

CITY OF BALLINGER, TEXAS
ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2019

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Financial Section

September 9, 2021

Independent Auditors' Report on Financial Statements

Honorable Mayor, Members of the City Council
City of Ballinger, Texas
700 Railroad Avenue
Ballinger, Texas 76821

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and the major fund of the City of Ballinger, Texas as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and the major fund of the City of Ballinger, Texas as of September 30, 2019, and the respective changes in financial position and the cash flows where applicable, thereof for the year then ended in conformity with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 – 8, Budgetary Comparison Schedule – General Fund on page 39, Schedule of Changes in Net Pension Liability / (Asset) and Related Ratios – Pension Plan and Schedule of Contributions – Pension Plan on pages 40 – 41, and Schedule of Changes in Total OPEB Liability and Related Ratios – OPEB on page 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2021 on our consideration of the City of Ballinger's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Ballinger's internal control over financial reporting and compliance.

Condley & Company, LLP

Certified Public Accountants

**Management's Discussion and Analysis
Required Supplementary Information**

CITY OF BALLINGER, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2019

Our discussion and analysis of the **City of Ballinger's (City's)** financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2019.

FINANCIAL HIGHLIGHTS

- The City's net position was \$8,557,554 and \$8,529,339 (as restated) at September 30, 2019 and 2018, respectively.
- The City's revenues totaled \$5,591,125 and \$5,296,603 for the years ended September 30, 2019 and 2018, respectively.
- Expenses totaled \$5,562,910 and \$5,304,231 for the years ended September 30, 2019 and 2018, respectively.
- Net position increased \$28,215 and decreased \$51,895 (as restated) for the years ended September 30, 2019 and 2018, respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS

The City's financial statements consist of three parts – management's discussion and analysis (this section), the basic financial statements, and other required supplementary information. These financial statements and related notes provide information about the activities of the City, including resources held by the City but restricted for specific purposes by grantors, contributors, or enabling legislation.

The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The next set of statements are *fund financial statements* that focus on *individual parts* of the City, reporting the City's operations in *more* detail than the government-wide statements.
 - The *governmental* fund statements present how *general government* services were financed in the *short term* as well as what remains for future spending.
- Finally, in the *proprietary funds* is where the City reports charges for services to its customers. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. Required supplementary information includes management's discussion and analysis, budgetary comparison schedule, schedules of changes in net pension liability and related ratios and contributions for the City's pension plan, and schedule of changes in total OPEB liability and related ratios. The following summarizes the major features of the City's financial statements, including the portion of the City's operations they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Type of Statement	Government-Wide and Business-Type Activities	Governmental Funds
Scope	Entire Agency (except fiduciary funds)	The activities of the City that are not proprietary or fiduciary
Required Financial Statements	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures & changes in fund balances
Accounting Basis and Measurement Focus	Accrual accounting and economic measurement focus	Modified accrual accounting and current measurement focus
Asset/Liability Information	All assets and liabilities, both financial and capital – short-term and long-term	Only assets expected to be used up & liabilities that come due during the year or 60 days thereafter, no capital assets included
In Flow/Out Flow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during year or 60 days after the end of year, expenditures when goods or services have been received and payment is due during the year or 60 days thereafter

Primary Government / Government-Wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the entity's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

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

The government-wide financial statements of the City include:

- *Governmental activities* – All of the City's services are included here. Local taxes finance the primary activities.
- *Business-type activities* – The City's enterprise or proprietary funds are included here. Water sales are the primary activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- *Governmental funds* – All of the City's services are included in governmental funds, which focus on (1) how *cash* and *other financial assets* that can be readily converted to cash flow in and out and (2) the balances left at year-end that are available for spending.

Consequently, the governmental fund statements provide a *short-term* view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE – GOVERNMENT WIDE FINANCIAL STATEMENTS

Total Assets and Liabilities – The City's combined total assets and deferred outflows of resources amounted to \$18,323,354 and \$14,698,710 (as restated) for the years ended September 30, 2019 and 2018, respectively. Total combined liabilities and deferred inflows of resources amounted to \$9,765,800 and \$6,169,371 for the years ended September 30, 2019 and 2018 (as restated), respectively.

Total assets increased from 2018 to 2019 by \$3,264,440 mainly due to an increase in restricted cash for a newly issued bond and loan forgiveness proceeds. Total liabilities increased by \$3,668,469 largely due to the issuance of new debt and unearned revenue related to the unspent portion of loan forgiveness proceeds.

	<u>September 30, 2019</u>	<u>September 30, 2018</u>
ASSETS		
Cash	\$ 118,683	\$ 149,930
Restricted cash	3,319,564	
Certificates of deposit	242,849	237,580
Receivables, net	691,234	538,046
Due from other funds	479,051	
Capital assets, net	13,109,674	13,688,553
Net pension asset		82,506
	<hr/>	<hr/>
Total Assets	17,961,055	14,696,615
Deferred outflows of resources related to pensions	355,316	
Deferred outflows of resources related to OPEB	6,983	2,095
	<hr/>	<hr/>
Total deferred outflows of resources	362,299	2,095
LIABILITIES		
Accounts payable, accrued expenses and checks outstanding in excess of bank balance	548,903	389,889
Unearned revenue	2,313,668	
Due to other funds	479,051	
Notes payable, certificates of obligation and capital leases	5,815,700	5,290,700
Compensated absences	118,696	158,999
Net OPEB liability	232,851	106,622
Net pension liability	105,810	
	<hr/>	<hr/>
Total Liabilities	9,614,679	5,946,210
Deferred inflows of resources related to pensions	144,774	221,257
Deferred inflows of resources related to OPEB	6,347	1,904
	<hr/>	<hr/>
Total deferred inflows of resources	151,121	223,161

NET POSITION

Net investment in capital assets	7,293,974	8,289,140
Restricted for debt service	242,849	611,253
Unrestricted, undesignated	<u>1,020,731</u>	<u>(371,054)</u>
Total Net Position (as restated for 2018)	<u>\$ 8,557,554</u>	<u>\$ 8,529,339</u>

Net Position - The City's net position is the difference between its assets and liabilities reported in the Statement of Net Position. The City's net position was \$8,557,554 and \$8,529,339 (as restated) at September 30, 2019 and 2018, respectively.

For the year ended September 30, 2019, the net position of the primary government changed as follows:

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
Revenues:			
Program revenues:			
Charges for services	\$ 868,047	\$ 2,152,269	\$ 3,020,316
Grants and contributions		4,766	4,766
General revenues:			
Property tax	1,017,720		1,017,720
Sales and franchise taxes	1,303,275		1,303,275
Interest	7,623	41,989	49,612
Miscellaneous	<u>171,690</u>	<u>23,746</u>	<u>195,436</u>
Total revenues	<u>3,368,355</u>	<u>2,222,770</u>	<u>5,591,125</u>
Expenses:			
General government	829,015		829,015
Public safety	856,284		856,284
Public works	1,607,354		1,607,354
Culture and recreation	238,080		238,080
Water services		1,986,072	1,986,072
Airport		<u>46,105</u>	<u>46,105</u>
Total expenses	<u>3,530,733</u>	<u>2,032,177</u>	<u>5,562,910</u>
Transfers in (out)	<u>14,546</u>	<u>(14,546)</u>	<u>-</u>
Increase (decrease) in net position	<u>\$ (147,832)</u>	<u>\$ 176,047</u>	<u>\$ 28,215</u>

For the year ended September 30, 2018, the net position of the primary government changed as follows:

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
Revenues:			
Program revenues:			
Charges for services	\$ 817,993	\$ 2,229,208	\$ 3,047,201
Grants and contributions	6,601		6,601
General revenues:			
Property tax	1,084,936		1,084,936
Sales and franchise taxes	1,143,528		1,143,528
Investment earnings	6,469	2,116	8,585
Miscellaneous	5,752		5,752
Total revenues	<u>3,065,279</u>	<u>2,231,324</u>	<u>5,296,603</u>
Expenses:			
General government	666,947		666,947
Public safety	852,800		852,800
Public works	1,391,324		1,391,324
Culture and recreation	264,229		264,229
Water services		2,090,855	2,090,855
Airport		38,076	38,076
Total expenses	<u>3,175,300</u>	<u>2,128,931</u>	<u>5,304,231</u>
Prior period adjustment	<u>260,576</u>	<u>(304,843)</u>	<u>(44,267)</u>
Increase (decrease) in net position	<u>\$ 150,555</u>	<u>\$ (202,450)</u>	<u>\$ (51,895)</u>

OPERATING RESULTS AND CHANGES IN THE CITY'S NET POSITION

The City's total tax revenue of \$2,320,995 for the year ended September 30, 2019 is an increase of \$92,531 or 4.2% as compared to fiscal year 2018 primarily due to an increase in sales tax collections. Water charges for service decreased from \$2,172,297 in 2018 to \$2,094,879 in 2019. This decrease of \$77,418 is largely attributable to a decrease in water sales. Combined expenses totaling \$5,562,910 resulted in an overall increase in net position of \$28,215.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2019 and 2018 respectively, the City had \$7,293,974 and \$8,289,140 invested in capital assets, net of accumulated depreciation and related debt.

See Note 5 to the financial statements for additional information regarding capital assets.

Debt

The City has long-term debt in the form of bonds, notes payable and capital leases. As of the year ended September 30, 2019 and 2018 respectively, the City had \$5,815,700 and \$5,290,700 in outstanding debt.

See Note 7 to the financial statements for additional information regarding debt.

GENERAL FUND BUDGETARY HIGHLIGHTS

Total revenues and transfers in experienced an overall positive variance of \$315,558 as compared to the budgeted amounts. This was primarily due to proceeds from notes payable and various miscellaneous income not included in the budget. Total expenditures and transfers out experienced an overall negative variance of \$426,767 as compared to the budgeted amounts primarily due to debt service and various other items not included in the budget. The City's budget for fiscal year 2020 is not expected to be significantly different from that of 2019.

OTHER ECONOMIC FACTORS

Overall, the economic environment for the City's operations was relatively stable during the period covered by the annual financial report. Funding fluctuations as discussed above are a pattern typical of the City funding over many years.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City of Ballinger finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the City of Ballinger, P.O. Box 497, Ballinger, Texas 76821.

Basic Financial Statements

CITY OF BALLINGER, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Cash	\$ 250	\$ 118,433	\$ 118,683
Restricted cash		3,319,564	3,319,564
Certificates of deposit	126,628	116,221	242,849
Receivables, net of allowance for uncollectibles	404,201	287,033	691,234
Due from other funds		479,051	479,051
Capital assets, net of accumulated depreciation:			
Land	152,545	1,767,700	1,920,245
Construction in progress		4,766	4,766
Improvements other than buildings		9,246,420	9,246,420
Buildings and improvements	253,613	101,688	355,301
Equipment	1,562,951	19,991	1,582,942
Total Assets	2,500,188	15,460,867	17,961,055
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	248,721	106,595	355,316
Deferred outflows of resources related to OPEB	4,888	2,095	6,983
Total Deferred Outflows of Resources	253,609	108,690	362,299
LIABILITIES			
Accounts payable	263,014	171,138	434,152
Outstanding checks in excess of bank balance	68,009		68,009
Accrued liabilities	5,312	1,415	6,727
Accrued interest	20,275	19,740	40,015
Unearned revenue		2,313,668	2,313,668
Due to other funds	479,051		479,051
Notes payable, current portion	108,768		108,768
Capital leases, current portion	65,342		65,342
Certificates of obligation, current portion		510,000	510,000
Notes payable	299,417		299,417
Capital leases	122,173		122,173
Certificates of obligation		4,710,000	4,710,000
Compensated absences	96,928	21,768	118,696
Net pension liability	162,996	69,855	232,851
Total OPEB liability	74,067	31,743	105,810
Total Liabilities	1,765,352	7,849,327	9,614,679
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	101,342	43,432	144,774
Deferred inflows of resources related to OPEB	4,443	1,904	6,347
Total Deferred Inflows of Resources	105,785	45,336	151,121
NET POSITION			
Net investment in capital assets	1,373,409	5,920,565	7,293,974
Restricted for debt service	126,628	116,221	242,849
Unrestricted	(617,377)	1,638,108	1,020,731
Total Net Position	\$ 882,660	\$ 7,674,894	\$ 8,557,554

The accompanying notes are an integral part of the financial statements.

CITY OF BALLINGER, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Functions/Programs	Net (Expense) Revenues and Changes in Net Position					
	Expenses	Program Revenues		Primary Government		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES						
General government	\$ 829,015	\$ 78,616	\$ -	\$ (750,399)	\$ -	\$ (750,399)
Public safety	856,284	10,799	-	(845,485)	-	(845,485)
Public works	1,607,354	736,553	-	(870,801)	-	(870,801)
Culture and recreation	238,080	42,079	-	(196,001)	-	(196,001)
Total Governmental Activities	<u>3,530,733</u>	<u>868,047</u>	<u>-</u>	<u>(2,662,686)</u>	<u>-</u>	<u>(2,662,686)</u>
BUSINESS-TYPE ACTIVITIES						
Water and sewer	1,986,072	2,094,879	4,766	-	113,573	113,573
Airport	46,105	57,390	-	-	11,285	11,285
Total Business-Type Activities	<u>2,032,177</u>	<u>2,152,269</u>	<u>4,766</u>	<u>-</u>	<u>124,858</u>	<u>124,858</u>
Total Primary Government	<u>\$ 5,562,910</u>	<u>\$ 3,020,316</u>	<u>\$ 4,766</u>	<u>\$ (2,662,686)</u>	<u>\$ 124,858</u>	<u>\$ (2,537,828)</u>
General Revenues:						
Property tax				\$ 1,017,720	\$ -	\$ 1,017,720
Sales and franchise taxes				1,303,275	-	1,303,275
Interest income				7,623	41,989	49,612
Miscellaneous				171,690	23,746	195,436
Operating transfers				14,546	(14,546)	-
Total General Revenues				<u>2,514,854</u>	<u>51,189</u>	<u>2,566,043</u>
Change in Net Position				<u>(147,832)</u>	<u>176,047</u>	<u>28,215</u>
Net Position - Beginning (as originally stated)				769,916	7,803,690	8,573,606
Prior period adjustment (see Note 12)				<u>260,576</u>	<u>(304,843)</u>	<u>(44,267)</u>
Net Position - Beginning (as restated)				<u>1,030,492</u>	<u>7,498,847</u>	<u>8,529,339</u>
Net Position - Ending				<u>\$ 882,660</u>	<u>\$ 7,674,894</u>	<u>\$ 8,557,554</u>

The accompanying notes are an integral part of the financial statements.

CITY OF BALLINGER, TEXAS
BALANCE SHEET - GOVERNMENTAL FUND
SEPTEMBER 30, 2019

	<u>General Fund</u>
ASSETS	
Petty cash	\$ 250
Certificates of deposit	126,628
Receivables:	
Sales tax	252,935
Property taxes, net of allowance for uncollectibles	41,114
Other receivables	<u>110,152</u>
 Total Assets	 \$ <u><u>531,079</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	
Liabilities:	
Accounts payable	\$ 263,014
Outstanding checks in excess of bank balance	68,009
Accrued liabilities	5,312
Due to other funds	<u>479,051</u>
 Total Liabilities	 <u>815,386</u>
Deferred Inflows of Resources:	
Unavailable revenue - property taxes	<u>41,114</u>
 Total Deferred Inflows of Resources	 <u>41,114</u>
Fund Balance:	
Restricted fund balance	126,628
Assigned fund balance	3,255
Unassigned fund balance	<u>(455,304)</u>
 Total Fund Balance	 <u>(325,421)</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balance	 \$ <u><u>531,079</u></u>

The accompanying notes are an integral part of the financial statements.

CITY OF BALLINGER, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

Total fund balances - governmental fund balance sheet	\$ (325,421)
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the fund.	1,969,109
Net pension liability used in governmental activities are not reported in the fund.	(162,996)
Total OPEB liability used in governmental activities are not reported in the fund.	(74,067)
Deferred outflows of resources related to pensions used in governmental activities are not reported in the fund.	248,721
Deferred inflows of resources related to pensions used in governmental activities are not reported in the fund.	(101,342)
Deferred outflows of resources related to OPEB used in governmental activities are not reported in the fund.	4,888
Deferred inflows of resources related to OPEB used in governmental activities are not reported in the fund.	(4,443)
Compensated absences used in the governmental activities are not reported in the fund.	(96,928)
Long-term debt liabilities not due and payable in the current period, and therefore, are not reported in the fund.	
Notes payable	(408,185)
Capital lease payable	(187,515)
Accrued interest payable	(20,275)
Property tax revenue considered unavailable for the governmental funds and recorded as an unearned revenue in the governmental fund.	<u>41,114</u>
Net position of governmental activities - Statement of Net Position	<u><u>\$ 882,660</u></u>

The accompanying notes are an integral part of the financial statements.

CITY OF BALLINGER, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>General Fund</u>
Revenues	
Property taxes	\$ 1,019,183
Sales and franchise taxes	1,303,275
Fines and fees	73,653
Charges for services	794,394
Interest income	7,623
Miscellaneous	<u>171,690</u>
Total revenues	<u>3,369,818</u>
Expenditures	
General government	789,047
Public safety	861,131
Public works	1,695,312
Culture and recreation	225,641
Debt service	
Principal	161,699
Interest	<u>21,429</u>
Total expenditures	<u>3,754,259</u>
Deficit of revenues under expenditures	(384,441)
Other Financing Sources	
Proceeds from notes payable and capital leases	258,686
Transfers in	<u>14,546</u>
Total other financing sources	<u>273,232</u>
Deficit of revenues under expenditures and other financing sources	<u>(111,209)</u>
Fund balance - Beginning (as originally stated)	(432,364)
Prior period adjustment (see Note 12)	<u>218,152</u>
Fund balance - Beginning (as restated)	<u>(214,212)</u>
Fund balance - Ending	<u>\$ (325,421)</u>

The accompanying notes are an integral part of the financial statements.

CITY OF BALLINGER, TEXAS

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019*

Net change in fund balances - total governmental fund	\$ (111,209)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Property tax revenue considered unavailable for the governmental fund.	(1,463)
Governmental fund reports debt payments as expenditures but are reported as decreases in notes payable and capital leases in governmental activities.	161,699
Accrued interest expenses are not reported in the governmental fund but are reported as an accrued expense in governmental activities.	(20,275)
Debt proceeds are recognized as other financing sources in the governmental fund but are reported as increases in notes payable in governmental activities.	(258,686)
Governmental fund reports capital outlays as expenditures but shown as increases in capital assets in governmental activities.	264,094
Depreciation is not recognized as an expenditure in the governmental fund since it does not require use of current financial resources.	(361,368)
Various adjustments including pension, OPEB, and compensated absences adjustments are necessary to convert to accrual accounting.	<u>179,376</u>
Change in net assets of governmental activities - Statement of Activities	<u>\$ (147,832)</u>

The accompanying notes are an integral part of the financial statements.

CITY OF BALLINGER, TEXAS
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
SEPTEMBER 30, 2019

	Water Fund	Airport Fund	Business-type Activities Enterprise Fund
	<u>Water Fund</u>	<u>Airport Fund</u>	<u>Total Enterprise Funds</u>
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 104,337	\$ 14,096	\$ 118,433
Certificates of deposit	116,221		116,221
Accounts receivable, net of allowance for uncollectibles	267,381	19,652	287,033
Due from other funds	<u>344,989</u>	<u>134,062</u>	<u>479,051</u>
Total Current Assets	<u>832,928</u>	<u>167,810</u>	<u>1,000,738</u>
Restricted assets:			
Cash and cash equivalents	<u>3,319,564</u>		<u>3,319,564</u>
Total Restricted Assets	<u>3,319,564</u>	<u>-</u>	<u>3,319,564</u>
Noncurrent:			
Capital assets:			
Property, plant and equipment	21,013,613	728,091	21,741,704
Less: accumulated depreciation	<u>(10,057,400)</u>	<u>(543,739)</u>	<u>(10,601,139)</u>
Total Noncurrent Assets	<u>10,956,213</u>	<u>184,352</u>	<u>11,140,565</u>
TOTAL ASSETS	<u>15,108,705</u>	<u>352,162</u>	<u>15,460,867</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred outflows of resources related to pensions	106,595		106,595
Deferred outflows of resources related to OPEB	<u>2,095</u>		<u>2,095</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>108,690</u>	<u>-</u>	<u>108,690</u>
LIABILITIES:			
Current liabilities:			
Accounts payable	170,869	269	171,138
Accrued liabilities	1,415		1,415
Accrued interest	19,740		19,740
Unearned revenue	2,313,668		2,313,668
Certificates of obligation	<u>510,000</u>		<u>510,000</u>
Total Current Liabilities	<u>3,015,692</u>	<u>269</u>	<u>3,015,961</u>
Noncurrent liabilities:			
Certificates of obligation	4,710,000		4,710,000
Compensated absences	21,768		21,768
Net pension liability	69,855		69,855
Total OPEB liability	<u>31,743</u>		<u>31,743</u>
Total Noncurrent Liabilities	<u>4,833,366</u>	<u>-</u>	<u>4,833,366</u>
TOTAL LIABILITIES	<u>7,849,058</u>	<u>269</u>	<u>7,849,327</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred inflows of resources related to pensions	43,432		43,432
Deferred inflows of resources related to OPEB	<u>1,904</u>		<u>1,904</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>45,336</u>	<u>-</u>	<u>45,336</u>
NET POSITION:			
Net investment in capital assets	5,736,213	184,352	5,920,565
Restricted for debt service	116,221		116,221
Unrestricted	<u>1,470,567</u>	<u>167,541</u>	<u>1,638,108</u>
TOTAL NET POSITION	<u>\$ 7,323,001</u>	<u>\$ 351,893</u>	<u>\$ 7,674,894</u>

The accompanying notes are an integral part of the financial statements.

CITY OF BALLINGER, TEXAS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -

PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Water Fund	Airport Fund	Business-type Activities Enterprise Funds
	Water Fund	Airport Fund	Total Enterprise Funds
OPERATING REVENUES:			
Service revenue	\$ 2,086,344	\$ 3,740	\$ 2,090,084
Rental income	8,535	53,650	62,185
Total Operating Revenues	2,094,879	57,390	2,152,269
OPERATING EXPENSES:			
Salaries and wages	421,055		421,055
Employee benefits	122,405		122,405
Depreciation	469,856	16,515	486,371
Water supply	137,259		137,259
Sewer fee	1,250		1,250
Training and education	13,872		13,872
Contract services	21,034		21,034
Insurance	30,000	5,100	35,100
Office expenses	12,685		12,685
Professional services	1,439		1,439
Repairs and maintenance	105,788	1,254	107,042
Supplies	397,345	9,911	407,256
Taxes and licenses	1,084		1,084
Utilities	87,602	3,072	90,674
Other operating expenses	100,687	10,253	110,940
Total Operating Expenses	1,923,361	46,105	1,969,466
Operating Income	171,518	11,285	182,803
NON-OPERATING REVENUES (EXPENSES):			
Interest	41,989		41,989
Grant revenue	4,766		4,766
Miscellaneous revenue	23,746		23,746
Interest expense	(62,711)		(62,711)
Transfers out	(14,546)		(14,546)
Total Non-Operating Expenses	(6,756)	-	(6,756)
Change in Net Position	164,762	11,285	176,047
Net Position - Beginning (as originally stated)	7,463,082	340,608	7,803,690
Prior period adjustment (see Note 12)	(304,843)		(304,843)
Net Position - Beginning (as restated)	7,158,239	340,608	7,498,847
Net Position - Ending	\$ 7,323,001	\$ 351,893	\$ 7,674,894

The accompanying notes are an integral part of the financial statements.

CITY OF BALLINGER, TEXAS
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Water Fund</u>	<u>Airport Fund</u>	<u>Business-type Activities Enterprise Funds</u>
			<u>Total Enterprise Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 1,825,498	\$ 44,401	\$ 1,869,899
Cash paid to employees	(543,460)		(543,460)
Cash paid to suppliers	(798,632)	(30,805)	(829,437)
Net Cash Provided by Operating Activities	<u>483,406</u>	<u>13,596</u>	<u>497,002</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:			
Miscellaneous receipts	45,955		45,955
Grant income	4,766		
Interest income, net of reinvested interest on CD	18,476		
Interest paid	(59,921)		(59,921)
Transfers out	(14,546)		(14,546)
Net Cash Used in Noncapital and Related Financing Activities	<u>(5,270)</u>	<u>-</u>	<u>(28,512)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from loan forgiveness	2,313,668		2,313,668
Proceeds from certificates of obligation	1,035,000		1,035,000
Payments on certificates of obligation	(510,000)		(510,000)
Purchase of capital assets	(4,766)		(4,766)
Net Cash Provided by Capital and Related Financing Activities	<u>2,833,902</u>	<u>-</u>	<u>2,833,902</u>
Net Increase in Cash and Cash Equivalents	<u>3,312,038</u>	<u>13,596</u>	<u>3,330,904</u>
Cash and Cash Equivalents at Beginning of Year	<u>111,863</u>	<u>500</u>	<u>112,363</u>
Cash and Cash Equivalents at End of Year	<u>\$ 3,423,901</u>	<u>\$ 14,096</u>	<u>\$ 3,443,267</u>
Restricted cash and cash equivalents	3,319,564		3,319,564
Cash and cash equivalents	104,337	14,096	118,433
	<u>\$ 3,423,901</u>	<u>\$ 14,096</u>	<u>\$ 3,437,997</u>

The accompanying notes are an integral part of the financial statements.

CITY OF BALLINGER, TEXAS

*STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2019*

	<u>Water Fund</u>	<u>Airport Fund</u>	<u>Business-type Activities Enterprise Funds</u>
			<u>Total Enterprise Funds</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income	\$ 171,518	\$ 11,285	\$ 182,803
Adjustments Not Affecting Cash:			
Increase in accounts receivable	(142,613)	(12,989)	(155,602)
Increase in deferred outflows related to pensions and OPEB	(111,241)		(111,241)
Increase (Decrease) in accounts payable	62,809	(1,215)	61,594
Decrease in compensated absences	(40,303)		(40,303)
Increase in net pension liability	94,607		94,607
Decrease in total OPEB liability	(186)		(186)
Decrease in deferred inflows related to pensions and OPEB	(21,041)		(21,041)
Depreciation	<u>469,856</u>	<u>16,515</u>	<u>486,371</u>
Net Cash Provided by Operating Activities	<u>\$ 483,406</u>	<u>\$ 13,596</u>	<u>\$ 497,002</u>

The accompanying notes are an integral part of the financial statements.

Note 1: Reporting Entity

The City of Ballinger (City) was created by a charter and operates under an elected City Council (Council). A mayor is elected by the voters to serve as chairman of the Council. The duty of the Council is to pass, establish, and enforce all ordinances, and do all other things necessary and proper for the carrying out and execution of the powers and duties specified in the City charter. The City's major operations include public safety, streets, water service, public improvements, recreation, and general administrative services.

For financial reporting purposes, the City includes all entities for which the City is considered to be financially accountable. The criteria used by the City for including activities in preparing its financial statements are in conformity with Governmental Accounting Standards Board Statement 14. "The Financial Reporting Entity."

Note 2: Summary of Significant Accounting Policies

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all activities of the government. *Governmental Activities* are those which are normally supported by taxes and intergovernmental revenues.

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

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary funds. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and

Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Enterprise funds, or proprietary funds, are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurements similar to the private sector.

The City operates and reports the following funds:

Governmental: The *General Fund* is the City's operating governmental fund. It accounts for all financial resources of the general government.

Proprietary: The *Water Fund* accounts for the activities of the water distribution system.

Proprietary: The *Airport Fund* accounts for the activities of the municipal airport.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current period, or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after 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 and claims and judgments, are recorded only when payment is due.

Property taxes and sales taxes are considered to be susceptible to accrual and so have been recognized as revenues in the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the **Government Accounting Standards Board**. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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

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

Cash and Cash Equivalents and Certificates of Deposit

Cash and cash equivalents reflected in the financial statements includes petty cash and cash in banks.

For purposes of reporting cash flows, all highly liquid investments with a maturity of three months or less are considered to be cash equivalents which excludes certificates of deposit.

In accordance with Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application* (GASB Statement No. 72), establishes general principles for measuring fair value and standards of accounting and financial reporting for assets and liabilities measured at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions.

GASB Statement No. 72 establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB Statement No. 72 are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City can access at the measurement date.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3 - Inputs to the valuation methodology are unobservable.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

Accounts Receivable

All receivables are shown net of an allowance for uncollectibles. The trade accounts receivable allowance for uncollectibles is comprised of accounts past due in excess of 180 days. There is no allowance for sales tax receivable.

Property taxes are levied by October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. A lien attaches as of February 1. Delinquent taxes are based on the rates adopted for the year of levy. Allowance for uncollectibles within the General Fund is based upon historical experience in collecting property taxes. The City does not fall within the boundaries of any agreements related to Chapter 312 or 313 of the Texas Tax Code, "Property Redevelopment and Tax Abatement Act".

Capital Assets

In the government-wide financial statements, capital assets, which include property, plant, and equipment are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair market value on the date donated.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Depreciation of all exhaustible capital assets arising from cash transactions is recorded as an allocated expense in the statement of activities. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Type</u>	<u>Years</u>
Buildings	40
Machinery & Equipment	5-15
Vehicles	5-10

In the fund financial statements, capital assets arising from cash transactions acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets acquired for use in proprietary fund operations are accounted for the same as in the government-wide statements.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position.

Long-term debt arising from cash basis transactions of governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as the treatment in the government-wide statements.

Compensated Absences

The City provides paid vacation time to employees with permanent positions after the employee has satisfactorily completed their probationary period. Eligible employees shall accrue vacation time from the date of employment as a rate of 0.833 days per month so as to accrue a total of 10 days per year. Eligible employees that have been employed by the City for ten years or more shall accrue vacation time at a rate of 1.250 days per month, so as to accrue a total of 15 days per year. A permanent employee may carry over a maximum of 10 days annual following the calendar year end. An employee's annual leave in excess of 10 days at October 1 will be lost, each year. An employee may receive terminal pay for accrued vacation time if the employee provides at least two weeks written notice of resignation. Terminal pay for accrued vacation time is limited to a maximum of 20 days.

Each regular employee is able to accumulate sick time from the date of employment at a rate of 0.833 days per month so as to accrue a total of 10 days per year. Upon termination of employment, the employee will receive full pay for accrued sick leave up to a maximum of 30 days and half day pay for accrued days of sick leave over 30 days.

Equity Classification

In the government-wide and proprietary statements, equity is classified as net position and displayed in three components:

Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balance of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted net position – Consist of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The City's restricted net position as of September 30, 2019 totaling \$242,849 relates to funds held in certificates of deposit to be used for debt service.

Unrestricted net position – All other net positions that do not meet the definition of the “restricted” or “net investment in capital assets”.

It is the City's policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

In the governmental fund financial statements, equity is classified as fund balance. GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below:

Nonspendable, such as fund balance associated with inventories, prepaid expenditures, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned).

Restricted fund balance category includes amounts that can be spent for only the specific purposes stipulated by constitution, external resources providers, or through enabling legislation.

Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City Council (the City's highest level of decision-making authority).

Assigned fund balance classification includes amounts intended to be used by the City for specific purposes but does not meet the criteria to be classified as restricted or committed.

Unassigned fund balance is the residual classification for the City's General Fund and includes all spendable amounts not contained in the other classifications.

In addition to unassigned fund balance, at September 30, 2019, the City reported assigned fund balance totaling \$3,255 for the City park and court technology, and restricted fund balance totaling \$126,628 to be used for debt service.

The City considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.

The City considers committed, assigned and unassigned amounts (in that order until fully extinguished) to have been spent when an expenditure is incurred for purposes for which any of those unrestricted fund balance classifications could be used.

Deferred Outflows / Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense / expenditure) until then. The City had deferred outflows of resources related to pensions totaling \$355,316 and deferred outflows of resources totaling \$6,983 related to OPEB as of September 30, 2019.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The City had deferred inflows of resources related to pensions totaling \$144,774 and deferred inflows of resources totaling \$6,347 related to OPEB as of September 30, 2019. In the governmental fund statements, the City also had one item that qualified for reporting in this category related to unavailable property tax revenue totaling \$41,114 as of September 30, 2019.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The City has evaluated subsequent events through September 9, 2021, the day the financial statements were available to be issued.

Recent Accounting Pronouncements

The GASB has issued the following statements which will be effective in future years.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*, which improves accounting and reporting by enhancing the consistency and comparability by establishing specific criteria for identifying activities that should be reported as fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2020.

In June 2017, the GASB issued Statement No. 87, *Leases*, which improves accounting and financial reporting by requiring reporting of certain lease liabilities that currently are not reported. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2021.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests*, which clarifies the accounting and financial reporting requirements for a state or local government's majority equity interest in an organization that remains legally separate after acquisition. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2020.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*, which provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with 1) commitments extended by issuers, 2) arrangements associated with conduit debt obligations, and 3) related note disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2021.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*, which enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements related to Statement 87 and Implementation Guide 2019-3 are effective upon issuance. The other requirements of this statement are effective for fiscal year beginning after June 15, 2021.

The City will fully analyze the impact of these new Statements prior to the effective dates for the Statements listed above.

Note 3: Cash Deposits and Certificates of Deposit

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect City funds on day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository banks dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

As of September 30, 2019, the City had cash and cash investments at federally insured local banks. As of and for the year ended September 30, 2019, the City's deposits were fully insured by Federal

Deposit Insurance Corporation (FDIC) insurance and pledged securities. The City is restricted by State statute to invest in certificates of deposit and investments of the United States and the State of Texas.

The Public Funds Investment Act (“Act”) requires an annual audit of investment practices. Audit procedures in this area, conducted as a part of the audit of the general purpose financial statements, disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, no areas of noncompliance were noted which could have a direct and material effect on the determination of financial statement amounts. Additionally, investment practices of the City were in accordance with local policies.

Custodial Credit Risk

The City’s funds are required to be deposited and invested under the terms of the depository contract. The depository bank deposits for safekeeping and trust with the City’s agent bank approved pledged securities in an amount sufficient to protect City funds on a daily 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.

Interest Rate Risk

In accordance with its investment policy, the City manages its exposure to declines in fair value by limiting the maximum allowable maturity to one year, unless otherwise provided in a specific investment strategy that complies with current law.

Credit Risk

This is the risk that an issuer of an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. It is the City’s policy to limit its investments to those investments that are fully insured or collateralized from a bank in the State of Texas and under the term of written depository agreement, obligations of the United States government, its agencies and instrumentalities and government sponsoring enterprises; or Texas Local Government Investment Pools. The City currently has no investments in obligations of the United States government or Texas Local Government Investment Pools.

Concentration of Credit Risk

This is the risk of loss attributed to the magnitude of the City’s investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent (5%) or more in the securities of a single issuer. It is the City’s policy to not allow for a concentration of credit risk. Investments issued by the U.S. Government and investments in investment pools are excluded from the 5 percent (5%) disclosure requirement. The City is not exposed to concentration of credit risk.

At year end, the City’s deposit investment balances were as follows:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Certificates of Deposit	\$ <u>242,849</u>	1
	\$ <u>242,849</u>	

The investments of the City are in compliance with the Council’s investment policy and with the Public Funds Investment Act (Government Code Chapter 2256). The City did not have any derivative investment products during the current year. All significant legal and contractual provisions for investments were complied with during the year. Investments at year-end are representative of the types of investments maintained by the City during the year.

A summary of the City's deposit investments under the requirements of the fair value hierarchy follows:

Description	Fair Value Measurements at Reporting Date Using			
	(Level 1)	(Level 2)	(Level 3)	Total
Certificates of Deposit	\$ 242,849	\$ -	\$ -	\$ 242,849
Total	\$ 242,849	\$ -	\$ -	\$ 242,849

There have been no changes in the methodologies used at September 30, 2019.

Note 4: Accounts Receivable

Receivables in the General Fund totaling \$404,201 as of September 30, 2019 consist of ad valorem tax, sanitation, sales tax, and sundry receivables in the amounts of \$52,368, \$83,249, \$252,935, and \$26,903, respectively. An allowance for uncollectible ad valorem tax in the amount of \$11,254 has been recorded.

Accounts receivable for the Water Fund as of September 30, 2019 amounted to \$270,770. An allowance for uncollectible water billings in the amount of \$3,389 has been recorded as of September 30, 2019.

Accounts receivable for the Airport Fund as of September 30, 2019 amounted to \$19,652 and is considered fully collectible. Accordingly, no allowance for uncollectible accounts has been recorded.

Note 5: Capital Assets

Capital asset activity for the year ended September 30, 2019, was as follows:

Governmental activities	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 152,545	\$ -	\$ -	\$ 152,545
Total capital assets not being depreciated	152,545	-	-	152,545
Capital assets being depreciated:				
Buildings and improvements	736,503			736,503
Equipment	4,442,397	264,094		4,706,491
Total capital assets being depreciated	5,178,900	264,094	-	5,442,994
Less accumulated depreciation for:				
Buildings and improvements	(464,477)	(18,413)		(482,890)
Equipment	(2,800,585)	(342,955)		(3,143,540)
Total accumulated depreciation	(3,265,062)	(361,368)	-	(3,626,430)
Governmental activities capital assets, net	\$ 2,066,383	\$ (97,274)	\$ -	\$ 1,969,109

Depreciation was charged to functions as follows:

General government	\$	43,405
Public safety		132,470
Public works		167,848
Culture and recreation		17,645
	\$	<u>361,368</u>

<u>Business-type activities</u>	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land	\$ 1,767,700	\$	\$	\$ 1,767,700
Construction in progress		4,766		4,766
Total capital assets not being depreciated	<u>1,767,700</u>	<u>4,766</u>	<u>-</u>	<u>1,772,466</u>
Capital assets being depreciated:				
Improvements other than buildings	17,642,693			17,642,693
Buildings and improvements	1,685,865			1,685,865
Equipment	640,680			640,680
Total capital assets being depreciated	<u>19,969,238</u>	<u>-</u>	<u>-</u>	<u>19,969,238</u>
Less accumulated depreciation for:				
Improvements other than buildings	(7,955,206)	(441,067)		(8,396,273)
Buildings and improvements	(1,542,030)	(42,147)		(1,584,177)
Equipment	(617,532)	(3,157)		(620,689)
Total accumulated depreciation	<u>(10,114,768)</u>	<u>(486,371)</u>	<u>-</u>	<u>(10,601,139)</u>
Governmental activities capital assets, net	\$ <u>11,622,170</u>	\$ <u>(481,605)</u>	\$ <u>-</u>	\$ <u>11,140,565</u>

Depreciation charged to the business-type activities was \$469,856 and \$16,515 for the Water and Airport Funds, respectively.

Note 6: Unearned Revenue

Unearned revenue in the business-type activities at September 30, 2019 totaling \$2,313,668 represents unspent funds for upgrades to the City's water supply system.

Note 7: Long-Term Obligations

In the governmental activities debt obligations at September 30, 2019, are summarized as follows:

Notes Payable

Government Capital Corporation note in the original amount of \$80,000; issued February 24, 2016 for police vehicles and police department technology; payable in annual principal and interest payments due October 30; with an interest rate of 3.993%; final payment due October 30, 2021.

\$ 26,310

Government Capital Corporation note in the original amount of \$122,409; issued July 19, 2016 for a brush truck; payable in annual principal and interest payments due November 30; with an interest rate of 3.412%; final payment due November 30, 2022.	71,923
Government Capital Corporation note in the original amount of \$178,188; issued February 1, 2017 for vehicles; payable in annual principal and interest payments due January 27; with an interest rate of 3.455%, final payment due January 27, 2024.	131,523
Government Capital Corporation note in the original amount of \$36,570; issued November 30, 2017 for law enforcement hardware; payable in annual principal and interest payments due November 30; with an interest rate of 4.573%; final payment due November 30, 2021.	28,032
First Bank & Trust note in the original amount of \$88,500; issued September 15, 2016 for a vibratory roller; payable in annual principal and interest payments due October 15; with an interest rate of 3.075%, final payment due October 15, 2019.	18,567
Keystone Bank note in the original amount of \$44,594; issued May 29, 2018 for a 2011 International truck; payable in semi-annual annual principal and interest payments due December 31 and June 30; with an interest rate of 3.338%; final payment due June 30, 2023.	36,433
Keystone Bank note in the original amount of \$121,000; issued October 16, 2018 for a ladder truck; payable in annual principal and interest payments due November 15; with an interest rate of 3.575%; final payment due November 15, 2022.	<u>95,397</u>
Total Notes Payable	<u>\$ 408,185</u>

Capital Leases Payable

John Deere Financial lease in the original amount of \$131,010; issued May 6, 2015 for a bulldozer; payable in annual principal and interest payments due May 5; with an interest rate of 3%; final payment due May 5, 2020.	\$ 28,075
John Deere Financial lease in the original amount of \$137,686; issued March 15, 2019 for an excavator; payable in monthly principal and interest payments due March 15; with an interest rate of 4.753%; final payment due March 15, 2024.	122,767
John Deere Financial lease in the original amount of \$48,000; issued January 12, 2018 for a skid steer; payable in annual principal and interest payments due December 15; with an interest rate of 4.508%; final payment due December 15, 2021.	<u>36,673</u>
Total Capital Leases Payable	<u>\$ 187,515</u>

Long-Term Obligation Activity

A summary of long-term obligation activity for the year ended September 30, 2019, is as follows:

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Notes payable	\$ 395,394	\$ 121,000	\$ (108,209)	\$ 408,185	\$ 108,768
Capital leases	103,319	137,686	(53,490)	187,515	65,342
Compensated absences	110,141		(13,213)	96,928	-
Net pension liability (asset)	(57,754)	220,750		162,996	-
Total OPEB liability		74,067		74,067	-
Total	\$ <u>551,100</u>	\$ <u>553,503</u>	\$ <u>(174,912)</u>	\$ <u>929,691</u>	\$ <u>174,110</u>

Maturities of notes payable are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total Requirement
2020	\$ 108,768	\$ 14,521	\$ 123,289
2021	93,488	10,660	104,148
2022	96,898	7,250	104,148
2023	80,910	3,715	84,625
2024	28,121	971	29,092
	\$ <u>408,185</u>	\$ <u>37,117</u>	\$ <u>445,302</u>

Maturities of capital leases payable are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total Requirement
2020	\$ 65,342	\$ 7,820	\$ 73,162
2021	39,048	5,190	44,238
2022	40,913	3,324	44,237
2023	29,501	1,369	30,870
2024	12,711	151	12,862
	\$ <u>187,515</u>	\$ <u>17,854</u>	\$ <u>205,369</u>

The following is a schedule of the maturities of notes payable and capital leases payable by year and in aggregate:

Year Ending March 31,	
2020	\$ 174,110
2021	132,536
2022	137,811
2023	110,411
2024	40,832
	\$ <u>595,700</u>

In the business-type activities debt obligations at September 30, 2019, are summarized as follows:

Certificates of Obligations

Texas general obligation refunding bond (2012 Series) in the original amount of \$3,495,000; issued to pay for a new water treatment plant dated October 16, 2012; payable in annual principal and interest payments due June 1, and the additional interest payments due December 1; with an interest rate ranging from .090% - 3.65%; final payment due June 1, 2023.	\$ 1,325,000
Zero coupon Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation Taxable (2006 Series) in the original amount of \$3,865,000; issued for water system improvements dated December 1, 2006; payable in annual payments due June 1; final payment due June 1, 2038.	2,435,000
Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation (2016 Series) of \$605,000 issued to purchase water system improvements, dated February 1, 2016, payable in annual principal and interest payments due June 1, with interest rate ranging from 0.12% - 1.90%; final payment due June 1, 2026.	425,000
City of Ballinger, Texas, Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation (2018 Series) in the original amount of \$1,035,000; issued to pay contractual obligations to be incurred to improve water system properties and facilities dated January 30, 2019; payable in annual principal and interest payments due June 1, and the additional interest payments due December 1; with an interest rate ranging from 1.10% - 1.93%; final payment due June 1, 2030.	<u>1,035,000</u>
Total Certificates of Obligation	<u>\$ 5,220,000</u>

Long-Term Obligation Activity

A summary of long-term obligation activity for the year ended September 30, 2019, is as follows:

Business-Type Activities:	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Certificate of obligation (2012)	\$ 1,640,000	\$	\$ (315,000)	\$ 1,325,000	\$ 320,000
Certificate of obligation (2006)	2,570,000		(135,000)	2,435,000	130,000
Certificates of obligation (2016)	485,000		(60,000)	425,000	60,000
Certificates of obligation (2018)		1,035,000		1,035,000	-
Compensated absences	62,071		(40,303)	21,768	
Net pension liability (asset)	(24,752)	94,607		69,855	-
Total OPEB liability		31,743		31,743	-
Total	<u>\$ 4,732,319</u>	<u>\$ 1,161,350</u>	<u>\$ (550,303)</u>	<u>\$ 5,343,366</u>	<u>\$ 510,000</u>

Maturities of certificates of obligation are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total Requirement
2020	\$ 510,000	\$ 62,168	\$ 572,168
2021	610,000	52,816	662,816
2022	620,000	41,372	661,372
2023	635,000	28,582	663,582
2024	290,000	14,299	304,299
2025	290,000	12,352	302,352
2026	300,000	10,257	310,257
2027	235,000	7,858	242,858
2028	240,000	6,147	246,147
2029	240,000	4,243	244,243
2030	245,000	2,220	247,220
2031	130,000		130,000
2032	130,000		130,000
2033	125,000		125,000
2034	125,000		125,000
2035	125,000		125,000
2036	125,000		125,000
2037	125,000		125,000
2038	120,000		120,000
	<u>\$ 5,220,000</u>	<u>\$ 242,314</u>	<u>\$ 5,462,314</u>

The following is a schedule of the maturities of certificates of obligation by year and in aggregate:

Year Ending March 31,	
2020	\$ 510,000
2021	610,000
2022	620,000
2023	635,000
2024 and thereafter	<u>2,845,000</u>
	<u>\$ 5,220,000</u>

Note 8: Risk Management

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2019, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool (TMLIRP). TMLIRP is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TMLIRP for insurance coverage. The agreement for the formation of TMLIRP provides that TMLIRP will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level or reinsurance. The City continues to carry commercial insurance of other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and any settled claims have not exceeded coverage in any of the past three fiscal years.

The COVID-19 outbreak in the United States has created economic uncertainties that may impact future operations. The extent of the impact on operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and impact on the City's tax payors, citizens, grant sources, employees, and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the City's financial condition or results of operations is uncertain.

Note 9: Interfund Transfers and Due to/from Interfund

Interfund transfers for the year ended September 30, 2019 consisted of a \$14,546 transfer to the General Fund from the Water Fund.

Due to/from accounts for the year ended September 30, 2019 consists of \$344,989 and \$134,062 due from the General Fund to the Water Fund and the Airport Fund, respectively.

Note 10: Pension Plans

Retirement Pension Plan

Plan Description

The City of Ballinger participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com. All eligible employees of the City are required to participate in TMRS.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Members can retire at ages 60 and above with five or more years of services or with 25 years of service regardless of age. Members are vested after five years of services but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdrew their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefits Provided

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

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

Employees covered by benefit terms.

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	18
Inactive employees entitled to but not yet receiving benefits	12
Active employees	40
Total participants	<u>70</u>

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 of Ballinger were required to contribute 5.0% of their annual gross earnings during the fiscal year. The contribution rates for the City were 3.85% and 3.70% in the calendar years 2018 and 2019, respectively. The City's contributions to TMRS for the year ended September 30, 2019, were \$60,380, and were equal to the required contributions.

Net Pension Liability

Actuarial Assumptions

The total Pension Liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%	
Overall payroll growth	3.00%	
Investment rate of return	6.75%	This rate represents the assumed return, net of all investment and administrative expenses.

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the City, rates are multiplied by a factor of 100%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2018, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2010 through December 31, 2014, first used in the December 31, 2015 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2018 valuation.

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.50%	4.55%
International Equity	17.50%	6.35%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	3.90%
Real Return	10.00%	3.80%
Real Estate	10.00%	4.50%
Absolute Return	10.00%	3.75%
Private Equity	5.00%	7.50%

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in the TMRS annual report. 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 Net Pension Liability / (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a)-(b)
Balances as of December 31, 2017	\$ 3,649,820	\$ 3,732,326	\$ (82,506)
Changes for the year:			
Service cost	116,279		116,279
Interest on total pension liability	242,173		242,173
Difference between expected and actual experience	(32,978)		(32,978)
Benefit payments	(240,426)	(240,426)	-
Administrative expenses		(2,161)	2,161
Member contributions		70,048	(70,048)
Net investment income		(111,625)	111,625
Employer contributions		53,968	(53,968)
Other		(113)	113
Balances as of December 31, 2018	\$ 3,734,868	\$ 3,502,017	\$ 232,851

Sensitivity of the Net Pension Liability / (Asset) to Changes in the Discount Rate

The following presents the net pension liability of the City calculated using the discount rate of 6.75% as well as what the City's net pension liability would have been if it were calculated using a discount rate that is 1% lower and 1% higher than the current rate:

	1% Decrease <u>(5.75%)</u>	Current Rate <u>(6.75%)</u>	1% Increase <u>(7.75%)</u>
Net pension liability (asset)	\$ 660,027	\$ 232,851	\$ (124,828)

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 at www.tmr.com.

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

For the year ended September 30, 2019, the City recognized total pension benefit of \$60,122.

As of September 30, 2019, the City reported on the Statement of Net Position deferred (inflows) outflows of resources related to pensions from the following sources:

	<u>Outflows</u>	<u>Inflows</u>
Contributions subsequent to measurement date	\$ 99,764	\$
Difference between expected and actual experience	9,007	(36,316)
Difference between projected and actual investment earnings	245,017	(108,458)
Change of assumptions	<u>1,528</u>	<u></u>
Total	<u>\$ 355,316</u>	<u>\$ (144,774)</u>

Deferred outflows of resources related to contributions subsequent to the measurement date of \$99,764 will be recognized as a reduction of the net pension liability for the year ending September 30, 2020. Remaining net deferred outflows (inflows) of resources related to pensions totaling \$110,778 will be recognized in pension expense for the years ending September 30, 2020, 2021, 2022, and 2023 in the amounts of \$27,623, \$12,046, \$54,006, and \$17,103, respectively.

Note 11: Other Post-Employment Benefits (OPEB)

Plan Description

The City also participates in the cost sharing single-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). For purposes of reporting under *GASB Statement No. 75*, the retiree portion of the SDBF does not meet the definition of a trust and is not considered a cost sharing plan and is instead considered a single-employer, defined benefit OPEB plan. The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1. The City offered SDBF to active employees and retirees in the 2018 and 2019 plan years.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

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

Contributions

The City determines rates based on an actuarially determined rate. The City's average contribution rate was 7.55% of covered payroll as of the measurement date of December 31, 2018. Employees are not required to contribute to the plan.

Employees covered by benefit terms.

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	16
Inactive employees entitled to but not yet receiving benefits	2
Active employees	<u>40</u>
Total participants	<u><u>58</u></u>

Membership counts for inactive employees currently receiving or entitled to but not yet receiving benefits will differ from GASB 68 as they include only those eligible for SDBF benefit.

Actuarial Assumptions

The total OPEB Liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Salary increases	3.50% to 10.50% including inflation
Discount rate	3.71%, which is based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2018.

Administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68. Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the City of Ballinger, rates are multiplied by a factor of 87%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2018 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2010 through December 31, 2014, first used in the December 31, 2015 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. Assumptions are reviewed annually. No additional changes were made for the 2018 valuation.

Discount Rate

The discount rate used to measure the Total OPEB Liability was 3.71%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2018. 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 contribution for retirees.

Changes in Total OPEB Liability

	<u>Total OPEB Liability</u>
Balances as of December 31, 2017	\$ <u>106,431</u>
Changes for the year:	
Service cost	5,604
Interest on total OPEB liability	3,602
Difference between expected and actual experience	(2,538)
Changes in assumptions	(6,448)
Benefit payments	<u>(841)</u>
Balances as of December 31, 2018	\$ <u>105,810</u>

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

The following presents the total OPEB liability of the City calculated using the discount rate of 3.71% as well as what the City's total OPEB liability would have been if it were calculated using a discount rate that is 1% lower and 1% higher than the current rate:

	<u>1% Decrease (2.71%)</u>	<u>Current Rate (3.71%)</u>	<u>1% Increase (4.71%)</u>
Total OPEB liability	\$ 123,013	\$ 105,810	\$ 91,919

OPEB Expense

Contributions subsequent to measurement date	\$ 3,086
Change in OPEB liability	<u>(1,257)</u>
Total OPEB expense	<u>\$ 1,829</u>

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

For the year ended September 30, 2019, the City recognized OPEB expense of (\$1,257). The City reported deferred outflows (inflows) of resources related to OPEB from the following sources:

	<u>Outflows</u>	<u>Inflows</u>
Differences between expected and actual experience	\$	\$ (2,112)
Changes in assumptions and other inputs	3,897	(4,235)
Contributions made subsequent to measurement date	<u>3,086</u>	<u></u>
Total	<u>\$ 6,983</u>	<u>\$ (6,347)</u>

Deferred outflows of resources related to contributions subsequent to measurement date of \$3,086 will be recognized as a reduction of the net OPEB liability for the year ending September 30, 2020. Remaining net deferred outflows (inflows) of resources related to OPEB totaling \$(2,450) will be recognized in OPEB expense for the years ending September 30, 2020, 2021, 2022 and 2023 in the amounts of (\$294), (\$294), (\$159), and (\$1,703), respectively.

Note 12: Prior Period Adjustments

Prior period adjustments were recorded to the City's fund balance and net position accounts and are summarized as follows:

	<u>General Fund (Fund Balance)</u>	<u>Business- Type Activities (Net Position)</u>	<u>Governmental Activities (Net Position)</u>
Originally stated balances as of September 30, 2018	\$ <u>(432,364)</u>	\$ <u>7,803,690</u>	\$ <u>769,916</u>
Adjustments recorded:			
Accounts receivable	239,152	(178,075)	239,152
Capital assets		(94,839)	
Accounts payable	(21,000)		(21,000)
Notes and capital leases payable			103,713
Compensated absences			13,213
OPEB		(31,929)	(74,502)
Restated balances as of September 30, 2018	\$ <u><u>(214,212)</u></u>	\$ <u><u>7,498,847</u></u>	\$ <u><u>1,030,492</u></u>

Required Supplementary Information

CITY OF BALLINGER, TEXAS
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ (432,364)	\$ (432,364)	\$ (432,364)	\$ -
Resources (Inflows):				
Taxes:				
Property tax	1,020,256	1,020,256	1,019,183	(1,073)
Sales tax	1,175,000	1,175,000	1,138,610	(36,390)
Other tax	207,700	207,700	164,665	(43,035)
Total taxes	<u>2,402,956</u>	<u>2,402,956</u>	<u>2,322,458</u>	<u>(80,498)</u>
Charges for services	<u>765,150</u>	<u>765,150</u>	<u>794,394</u>	<u>29,244</u>
Fines and forfeitures:				
Court costs	50,000	50,000	71,868	21,868
Miscellaneous fees	3,950	3,950	1,785	(2,165)
Total fines and forfeitures	<u>53,950</u>	<u>53,950</u>	<u>73,653</u>	<u>19,703</u>
Miscellaneous:				
Proceeds from notes payable	-	-	258,686	258,686
Interest and investment income	3,000	3,000	7,623	4,623
Miscellaneous	15,000	15,000	171,690	156,690
Total miscellaneous	<u>18,000</u>	<u>18,000</u>	<u>437,999</u>	<u>419,999</u>
Transfers in	<u>87,436</u>	<u>87,436</u>	<u>14,546</u>	<u>(72,890)</u>
Amounts available for appropriation	<u>2,895,128</u>	<u>2,895,128</u>	<u>3,210,686</u>	<u>315,558</u>
Charges to Appropriations (Outflows):				
General government	739,687	739,687	789,047	(49,360)
Public safety	918,894	918,894	861,131	57,763
Public works	211,481	1,355,589	1,695,312	(339,723)
Culture and recreation	313,322	313,322	225,641	87,681
Debt service	-	-	183,128	(183,128)
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total charges to appropriations	<u>2,183,384</u>	<u>3,327,492</u>	<u>3,754,259</u>	<u>(426,767)</u>
Prior period adjustment	<u>-</u>	<u>-</u>	<u>218,152</u>	<u>218,152</u>
Ending Budgetary Fund Balance	\$ <u>711,744</u>	\$ <u>(432,364)</u>	\$ <u>(325,421)</u>	\$ <u>106,943</u>

Notes to Budgetary Comparison Schedule - General Fund

Note 1: Basis of Accounting

The budget is prepared on the same modified-accrual basis of accounting as applied to the governmental fund in the basic financial statements. Revenues and expenditures are reported when they result from cash transactions.

CITY OF BALLINGER, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY / (ASSET)
AND RELATED RATIOS - PENSION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2019 *

	Measurement Date 12/31/2018	Measurement Date 12/31/2017	Measurement Date 12/31/2016	Measurement Date 12/31/2015	Measurement Date 12/31/2014
Total Pension Liability:					
Service cost	\$ 116,279	\$ 112,726	\$ 119,577	\$ 107,862	\$ 85,949
Interest on total pension liability	242,173	236,855	226,217	222,640	210,848
Change in benefit terms including substantively automatic status					
Difference between expected and actual experience	(32,978)	(36,811)	31,950	(6,891)	71,951
Change in assumptions				22,554	
Benefit payments / refunds of contributions	<u>(240,426)</u>	<u>(231,114)</u>	<u>(202,314)</u>	<u>(160,141)</u>	<u>(262,359)</u>
Net change in total pension liability	<u>85,048</u>	<u>81,656</u>	<u>175,430</u>	<u>186,024</u>	<u>106,389</u>
Total pension liability, beginning	<u>3,649,820</u>	<u>3,568,164</u>	<u>3,392,734</u>	<u>3,206,710</u>	<u>3,100,321</u>
Total pension liability, ending (a)	<u>3,734,868</u>	<u>3,649,820</u>	<u>3,568,164</u>	<u>3,392,734</u>	<u>3,206,710</u>
Fiduciary Net Position:					
Employer contributions	53,968	51,714	49,767	45,042	58,622
Member contributions	70,048	68,651	71,861	66,829	58,977
Investment income net of investment expenses	(111,625)	467,941	219,044	4,852	185,877
Benefit payments / refunds of contributions	(240,426)	(231,114)	(202,314)	(160,141)	(262,359)
Administrative expenses	(2,161)	(2,426)	(2,474)	(2,956)	(1,941)
Other	<u>(113)</u>	<u>(123)</u>	<u>(133)</u>	<u>(146)</u>	<u>(160)</u>
Net change in fiduciary net position	<u>(230,309)</u>	<u>354,643</u>	<u>135,751</u>	<u>(46,520)</u>	<u>39,016</u>
Fiduciary net position, beginning	<u>3,732,326</u>	<u>3,377,683</u>	<u>3,241,932</u>	<u>3,288,452</u>	<u>3,249,436</u>
Fiduciary net position, ending (b)	<u>3,502,017</u>	<u>3,732,326</u>	<u>3,377,683</u>	<u>3,241,932</u>	<u>3,288,452</u>
Net pension liability (asset), ending ((a) - (b))	<u>\$ 232,851</u>	<u>\$ (82,506)</u>	<u>\$ 190,481</u>	<u>\$ 150,802</u>	<u>\$ (81,742)</u>
Fiduciary net position as a % of total pension liability	93.77%	102.26%	94.66%	95.56%	102.55%
Pensionable covered payroll	\$ 1,400,951	\$ 1,373,029	\$ 1,437,223	\$ 1,336,582	\$ 1,179,541
Net pension liability (asset) as a % of covered payroll	16.62%	-6.01%	13.25%	11.28%	-6.93%

* A full 10-year schedule will be displayed as it becomes available

CITY OF BALLINGER, TEXAS
SCHEDULE OF CONTRIBUTIONS - PENSION PLAN
FOR THE LAST 10 FISCAL YEARS *

Period Ending September 30,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll**	Actual Contribution as a % of Covered Payroll
2014	\$ 58,622	\$ 58,622	\$ -	\$ 1,179,541	4.97%
2015	\$ 45,042	\$ 45,042	\$ -	\$ 1,336,582	3.37%
2016	\$ 49,767	\$ 49,767	\$ -	\$ 1,437,223	3.46%
2017	\$ 51,714	\$ 51,714	\$ -	\$ 1,373,029	3.77%
2018	\$ 53,968	\$ 53,968	\$ -	\$ 1,400,951	3.85%
2019	\$ 60,380	\$ 60,380	\$ -	\$ 1,501,432	4.02%

Notes to Schedule of Contributions:

Valuation date:

Notes

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry age normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	27 years
Asset Valuation Method	10 year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.5% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB
Other information	There were no benefit changes during the year.

* A full 10-year schedule will be displayed as it becomes available

** Payroll is calculated based on contributions as reported to TMRS

CITY OF BALLINGER, TEXAS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
AND RELATED RATIOS - OPEB
FOR THE YEAR ENDED SEPTEMBER 30, 2019 *

	<u>Measurement Date</u> 12/31/2018	<u>Measurement Date</u> 12/31/2017
Total Pension Liability:		
Service cost	\$ 5,604	\$ 4,806
Interest on total OPEB liability	3,602	3,538
Change in benefit terms including substantively automatic status		
Difference between expected and actual experience	(2,538)	
Change in assumptions	(6,448)	7,236
Benefit payments / refunds of contributions	<u>(841)</u>	<u>(687)</u>
Net change in total OPEB liability	<u>(621)</u>	<u>14,893</u>
Total OPEB liability, beginning	<u>106,431</u>	<u>91,538</u>
Total OPEB liability, ending	<u>\$ 105,810</u>	<u>\$ 106,431</u>
Covered payroll	\$ 1,400,951	\$ 1,373,029
Total OPEB liability as a % of covered payroll	7.55%	7.75%

* A full 10-year schedule will be displayed as it becomes available

Internal Control Section

September 9, 2021

Independent Auditors' Report

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, Members of the City Council
City of Ballinger, Texas
700 Railroad Avenue
Ballinger, Texas 76821

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, and the major fund of the City of Ballinger, Texas (the City) as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 9, 2021.

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

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 over financial reporting was for the limited purpose described in the first paragraph of this section, and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2019-001 that we consider to be a material weakness.

Compliance and Other Matters

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

The City's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Condley & Company, LLP

Certified Public Accountants

CITY OF BALLINGER, TEXAS

SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended September 30, 2019

I. SUMMARY OF INDEPENDENT AUDITORS' RESULTS

A. Type of Report Issued on the Financial Statements

The Independent Auditors' Report on the financial statements of the City of Ballinger, Texas as of and for the year ended September 30, 2019, was an unmodified opinion.

B. Material Weakness in Internal Control Disclosed by the Audit of the Financial Statements.

The audit of the financial statements of the City of Ballinger, Texas as of and for the year ended September 30, 2019, disclosed a material weakness in internal control.

C. Noncompliance Material to the Financial Statements

The audit disclosed no instances of noncompliance which are material to the financial statements of the City of Ballinger, Texas as of and for the year ended September 30, 2019.

II. FINDINGS RELATING TO THE FINANCIAL STATEMENT AUDIT AS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

A. Material Weakness in Internal Control

2019-01

Criteria: Management is responsible for establishing and maintaining effective internal controls over financial reporting. Effective internal controls are an important component of a system that helps ensure transactions are recorded timely, correctly, and in the proper reporting period, thereby providing accurate financial data.

Condition: Balance sheet accounts for the General, Water, and Airport Funds such as cash, accounts receivable, capital assets, and debt are not maintained and reconciled on a monthly basis.

Effect: Several of the accounts listed above had balances that could not be supported by management which resulted in numerous audit adjustments.

Cause: Management is not reviewing these accounts on a regular basis; therefore corrections are not being made to the appropriate accounts.

Recommendation: At a minimum, we recommend management maintain and reconcile on a monthly basis, the significant balance sheet accounts for all funds that generate a large number of monthly transactions.

Views of responsible official and planned corrective actions:

The City of Ballinger changed administrative controls in July of 2020 to include the addition of a financial administration division. The installation of this division separated powers of the operation and receipting side of the finances from the approval of expenses and budgeting side. This separation of duties and authorities allowed a better oversight of the financial picture, with more efficient review and monitoring of spending. Additionally, the city has initiated more robust purchasing controls, regulations and enforcement of timely fiscal policies to cover deposit and reconciliation duties. We believe these control measures will address any concerns going forward and promote more responsible fiscal management.

Management is establishing and maintaining effective internal controls and implementing a financial policy moving forward. This policy will address any prior noted deficiencies in managing balance sheet accounts more accurately for all funds. The City is correcting through reconciliation and appropriate adjustments of recorded funds transactions to represent the City's actual financial picture more accurately.

The City anticipates to fully implement the new policies into current fiscal activities as well as into the future, with a directive to exceed maintaining and reconciliations on a regular basis at least monthly, to ensure the balance sheets transactions are accurate.

The current City staff was integral in detecting and reporting multiple issues to the auditors. Management wanted the auditors' assessment of these issues. Management is pleased that our findings were accurate, and that staff had implemented corrective measures prior to the audit. While management would have preferred to have no deficiencies; the uncovering of issues prior to an audit finding, speaks volumes of the new team's willingness to implement quality controls.

Management is committed to the causative report recommendations of new operational process of reviewing accounting on a regular basis that meets or exceeds a monthly minimum. If issues are found, Management commits to prompt remedial action of both the issue itself and training to prevent repeat infractions.