCHEDULES

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	N/A
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.60% to 11.85% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018
Mortality	Post-retirement: 2019 Municipal retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-Retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.
Other Information:	Granted 50% ad hoc USC Granted 50% retroactive ad hoc COLA

NOTE B: NOTES TO THE OPEB SCHEDULES

Valuation Date:

Actuarially determined contribution rates are calculated as of December 31 and become effective in January, 13 months later. The actuarial assumptions used in the December 31, 2023 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2022.

Methods and Assumptions Used to Determine Contribution Rates:

Inflation	2.50%
Salary Increases	3.60% to 11.85% including inflation
Discount rate*	3.77%
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.

CITY OF HEMPHILL
NOTES TO THE REQUIRED SUPPLEMENTARY SCHEDULES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2024

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

Other Information:

The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2023.

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OTHER SUPPLEMENTAL SCHEDULES

**CITY OF HEMPHILL, TEXAS
GENERAL FUND
SCHEDULE OF CURRENT EXPENDITURES BY DEPARTMENT
BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2024**

General Government	Budget	Actual	Variance favorable (unfavorable)
Administration:			
Personnel	252,765	241,592	11,173
Supplies and materials	23,621	23,606	15
Maintenance and repairs	43,770	37,719	6,051
Contractual services	123,410	63,555	59,855
Capital outlay	-	-	-
Miscellaneous	72,237	79,291	(7,054)
Total administration	<u>515,803</u>	<u>445,763</u>	<u>70,040</u>
Public Safety			
Fire department:			
Personnel	2,693	2,419	274
Supplies and materials	3,750	2,210	1,540
Maintenance and repairs	27,110	22,652	4,458
Contractual services	16,581	11,177	5,404
Capital outlay	-	-	-
Miscellaneous	9,397	11,242	(1,845)
Total fire department	<u>59,531</u>	<u>49,700</u>	<u>9,831</u>
Police department:			
Personnel	314,267	301,933	12,334
Supplies and materials	31,200	23,190	8,010
Maintenance and repairs	10,980	11,036	(56)
Contractual services	9,012	7,507	1,505
Capital outlay	-	-	-
Miscellaneous	3,020	3,798	(778)
Total police department	<u>368,479</u>	<u>347,464</u>	<u>21,015</u>
Total public safety	<u>428,010</u>	<u>397,164</u>	<u>30,846</u>
Sanitation			
Personnel	-	-	-
Supplies and materials	-	22	(22)
Maintenance and repairs	-	-	-
Contractual services	263,020	275,150	(12,130)
Miscellaneous	8,300	8,217	83
Total sanitation	<u>271,320</u>	<u>283,389</u>	<u>(12,069)</u>

See accompanying notes to the financial statements

**CITY OF HEMPHILL, TEXAS
GENERAL FUND
SCHEDULE OF CURRENT EXPENDITURES BY DEPARTMENT (CONTINUED)
BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2024**

	<u>Budget</u>	<u>Actual</u>	Variance favorable (unfavorable)
Streets			
Personnel	51,880	50,676	1,204
Supplies and materials	22,495	19,707	2,788
Maintenance and repairs	1,750	80	1,670
Contractual services	3,146	2,456	690
Capital outlay	-	-	-
Miscellaneous	-	-	-
	<u>79,271</u>	<u>72,919</u>	<u>6,352</u>
Parks and recreation			
Personnel	53,124	36,239	16,885
Supplies and materials	1,500	1,834	(334)
Maintenance and repairs	3,200	3,124	76
Contractual services	1,289	575	714
Capital outlay	-	-	-
Miscellaneous	2,733	2,288	445
	<u>61,846</u>	<u>44,060</u>	<u>17,786</u>
Health and welfare			
Personnel	16,633	14,073	2,560
Supplies and materials	180	139	41
Maintenance and repairs	-	-	-
Contractual services	-	-	-
Miscellaneous	420	-	420
	<u>17,233</u>	<u>14,212</u>	<u>3,021</u>
Cemetery			
Supplies and materials	-	-	-
Maintenance and repairs	500	188	312
Contractual services	7,850	7,853	(3)
Capital outlay	7,500	7,420	80
Miscellaneous	-	-	-
	<u>15,850</u>	<u>15,461</u>	<u>389</u>
Total current expenditures	<u><u>1,389,333</u></u>	<u><u>1,272,968</u></u>	<u><u>116,365</u></u>

See accompanying notes to the financial statements

CITY OF HEMPHILL, TEXAS
UTILITY FUND
SCHEDULE OF EXPENDITURES BY DEPARTMENT
BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2024

	<u>Budget</u>	<u>Actual</u>	Variance favorable (unfavorable)
Electric department			
Personnel	213,013	198,529	14,484
Supplies and materials	62,941	71,106	(8,165)
Maintenance and repairs	23,300	17,525	5,775
Contractual services	23,456	12,218	11,238
Cost of services	1,705,988	1,713,913	(7,925)
Depreciation	65,529	66,354	(825)
Other operating expenses	18,712	21,135	(2,423)
Total electric department	<u>2,112,939</u>	<u>2,100,780</u>	<u>12,159</u>
Gas department			
Personnel	53,534	22,663	30,871
Supplies and materials	22,059	19,488	2,571
Maintenance and repairs	3,250	2,209	1,041
Contractual services	7,684	11,609	(3,925)
Cost of services	93,302	49,677	43,625
Depreciation	2,835	41	2,794
Other operating expenses	3,400	5,833	(2,433)
Total gas department	<u>186,064</u>	<u>111,520</u>	<u>74,544</u>
Water department			
Supplies and materials	15,770	33,742	(17,972)
Maintenance and repairs	12,400	10,338	2,062
Contractual services	3,287	3,285	2
Depreciation	16,655	14,437	2,218
Other operating expenses	18,661	2,004	16,657
Total water department	<u>66,773</u>	<u>63,806</u>	<u>2,967</u>

See accompanying notes to the financial statements

**CITY OF HEMPHILL, TEXAS
UTILITY FUND
SCHEDULE OF EXPENDITURES BY DEPARTMENT (CONTINUED)
BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2024**

	<u>Budget</u>	<u>Actual</u>	Variance favorable (unfavorable)
Sewer department			
Personnel	116,380	101,538	14,842
Supplies and materials	91,032	84,073	6,959
Maintenance and repairs	34,611	24,155	10,456
Contractual services	22,043	19,055	2,988
Depreciation	69,783	75,707	(5,924)
Other operating expenses	3,833	4,923	(1,090)
	<u>337,682</u>	<u>309,451</u>	<u>28,231</u>
Warehouse			
Personnel	561,300	552,745	8,555
Supplies and materials	34,853	36,561	(1,708)
Maintenance and repairs	22,185	20,142	2,043
Contractual services	21,591	22,635	(1,044)
Depreciation	45,768	34,981	10,787
Other operating expenses	12,888	34,520	(21,632)
	<u>698,585</u>	<u>701,584</u>	<u>(2,999)</u>
Water plant			
Personnel	166,853	148,425	18,428
Supplies and materials	114,430	98,953	15,477
Maintenance and repairs	8,460	8,417	43
Contractual services	24,586	22,154	2,432
Cost of services	31,176	32,214	(1,038)
Depreciation	91,006	114,207	(23,201)
Other operating expenses	5,949	10,259	(4,310)
	<u>442,460</u>	<u>434,629</u>	<u>7,831</u>
Total water plant	<u>442,460</u>	<u>434,629</u>	<u>7,831</u>
	-		
Total expenditures	<u><u>3,844,503</u></u>	<u><u>3,721,770</u></u>	<u><u>122,733</u></u>

See accompanying notes to the financial statements

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Statistical Tables

CITY OF HEMPHILL, TEXAS
SCHEDULE OF INSURANCE POLICIES IN FORCE
JUNE 30, 2024

Insurer	Amount of Coverage	Risk Covered	Expiration Date
Texas Municipal League Intergovernmental Risk Pool	\$2,000,000	Comprehensive General liability	10-01-24
	\$2,000,000	Sudden events - Pollution	10-01-24
	\$2,000,000	Automobile liability	10-01-24
	\$2,000,000	Law enforcement liability	10-01-24
	\$2,000,000	Errors and omissions	10-01-24
	\$11,039,640	Real and personal property	10-01-24
	\$100,000	Boiler and machinery accident	10-01-24
	As scheduled	Automobile physical damage	10-01-24
	\$376,387	Mobile equipment	10-01-24
	Statutory	Workers compensation	10-01-24

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FEDERAL AWARDS SECTION



Certified Public Accountants

Goff & Herrington, P.C.

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

Honorable Mayor and Members of the City Council
City of Hemphill, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hemphill, Texas (City), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 6, 2024.

Internal Control Over Financial Reporting

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

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

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

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

Honorable Mayor and Members of the City Council
City of Hemphill, Texas
Page 2

Compliance and Other Matters

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

Purpose of this Report

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

Goff & Herrington, P.C.

GOFF & HERRINGTON
Certified Public Accountants

December 6, 2024

**CITY OF HEMPHILL, TEXAS
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2024**

None

**CITY OF HEMPHILL, TEXAS
SCHEDULE OF STATUS OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2024**

No prior audit findings reported.

**CITY OF HEMPHILL, TEXAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2024**

None required.

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