

CITY OF BALLINGER, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2024

CITY OF BALLINGER, TEXAS
Annual Financial Report
For the Year Ended September 30, 2024

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FINANCIAL SECTION

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Independent Auditor's Report

To the Honorable Mayor and City Council
City of Ballinger
Ballinger, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of City of Ballinger, Texas (the "City"), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that budgetary comparison schedule – general fund, schedule of changes in net pension liability and related ratios – Texas Municipal Retirement System, schedule of contributions – Texas Municipal Retirement System, and schedule of changes in total OPEB liability and related ratios on pages 42 - 48 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and

other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

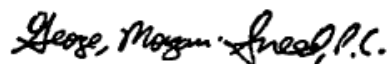
Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required 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. Our opinion on the basis financial statements is not affected by this missing information.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2025, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



George, Morgan & Sneed, P.C.

Weatherford, Texas

November 10, 2025

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BASIC FINANCIAL STATEMENTS

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City of Ballinger
Statement of Net Position
September 30, 2024

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 786,866	\$ 397,158	\$ 1,184,024
Receivables (Net of allowances for uncollectibles)			
Property taxes	26,343	-	26,343
Sales taxes	290,164	-	290,164
Accounts receivable	75,485	161,419	236,904
Leases	-	282,314	282,314
Internal balances	586,416	(586,416)	-
Restricted assets:			
Cash and cash equivalents	-	3,133,892	3,133,892
Capital assets (net of accumulated depreciation):			
Land	238,545	1,767,700	2,006,245
Buildings and improvements	484,775	6,624	491,399
Machinery and equipment	895,608	40,766	936,374
Leased equipment	53,673	-	53,673
Improvements other than buildings	-	7,780,298	7,780,298
Construction in progress	-	594,227	594,227
Total Assets	3,437,875	13,577,982	17,015,857
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred outflows related to pensions	332,061	90,046	422,107
Deferred outflows related to OPEB	15,991	5,827	21,818
Total Deferred Outflows of Resources	348,052	95,873	443,925
LIABILITIES:			
Accounts payable	290,501	136,565	427,066
Accrued payroll and related liabilities	13,032	3,313	16,345
Unearned revenue	-	1,824,968	1,824,968
Interest payable	3,508	3,635	7,143
Customer deposits	17,954	142,209	160,163
Noncurrent liabilities:			
Due Within One Year	332,799	306,072	638,871
Due in More Than One Year	1,706,113	2,703,317	4,409,430
Total Liabilities	2,363,907	5,120,079	7,483,986
DEFERRED INFLOWS OF RESOURCES:			
Deferred inflows related to pensions	60,480	21,974	82,454
Deferred inflows related to OPEB	22,699	8,273	30,972
Deferred inflows related to leases	-	282,314	282,314
Total Deferred Inflows of Resources	83,179	312,561	395,740
NET POSITION:			
Net Investment in Capital Assets	1,072,062	8,711,851	9,783,913
Restricted Net Position			
Public Safety	27,736	-	27,736
Debt Service	9,271	-	9,271
Unrestricted Net Position	229,772	(470,636)	(240,864)
Total Net Position	\$ 1,338,841	\$ 8,241,215	\$ 9,580,056

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

City of Ballinger
Statement of Activities
September 30, 2024

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General government	\$ 771,320	\$ 86,502	\$ -	\$ -
Public safety	1,522,788	174,584	2,406	-
Culture and recreation	126,412	14,493	-	-
Public Works	1,686,692	922,645	-	-
Interest and fiscal charges	42,678	-	-	-
Total governmental activities	4,149,890	1,198,224	2,406	-
Business-type activities:				
Water and sewer	2,299,105	2,198,031	-	162,874
Airport	88,129	52,337	-	100,000
Total business-type activities	2,387,234	2,250,368	-	262,874
Total primary government	\$ 6,537,124	\$ 3,448,592	\$ 2,406	\$ 262,874

General Revenues:

Taxes:

Property Taxes, levied for general purposes

Property Taxes, levied for debt service

Sales Taxes

Franchise Taxes

Investment Earnings

Gain (loss) on sale of capital assets

Other Revenue

Transfers

Total General Revenues and Transfers

Change in Net Position

EXHIBIT B-1

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities		Total
\$ (684,818)	\$ -	\$	(684,818)
(1,345,798)	-		(1,345,798)
(111,919)	-		(111,919)
(764,047)			(764,047)
(42,678)	-		(42,678)
<u>(2,949,260)</u>	<u>-</u>		<u>(2,949,260)</u>
-	61,800		61,800
	64,208		64,208
<u>-</u>	<u>126,008</u>		<u>126,008</u>
\$ <u><u>(2,949,260)</u></u>	\$ <u><u>126,008</u></u>	\$	<u><u>(2,823,252)</u></u>
\$ 1,260,650	\$ -	\$	1,260,650
87,286	-		87,286
1,605,792	-		1,605,792
133,854	-		133,854
42,257	163,449		205,706
(72,267)	501		(71,766)
140,122	441,613		581,735
(90,348)	90,348		-
<u>3,107,346</u>	<u>695,911</u>		<u>3,803,257</u>
158,086	821,919		980,005
<u>1,180,755</u>	<u>7,419,296</u>		<u>8,600,051</u>
\$ <u><u>1,338,841</u></u>	\$ <u><u>8,241,215</u></u>	\$	<u><u>9,580,056</u></u>

CITY OF BALLINGER
Balance Sheet
Governmental Funds
September 30, 2024

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:			
Assets:			
Cash and cash equivalents	\$ 750,225	\$ 36,641	\$ 786,866
Receivables (Net of allowances for uncollectibles)			
Property taxes	24,589	1,754	26,343
Sales taxes	290,164	-	290,164
Accounts receivable	75,485	-	75,485
Due from other funds	586,416	-	586,416
Total assets	<u>\$ 1,726,879</u>	<u>\$ 38,395</u>	<u>\$ 1,765,274</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:			
Liabilities:			
Accounts payable	\$ 290,867	\$ (366)	\$ 290,501
Accrued payroll and related liabilities	13,032	-	13,032
Customer Deposits	17,954	-	17,954
Total liabilities	<u>321,853</u>	<u>(366)</u>	<u>321,487</u>
Deferred inflows of resources:			
Deferred property taxes	25,361	1,754	27,115
Total deferred inflows of resources	<u>25,361</u>	<u>1,754</u>	<u>27,115</u>
Fund Balance:			
Restricted			
Debt service		9,271	9,271
Public safety	-	27,736	27,736
Assigned Fund Balance			
Culture and recreation	57,172	-	57,172
Unassigned	1,322,493	-	1,322,493
Total fund balances	<u>1,379,665</u>	<u>37,007</u>	<u>1,416,672</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,726,879</u>	<u>\$ 38,395</u>	<u>\$ 1,765,274</u>

City of Ballinger, Texas
Reconciliation of the Governmental Funds Balance Sheet
To the Statement of Net Position
September 30, 2024

Total Fund Balances - Governmental Funds		\$ 1,416,672
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. The cost of these assets was \$7,914,560 and the accumulated depreciation was \$6,241,959		1,672,601
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Some liabilities are not due and payable in the current period and are not included in the fund financial statements, but are included in the governmental activities of the Statement of Net Position. The details of these differences are as follows:

Interest Payable	(3,508)	
Capital Leases	(550,161)	
Financing Leases	(50,378)	
Compensated Absences	(101,979)	(706,026)

Included in the items related to noncurrent assets is the recognition of the City's net pension liability required by GASB 68 in the amount of \$1,228,872, a deferred resource inflow related to pensions of \$60,480, and a deferred resource outflow related to pensions in the amount of \$332,061. This amounted to a decrease in net position.		(957,291)
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Included in the items related to noncurrent liabilities is the recognition of the City's total OPEB liability required by GASB 75 in the amount of \$107,522, a deferred resource outflow related to OPEB in the amount of \$15,991, and a deferred resource inflow related to OPEB in the amount of \$22,699. This amounted to a decrease in net position.		(114,230)
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Certain receivables are not available soon enough to pay for the current period's expenditures and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position.		27,115
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Net Position of Governmental Activities		\$ 1,338,841
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CITY OF BALLINGER
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the year ended September 30, 2024

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes:			
Property	\$ 1,270,415	\$ 87,286	\$ 1,357,701
Sales and Use	1,605,792	-	1,605,792
Franchise	133,854	-	133,854
Fines and fees	163,303	9,801	173,104
Charges for service	1,025,120	-	1,025,120
Intergovernmental revenue	2,406	-	2,406
Investment earnings	42,129	128	42,257
Other revenue	138,859	1,263	140,122
Total revenues	<u>4,381,878</u>	<u>98,478</u>	<u>4,480,356</u>
Expenditures:			
Current			
General government	867,180	-	867,180
Public safety	1,320,337	520	1,320,857
Culture & recreation	107,068	-	107,068
Public Works	1,322,681	-	1,322,681
Capital Outlay	215,032	-	215,032
Debt Service:			
Principal	623,785	-	623,785
Interest and fiscal charges	44,534	-	44,534
Total expenditures	<u>4,500,617</u>	<u>520</u>	<u>4,501,137</u>
Excess (deficiency) of revenue over (under) expenditures	\$ <u>(118,739)</u>	\$ <u>97,958</u>	\$ <u>(20,781)</u>
Other financing sources (uses):			
Transfers in	16,000	32,507	48,507
Transfers out	(44,841)	(94,014)	(138,855)
Proceeds from sale of general capital assets	152,750	-	152,750
Financed purchase	171,053	-	171,053
Total other financing sources (uses)	<u>294,962</u>	<u>(61,507)</u>	<u>233,455</u>
Net change in fund balances	176,223	36,451	212,674
Fund Balance, October 1, 2023	<u>1,203,442</u>	<u>556</u>	<u>1,203,998</u>
Fund Balance, September 30, 2024	<u>\$ 1,379,665</u>	<u>\$ 37,007</u>	<u>\$ 1,416,672</u>

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

City of Ballinger, Texas
Reconciliation of Statement of Revenues,
Expenditures and Changes in Fund Balances of
The Governmental Funds to the Statement of Activities
For the year ended September 30, 2024

Total Net Change in Fund Balances - Governmental Funds	\$ 212,674
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including \$115,014 of capital outlays, and \$717,785 of debt principal payments is to increase net position.	832,799
The effect of capital asset transactions including sales and trade-ins reduce net position	(51,215)
Current year issuance of capital leases and lease financing are other financing sources in the fund financial statements. The effect of recognizing the liabilities is a decrease in net position.	(171,053)
Depreciation and amortization is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(765,324)
Current year interest payable and compensated absences of the governmental funds are not due and payable in the current period and, therefore are not reported as liabilities or assets in the funds. The \$1,856 decrease in interest payable and \$87,259 decrease in compensated absences decrease net position.	89,115
Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(9,765)
GASB required the City to recognize their net pension liability, deferred resource inflow related to pensions, and deferred resource outflow related to pensions. The changes in these balances increased net position.	16,073
GASB required the City to recognize their total OPEB liability and deferred resource outflow related to OPEB. The changes in these balances decreased net position.	4,782
Change in Net Position of Governmental Activities	\$ 158,086

City of Ballinger
Statement of Net Position
Proprietary Funds
September 30, 2024

	Water Fund	Airport Fund	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 282,837	\$ 114,321	\$ 397,158
Accounts receivables (Net of allowance for uncollectibles):	158,097	3,322	161,419
Leases receivable	53,893	228,421	282,314
Restricted Assets:			
Cash and cash equivalents	3,133,892	-	3,133,892
Total current assets	<u>3,628,719</u>	<u>346,064</u>	<u>3,974,783</u>
Noncurrent Assets:			
Capital assets, at cost:			
Land	1,700,209	67,491	1,767,700
Construction in progress	594,227	-	594,227
Buildings and improvements	1,340,810	848,531	2,189,341
Machinery and equipment	711,194	-	711,194
Improvements other than buildings	17,971,373	-	17,971,373
Less: accumulated depreciation	<u>(12,433,999)</u>	<u>(610,221)</u>	<u>(13,044,220)</u>
Capital assets, net	<u>9,883,814</u>	<u>305,801</u>	<u>10,189,615</u>
Total noncurrent assets	<u>9,883,814</u>	<u>305,801</u>	<u>10,189,615</u>
Total assets	<u>\$ 13,512,533</u>	<u>\$ 651,865</u>	<u>\$ 14,164,398</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred outflow related to pensions	\$ 90,046	\$ -	\$ 90,046
Deferred outflow related to OPEB	5,827	-	5,827
Total deferred outflows of resources	<u>\$ 95,873</u>	<u>\$ -</u>	<u>\$ 95,873</u>
LIABILITIES:			
Current Liabilities:			
Accounts payable	\$ 119,782	\$ 16,783	\$ 136,565
Accrued payroll and related liabilities	3,207	106	3,313
Compensated absences payable	16,072	-	16,072
Accrued interest payable	3,635	-	3,635
Current portion of long-term debt	290,000	-	290,000
Unearned revenue	1,824,968	-	1,824,968
Due to other funds	586,416	-	586,416
Customer deposits payable	142,209	-	142,209
Total current liabilities	<u>2,986,289</u>	<u>16,889</u>	<u>3,003,178</u>
Noncurrent Liabilities:			
Net pension liability	399,131	-	399,131
Total OPEB liability	39,186	-	39,186
Bonds payable	2,265,000	-	2,265,000
Total noncurrent liabilities	<u>2,703,317</u>	<u>-</u>	<u>2,703,317</u>
Total liabilities	<u>\$ 5,689,606</u>	<u>\$ 16,889</u>	<u>\$ 5,706,495</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred Inflows related to pensions	\$ 21,974	\$ -	\$ 21,974
Deferred Inflows related to OPEB	8,273	-	8,273
Deferred lease receivable	53,893	228,421	282,314
Total deferred inflows of resources	<u>\$ 84,140</u>	<u>\$ 228,421</u>	<u>\$ 312,561</u>
NET POSITION:			
Net investment in capital assets	\$ 8,406,050	\$ 305,801	\$ 8,711,851
Unrestricted	<u>(571,390)</u>	<u>100,754</u>	<u>(470,636)</u>
Total net position	<u>\$ 7,834,660</u>	<u>\$ 406,555</u>	<u>\$ 8,241,215</u>

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

City of Ballinger
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the year ended September 30, 2024

	Water Fund	Airport Fund	Total
Operating revenues:			
Charges for sales and services:			
Charges for water services	\$ 1,528,830	\$ -	\$ 1,528,830
Charges for sewer services	591,263	-	591,263
Charges for aviation gas	-	4,031	4,031
Airport hanger revenue	-	48,306	48,306
Late charges and fees	61,603	-	61,603
Farm lease income	16,335	-	16,335
Total operating revenue	<u>2,198,031</u>	<u>52,337</u>	<u>2,250,368</u>
Operating expenses:			
Personnel	669,703	109	669,812
Raw water purchases	246,556	-	246,556
Insurance	72,183	7,597	79,780
Office expenses	26,430	449	26,879
Professional services	43,709	-	43,709
Repairs and maintenance	309,238	29,840	339,078
Utilities	70,379	6,512	76,891
Materials and supplies	246,109	18,089	264,198
Contractual services	36,106	-	36,106
Other operating expenses	83,847	5,402	89,249
Depreciation	479,706	20,131	499,837
Total operating expenses	<u>2,283,966</u>	<u>88,129</u>	<u>2,372,095</u>
Operating income	<u>(85,935)</u>	<u>(35,792)</u>	<u>(121,727)</u>
Nonoperating revenues (expenses):			
Investment earnings	154,202	9,247	163,449
Insurance proceeds	441,613	-	441,613
Interest expense	(13,836)	-	(13,836)
Debt service fees	(1,303)	-	(1,303)
Proceeds from the sale of capital assets	501	-	501
Total nonoperating revenues (expenses)	<u>581,177</u>	<u>9,247</u>	<u>590,424</u>
Income (loss) before contributions and transfers	<u>495,242</u>	<u>(26,545)</u>	<u>468,697</u>
Capital contributions and transfers:			
Capital grants and contributions	162,874	100,000	262,874
Transfers in	78,014	12,334	90,348
Net capital contributions and transfers	<u>240,888</u>	<u>112,334</u>	<u>353,222</u>
Change in Net Position	736,130	85,789	821,919
Net Position, October 1, 2023	<u>7,098,530</u>	<u>320,766</u>	<u>7,419,296</u>
Net Position, September 30, 2024	<u>\$ 7,834,660</u>	<u>\$ 406,555</u>	<u>\$ 8,241,215</u>

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

City of Ballinger
Statement of Cash Flows
Proprietary Funds
For the year ended September 30, 2024

			Enterprise Funds
	Water Fund	Airport Fund	Total Enterprise Funds
Cash flows from operating activities:			
Cash received from customers	\$ 2,222,731	\$ 51,548	\$ 2,274,279
Payments to suppliers	(1,250,880)	(52,492)	(1,303,372)
Cash paid to employees	(576,692)	(12,337)	(589,029)
Net cash provided by operating activities	395,159	(13,281)	381,878
Cash flow from noncapital financing activities:			
Increase (decrease) in due to other funds	(463,924)	-	(463,924)
(Increase) decrease in due from other funds	-	79,780	79,780
Transfers in/out	78,014	12,334	90,348
Net cash provided (used) by noncapital financing activities	(385,910)	92,114	(293,796)
Cash flow from capital and related financing activities:			
Capital grant	-	100,000	100,000
Insurance proceeds	441,613		441,613
Proceeds from the sale of capital assets	501	-	501
Capital outlay	(285,300)	(99,744)	(385,044)
Principal payments on long-term debt	(290,000)	-	(290,000)
Interest paid on long-term debt	(15,601)	-	(15,601)
Net cash provided (used) by capital and related financing activities	(148,787)	256	(148,531)
Cash flow from investing activities:			
Investment earnings	154,202	9,247	163,449
Matured certificates of deposit	121,239	-	121,239
Net cash provided (used) by investing activities	275,441	9,247	284,688
Net increase (decrease) in cash and cash equivalents	135,903	88,336	224,239
Cash and cash equivalents, October 1, 2023	3,280,826	25,985	3,306,811
Cash and cash equivalents, September 30, 2024	\$ 3,416,729	\$ 114,321	\$ 3,531,050
Reconciliation of Operating Income to			
Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	\$ (85,935)	\$ (35,792)	\$ (121,727)
Adjustments to reconcile operating income to			
net cash provided (used) by operating activities:			
Depreciation expense	479,706	20,131	499,837
(Increase) decrease in accounts receivable	55,767	(789)	54,978
Increase (decrease) in accounts payable	(116,323)	15,397	(100,926)
Increase (decrease) in accrued payroll and related liabilities	495	106	601
Increase (decrease) in customer meter deposits	(31,067)	-	(31,067)
(Increase) decrease in net pension balances	85,014	(11,115)	73,899
(Increase) decrease in total OPEB balances	7,502	(1,219)	6,283
Total adjustments	481,094	22,511	503,605
Net cash provided by operating activities	\$ 395,159	\$ (13,281)	\$ 381,878

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

CITY OF BALLINGER, TEXAS

Notes to Financial Statements

September 30, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Ballinger, Texas was created by a charter and operates under a Mayor-Council form of government. 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.

The financial statements of the City of Ballinger, Texas ("City") include all activities, organizations, and functions of the City. The criteria considered in determining activities to be reported within the City's financial statements included: the City's accountability for the entity's fiscal matters; the scope of public service of the entity; and the nature of any special financing relationships which may exist between the City and a given governmental entity. There are no entities that were found to be component units of the City.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

C. Measurement Focus, Basis of Accounting and Basis of Presentation

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

In the government-wide financial statements amounts reported as program revenues include 1) charges for 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 as program revenues. Likewise, general revenues include all taxes.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized as soon as they are measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The

CITY OF BALLINGER, TEXAS

Notes to Financial Statements

September 30, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

government considers all revenues available if they are collected within 60 days after year-end. Expenditures generally are recorded when the related fund liability is incurred, however, debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized when payment is due.

Property taxes, sales and use taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the government receives payment.

The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The City reports the following major governmental fund:

The *General Fund* is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges, and capital improvement costs that are not paid through other funds are paid from the General Fund. The General Fund has a legally adopted budget.

The City reports the following major proprietary fund:

The *Water and Sewer Fund* is used to account for the provision of water and sewer services to residents of the City. Activities of the fund include administration, operations, and maintenance of water and sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of long-term debt principal and interest and for water and sewer debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

Proprietary funds, distinguish operating revenues and expenses from nonoperating 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 enterprise fund are charges to customers for sales and services. The enterprise fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF BALLINGER, TEXAS

Notes to Financial Statements

September 30, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges and transfers between the governmental activities and the business-type activities, which cannot be eliminated.

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

D. Assets, Liabilities and Net Position or Equity

1. *Cash and cash equivalents*

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and all highly liquid investments, including restricted assets. Amounts invested in certificates of deposit are considered cash and cash equivalents. Assets reported as cash and cash equivalents are considered cash and cash equivalents for the statement of cash flows.

2. *Receivables and Payables*

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade, fines and fees and property tax receivables are shown net of an allowance for uncollectibles. Property tax receivable allowance for the General Fund of \$37,798 is based upon historical experience and is equal approximately 40% of outstanding delinquent property taxes at September 30. Trade accounts receivable in the General Fund, Water and Sewer and Airport funds are reported net of allowances of \$27,417, \$209,560 and \$18,853 respectively which are accounts aged 2+ months.

3. *Property Tax*

Property taxes are levied each October 1, in conformity with Subtitle E, Texas Property Tax Code. The taxes are levied from valuations assessed as of the prior January 1. Taxes are due on October 1 immediately following the levy date and are delinquent after the following January 31. Tax liens are automatic on January 1 each year. Property tax revenues are recognized as revenue when they become available. "Available" means collected within the current period or expected to be collected soon thereafter to be used to pay current liabilities. Taxes not expected to be collected within sixty days of the fiscal year ending are recorded as deferred revenue and are recognized when they become available. The City does not have any agreements to rebate or abate property taxes.

4. *Prepaid Items*

Payments made to vendors for services that will benefit periods beyond September 30 are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid expenses in the governmental funds are accounted for using the purchases method.

CITY OF BALLINGER, TEXAS

Notes to Financial Statements

September 30, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. *Capital Assets*

Capital assets, which include property, plant and equipment, and infrastructure assets, are reported in the applicable governmental activities or business-type activities columns in the government-wide financial statements and in the proprietary funds financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of two years or more. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value.

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

Property, plant and equipment of the primary government and proprietary funds are depreciated using the straight-line method over the following estimated useful lives.

Building and improvements	15 - 40 years
Machinery and equipment	5 - 20 years
Vehicles	5 - 10 years

6. *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.

7. *Long-term Obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements 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 are reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as the treatment in the government-wide statements.

CITY OF BALLINGER, TEXAS
Notes to Financial Statements
September 30, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refund are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

8. *Fund Balance – Governmental Funds*

In accordance with GASB No. 54, the City classified fund balances in the governmental funds as follows:

Nonspendable – includes amounts that cannot be spent because they are either not spendable in form (such as prepaids or inventory) or are legally or contractually required to be maintained intact (such as endowment funds).

Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Committed – includes amounts constrained to specific purposes by a government itself, using its highest decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint (City Council ordinance).

Assigned – includes amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. Action is required by the City Council to designate, remove or change the constraints on an item in this category.

Unassigned – All amounts not included in other spendable classifications. The general fund is the only fund that reports a positive fund balance amount. In other governmental funds, it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted fund balance to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been first spent out of committed funds, then assigned, and finally unassigned as needed.

CITY OF BALLINGER, TEXAS

Notes to Financial Statements

September 30, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. Net Position

Net position represents the difference between assets, deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

10. 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 amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

NOTE 2: DEPOSITS AND INVESTMENTS

The Texas Public Funds Investment Act authorizes the government to invest in obligations of the U.S. Treasury, obligations of states, agencies, counties, cities and other political subdivisions, secured certificates of deposit, repurchase agreements, money market mutual funds, and investment pools. Investments are stated at fair value except for short-term highly liquid investments which are stated at cost or amortized cost. During the year ended September 30, 2024, the City did not own any types of securities other than those permitted by statute. The City invests idle funds in certificates of deposit.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's funds are required to be deposited and invested under the terms of a depository contract. The City's deposits are required to be collateralized with securities held by the pledging institution's trust department or agent in the City's name. At September 30, 2024, all of the City's deposits were collateralized with securities or covered by FDIC insurance.

\$3,122,596 of the City's cash balance is held in an escrow account and collateralized in the name of the financial institution, not the City. These funds were deposited in an escrow account pursuant to an agreement with the Texas Water Development Board. The escrowed funds are kept in a separate account and shall not be subject to warrants, drafts or checks drawn by the City but shall be disbursed or withdrawn to pay the costs of the project for the with the agreement was executed and solely upon written authorization from the Executive Administrator of the Texas Water Development Board or his designated representative.

Credit Risk– Investments

The City controls credit risk by limiting its investments to those instruments allowed by the State Public Funds Investment Act described above and its investment policy.

CITY OF BALLINGER, TEXAS
Notes to Financial Statements
September 30, 2024

NOTE 3: RESTRICTED ASSETS

Cash and cash equivalents in the government-wide statement of net position are restricted for the following purposes:

Business-type Activities	
Customer deposits	\$ 11,296
Loan forgiveness funds restricted for capital improvements	2,045,360
Unspent bond funds restricted for capital improvements	1,077,236
Total	<u>\$ 3,133,892</u>

NOTE 4: INTERFUND RECEIVABLE, PAYABLES AND TRANSFERS

The composition of interfund transfers for the City's individual major funds and nonmajor funds as of September 30, 2024, is as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Municipal Court	16,000	Court technology
Court Security	General Fund	17,637	Previous years court fees
Court Technology	General Fund	14,870	Previous years court fees
Total Governmental Funds Transfers In		<u>\$ 48,507</u>	

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>	<u>Purpose</u>
Water & Sewer Fund	General Fund	78,014	Debt service
Airport Fund	General Fund	12,334	Airport
Total Enterprise Funds Transfers In		<u>\$ 90,348</u>	

The \$586,416 interfund receivable/payable between the general fund and water and sewer fund is the result of pooled cash borrowings for operations.

NOTE 5: DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The City has three items that qualify in this category, deferred charges on refunding bonds, deferred outflows related to pensions, and deferred outflows relating to OPEB reported in the government-wide statement of net position and proprietary funds statement of net position. A deferred charge on refunding results from the difference in the carrying value of the refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position and governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resource (revenue) until that time. The City has four types of items in this category, unavailable revenues for governmental funds, deferred inflow of resources related to leases, and deferred inflows related to pensions and deferred inflows related to OPEB in the government-wide statement of net position and proprietary funds statements.

CITY OF BALLINGER, TEXAS
Notes to Financial Statements
September 30, 2024

NOTE 5: DEFERRED OUTFLOWS/INFLOWS OF RESOURCES (Continued)

Lease-related amounts are recognized at the inception of leases in which the City is the lessor. The deferred inflow of resources is recorded in an amount equal to the corresponding lease receivable plus certain additional amounts received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The inflow of resources is recognized in a systematic and rational manner over the term of the lease.

At the end of the fiscal year, the components of deferred inflows in the governmental funds were as follows:

Deferred inflows of resources - governmental funds

Deferred property taxes receivable (general fund)	\$ 25,361
Deferred property taxes receivable (debt service fund)	1,754
Total deferred inflows for governmental funds	<u>\$ 27,115</u>

NOTE 6: LEASES RECEIVABLES

The city is reporting Leases Receivable of \$282,313 at September 30, 2024. For 2024, the City reported lease revenue of \$38,533 and interest revenue of \$10,642 related to lease payments received. The lease is summarized as follows:

Lease	Lease Receivable	Lease Revenue	Lease Interest Revenue
Airport Farm	\$ 234,282	\$ 25,587	\$ 7,963
Airport Hangars	48,031	12,946	2,679
Total	<u>\$ 282,313</u>	<u>\$ 38,533</u>	<u>\$ 10,642</u>

Airport Farm and Hangar Lease – Farm leases were renewed during fiscal year 2024 with lease of 5 years, with renewal terms for one additional 5 year term. Hangar leases were renewed during fiscal year 2024 with lease terms of 3 years with renewal terms for 2 additional 1 year terms. The City also has leases for hangars that are 5 years but can be canceled with 30 days notice and are not considered long-term for financial reporting purposes. Future payments receivable are as follows:

	Principal	Interest
2025	\$ 32,752	\$ 15,198
2026	34,600	13,350
2027	36,551	11,399
2028	34,171	9,379
2029	25,771	7,778
2030 - 2034	118,468	15,732
Total	<u>282,313</u>	<u>72,836</u>

CITY OF BALLINGER, TEXAS
Notes to Financial Statements
September 30, 2024

NOTE 7: CAPITAL ASSETS

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

Governmental activities:	Beginning Balance	Increases	Decreases	Transfers & Adjustments	Ending Balance
Non - Depreciable Assets:					
Land	\$ 238,545	\$ -	\$ -	\$ -	\$ 238,545
Total non-depreciable assets	<u>238,545</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>238,545</u>
Depreciable Assets:					
Buildings and improvements	1,046,783	71,035	-	-	1,117,818
Machinery and equipment	6,567,526	43,979	(175,590)	-	6,435,915
Leased Equipment	<u>122,283</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>122,283</u>
Total capital assets being depreciated and amortized	<u>7,736,592</u>	<u>115,014</u>	<u>(175,590)</u>	<u>-</u>	<u>7,676,016</u>
Accumulated Depreciation and Amortization:					
Buildings and improvements	(594,284)	(38,759)	-	-	(633,043)
Machinery and equipment	(4,960,986)	(703,695)	124,376	-	(5,540,305)
Leased assets	<u>(45,740)</u>	<u>(22,870)</u>	<u>-</u>	<u>-</u>	<u>(68,610)</u>
Total accumulated depreciation and amortization	<u>(5,601,010)</u>	<u>(765,324)</u>	<u>124,376</u>	<u>-</u>	<u>(6,241,958)</u>
Governmental activities capital assets, net	<u>\$ 2,374,127</u>	<u>\$ (650,310)</u>	<u>\$ (51,214)</u>	<u>\$ -</u>	<u>\$ 1,672,603</u>

Depreciation and amortization expense was charged as a direct expense to programs of the governmental activities as follows:

Governmental activities:	
General government	\$ 54,915
Public safety	308,049
Public works	381,154
Culture and recreation	<u>21,206</u>
Total depreciation expense - governmental activities	<u>\$ 765,324</u>

CITY OF BALLINGER, TEXAS
Notes to Financial Statements
September 30, 2024

NOTE 7: CAPITAL ASSETS (Continued)

Business-type activities:	Beginning Balance	Increases	Decreases	Completed Projects	Ending Balance
Non - Depreciable Assets:					
Land	\$ 1,767,700	\$ -	\$ -	\$ -	\$ 1,767,700
Construction in Progress	390,492	203,734	-	-	594,226
Total non-depreciable assets	<u>2,158,192</u>	<u>203,734</u>	<u>-</u>	<u>-</u>	<u>2,361,926</u>
Depreciable Assets:					
Buildings and improvements	1,698,289	-	-	-	1,698,289
Machinery and equipment	711,193	-	-	-	711,193
Improvements other than buildings	<u>18,281,115</u>	<u>181,310</u>	<u>-</u>	<u>-</u>	<u>18,462,425</u>
Total capital assets being depreciated	<u>20,690,597</u>	<u>181,310</u>	<u>-</u>	<u>-</u>	<u>20,871,907</u>
Accumulated Depreciation:					
Buildings and improvements	(1,687,880)	(3,785)	-	-	(1,691,665)
Machinery and equipment	(656,118)	(14,309)	-	-	(670,427)
Improvements other than buildings	<u>(10,200,385)</u>	<u>(481,742)</u>	<u>-</u>	<u>-</u>	<u>(10,682,127)</u>
Total accumulated depreciation	<u>(12,544,383)</u>	<u>(499,836)</u>	<u>-</u>	<u>-</u>	<u>(13,044,219)</u>
Business-type activities capital assets, net	<u>\$ 10,304,406</u>	<u>\$ (114,792)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,189,614</u>

Depreciation expense was charged to functions/programs of the business-type activities as follows:

Business-type activities:	
Water and Sewer	\$ 479,706
Airport	<u>20,131</u>
Total depreciation expense - business-type activities	<u>\$ 499,837</u>

NOTE 8: LOANS PAYABLE

The City borrowed \$94,000 on its line of credit with a local bank to fund operating expenditures. Interest is due monthly at 3.05%. The loan is secured by all of the deposit accounts of the City. The loan was repaid in fiscal year 2024.

CITY OF BALLINGER, TEXAS
Notes to Financial Statements
September 30, 2024

NOTE 9: LONG-TERM LIABILITIES

A. Bonds

The City issues Certificates of Obligation Bonds for the acquisition and construction of major capital assets and projects. Certificates of Obligation Bonds are secured by property taxes and surplus revenues of the Water and Sewer Fund. The various bond ordinances contain a number of limitations and restrictions.

As of September 30, the City had the following bonds outstanding:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Certificates of Obligation Bonds		
\$3,865,000 Series 2006 Tax and Revenue Certificates of Obligation due in annual installments through June 1, 2038, with interest at 0%	\$ -	\$ 1,785,000
 \$605,000 Series 2016 Tax and Revenue Certificates of Obligation due in annual installments through June 1, 2026, with interest at 0.12% to 1.220%	 -	 125,000
 \$1,035,000 Series 2018 Tax and Revenue Certificates of Obligation due in annual installments through June 1, 2030, with interest at 1.1% to 1.93%	 -	 645,000
Total Certificates of Obligation	<u><u>\$ -</u></u>	<u><u>\$ 2,555,000</u></u>

The aggregate debt service payments to maturity of the general obligation bonds, certificates of obligation bonds and tax notes are as follows:

Business-type Activities	<u>Certificates of Obligation</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 290,000	\$ 12,351	\$ 302,351
2026	300,000	10,257	310,257
2027	235,000	7,858	242,858
2028	240,000	6,147	246,147
2029	240,000	4,244	244,244
2030-2034	755,000	2,220	757,220
2035-2039	495,000	-	495,000
Debt Service Requirements	<u><u>\$ 2,555,000</u></u>	<u><u>\$ 43,077</u></u>	<u><u>\$ 2,598,077</u></u>

CITY OF BALLINGER, TEXAS
Notes to Financial Statements
September 30, 2024

NOTE 9: LONG-TERM LIABILITIES (Continued)

B. Financed Purchases

The City entered into the following financed purchase agreements to purchase vehicles and equipment.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Financed Purchases Payable		
American National Leasing in the original amount of \$70,838; issued December 22, 2020 for a 2020 bobcat toolcat; payable in annual principal and interest payments due December 22; with an interest rate of 2.99%; final payment due December 22, 2024.	\$ 33,275	\$ -
American National Leasing in the original amount of \$69,443; issued December 22, 2020 for a 2021 bobcat excavator; payable in annual principal and interest payments due December 22; with an interest rate of 2.99%; final payment due December 22, 2024.	37,783	-
American National Leasing in the original amount of \$23,627; issued July 23, 2021 for a box truck; payable in annual principal and interest payments due July 21; with an interest rate of 2.99%; final payment due July 23, 2025	6,195	-
JCB Finance lease in the original amount of \$57,450; issued November 3, 2021 for a 3TS-8T Teleskid; payable in monthly principal and interest payments; with an interest rate of 6.5%; final payment due November 2026.	17,128	-
JCB Finance lease in the original amount of \$82,200; issued December 9, 2021 for a backhoe loader; payable in monthly principal and interest payments; with an interest rate of 8%; final payment due December 2027.	35,620	-
JCB Finance lease in the original amount of \$85,127; issued April 14, 2022 for a JS131 excavator; payable in monthly principal and interest payments; with an interest rate of 2.98%; final payment due April 2027.	43,982	-
JCB Finance lease in the original amount of \$39,313; issued June 17, 2022 for a 215W skidsteer loader; payable in monthly principal and interest payments; with an interest rate of 13.26%; final payment due June 2025.	9,828	-
American National Leasing in the original amount of \$179,908; issued October 18, 2021 for (3) 2021 Chevy Tahoes for law enforcement; payable in annual principal and interest payments with an interest rate of 2.75%; final payment due October 2025.	92,391	-
American National Leasing in the original amount of \$110,200; issued August 18, 2023 for a Peacemaker for law enforcement; payable in the annual principal and interest payments with an interest rate of 6.45%; final payment due August 2026.	85,191	-
American National Leasing in the original amount of \$32,443; issued April 7, 2023 for a Peacemaker for law enforcement; payable in the annual principal and interest payments with an interest rate of 6.45%; final payment due April 2025.	22,301	-
American National Leasing in the original amount of \$198,722; issued January 23, 2023 for a 3 Chevy Tahoes for law enforcement; payable in the annual principal and interest payments with an interest rate of 5.50%; final payment due January 2026.	166,467	-
Total Financed Purchases Payable	<u><u>\$ 550,161</u></u>	<u><u>\$ -</u></u>

CITY OF BALLINGER, TEXAS
Notes to Financial Statements
September 30, 2024

NOTE 9: LONG-TERM LIABILITIES (Continued)

Future minimum lease/purchase commitments are as follows:

	Governmental Activities	Business-type Activities	Total
2025	\$ 254,192	\$ -	\$ 254,192
2026	205,989	-	205,989
2027	139,835	-	139,835
2028	-	-	-
2029	-	-	-
Total debt service requirements	600,016	-	600,016
Less: Interest Portion	49,855	-	49,855
Debt Principal	<u>\$ 550,161</u>	<u>\$ -</u>	<u>\$ 550,161</u>

Assets under finance purchase agreements and related accumulated depreciation are as follows:

	Governmental Activities	Business-type Activities	Total
Machinery and Equipment	\$ 978,730	\$ -	\$ 978,730
Less: Accumulated Depreciation	(480,820)	-	(480,820)
Net	<u>\$ 497,910</u>	<u>\$ -</u>	<u>\$ 497,910</u>

C. Leases

The City, as lessee, has entered into lease agreements, involving body and fleet vehicle cameras. The total of the City's lease assets are recorded at a cost of \$122,283, less accumulated amortization of \$68,610. With the implementation of Governmental Accounting Standards Board Statement No. 87, Leases, a lease meeting the criteria of this statement requires the lessee to recognize a lease liability and an intangible right to use asset.

The lease agreements are summarized as follows:

Description	Date	Payment Terms	Interest Rate	Total Lease Liability	Balance 9/30/2024
Body Cameras	11/15/2021	60 months	6.70%	\$ 74,668	\$ 30,762
Fleet vehicle cameras	11/15/2021	60 months	6.70%	47,615	19,616
Total				<u>\$ 122,283</u>	<u>\$ 50,378</u>

CITY OF BALLINGER, TEXAS
Notes to Financial Statements
September 30, 2024

NOTE 9: LONG-TERM LIABILITIES (Continued)

The future lease payments under lease agreements are as follows:

	Leases		
	Principal	Interest	Total
2025	\$ 24,348	\$ 3,481	\$ 27,829
2026	26,030	1,799	27,829
Total	<u>\$ 50,378</u>	<u>\$ 5,280</u>	<u>\$ 55,658</u>

D. Change in Long-term Liabilities

	9/30/2023	Additions	Retirements	9/30/2024	Due Within One Year
Governmental activities					
Notes payable	\$ 131,685	\$ -	\$ 131,685	-	\$ -
Capital leases	848,434	171,053	469,326	550,161	231,967
Financing leases	73,152	-	22,774	50,378	24,348
Line of credit	94,000	-	94,000	-	-
Compensated absences	189,238	-	87,259	101,979	76,484
Net pension liability	1,523,117	-	294,245	1,228,872	-
Total OPEB liability	100,169	7,353	-	107,522	-
Total governmental activities	<u>\$ 2,959,795</u>	<u>\$ 178,406</u>	<u>\$ 1,099,289</u>	<u>\$ 2,038,912</u>	<u>\$ 332,799</u>
Business-type activities					
Certificates of obligation bonds	\$ 2,845,000	\$ -	\$ 290,000	\$ 2,555,000	\$ 290,000
Compensated absences	12,210	3,862	-	16,072	16,072
Net pension liability	417,514	-	18,383	399,131	-
Total OPEB liability	29,755	9,431	-	39,186	-
Total business-type activities	<u>\$ 3,304,479</u>	<u>\$ 13,293</u>	<u>\$ 308,383</u>	<u>\$ 3,009,389</u>	<u>\$ 306,072</u>
Total long-term liabilities	<u>\$ 6,264,274</u>	<u>\$ 191,699</u>	<u>\$ 1,407,672</u>	<u>\$ 5,048,301</u>	<u>\$ 638,871</u>

The compensated absences and total OPEB liability are liquidated by the General Fund and Water and Sewer Fund.

NOTE 10: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in the Texas Municipal League Joint Self Insurance Fund to provide both general liability and property insurance. The City, along with other participating entities, contributes annual amounts determined by Texas Municipal League. As claims arise, they are submitted to and paid by Texas Municipal League. The City is not liable for payments beyond their annual contributions. There have been no significant changes in coverage and the amount of settlements during the past three years has not exceeded the insurance coverage.

CITY OF BALLINGER, TEXAS
Notes to Financial Statements
September 30, 2024

NOTE 11: DEFINED BENEFIT PENSION PLANS

A. Texas Municipal Retirement System (TMRS)

Plan Description

The City participates as one of 901 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the Texas Government Code, Title 8, Subtitle G (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.

Benefits Provided

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

At retirement, the member's benefit is calculated as if the sum of the member's contributions, with interest, and the city-financed monetary credits with interest, and their age at retirement and other actuarial factors. The retiring member may select one of seven monthly benefit payment options. Member may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the total member contributions and interest.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. The plan provisions for the City were as follows:

	<u>Plan Year 2023</u>
Employee deposit rate	7%
Matching ratio (city to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20
Updated Service Credit	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI

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

TMRS	
Inactive employees or beneficiaries currently receiving benefits	30
Inactive employees entitled to but not yet receiving benefits	32
Active employees	<u>36</u>
	98

CITY OF BALLINGER, TEXAS
Notes to Financial Statements
September 30, 2024

NOTE 11: DEFINED BENEFIT PENSION PLANS (Continued)

Contributions

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

Employees for the City were required to contribute 7% of their annual compensation during the fiscal year. The contribution rates for the City were 18.28% and 18.12% in calendar years 2023 and 2024, respectively. The city's contributions to TMRS for the year ended September 30, 2024, were \$281,746.

Net Pension Liability

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

Actuarial Assumptions:

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

Inflation	2.5% per year
Overall payroll growth	2.75% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with Public Safety table used for males and the General Employee table used for females. Mortality rates for health retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for health retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and a 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

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

CITY OF BALLINGER, TEXAS
Notes to Financial Statements
September 30, 2024

NOTE 11: DEFINED BENEFIT PENSION PLANS (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Rate of Return (Arithmetic)
Global Equities	35.0%	6.70%
Core Fixed Income	6.0%	4.70%
Non-Core Fixed Income	20.0%	8.00%
Other Public and Private Markets	12.0%	8.00%
Real Estate	12.0%	7.60%
Absolute Return	5.0%	6.40%
Private Equity	10.0%	11.60%
Total	100.0%	

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 member and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive members. 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.

CITY OF BALLINGER, TEXAS
Notes to Financial Statements
September 30, 2024

NOTE 11: DEFINED BENEFIT PENSION PLANS (Continued)

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balance at 12/31/2022	\$ 5,843,999	\$ 4,020,714	\$ 1,823,285
Changes for the year:			
Service cost	289,072	-	289,072
Interest	388,344	-	388,344
Change of benefit terms	-	-	-
Difference between expected and actual experience	(50,208)	-	(50,208)
Changes of assumptions	(68,459)	-	(68,459)
Contributions - employer	-	306,534	(306,534)
Contributions - employee	-	121,023	(121,023)
Net investment income	-	463,212	(463,212)
Benefit payments, including refunds of employee contributions	(470,573)	(470,573)	-
Administrative expense	-	(2,960)	2,960
Other changes	-	(21)	21
Net changes	88,176	417,215	(329,039)
Balance at 12/31/2023	<u>\$ 5,932,175</u>	<u>\$ 4,437,929</u>	<u>\$ 1,494,246</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability/(Asset)	\$ 2,275,569	\$ 1,494,246	\$ 854,819

Pension Plan Fiduciary Net Position

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

CITY OF BALLINGER, TEXAS
Notes to Financial Statements
September 30, 2024

NOTE 11: DEFINED BENEFIT PENSION PLANS (Continued)

B. Texas Emergency Services Retirement System (TESRS)

Plan Description

The Texas Emergency Services Retirement System (TESRS) administers a cost-sharing multiple employer pension system (the System) established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. Direct financial activity for the System is classified in the financial statements as pension trust funds. The System issues a stand-alone financial report that is available to the public at *tesrs.org*.

Of the nine-member state board of trustees, at least five trustees must be active members of the pension system, one of whom must represent emergency medical services personnel. One trustee may be a retiree of the pension system, and three trustees must be persons who have experience in the fields of finance, securities investment, or pension administration. At August 31, 2023, there were 241 contributing fire and/or emergency services department members participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a member department.

Benefits Provided

Senate Bill 411, 65th Legislature, Regular Session (1977), created TESRS and established the applicable benefit provisions. The 79th Legislature, Regular Session (2005), re-codified the provisions and gave the TESRS Board of Trustees authority to establish vesting requirements, contribution levels, benefit formulas, and eligibility requirements by board rule. The benefit provisions include retirement benefits as well as death and disability benefits. Members are 50% vested after the tenth year of service, with the vesting percent increasing 10% for each of the next five years of service so that a member becomes 100% vested with 15 years of service.

Upon reaching age 55, each vested member may retire and receive a monthly pension equal to his vested percent multiplied by six times the governing body's average monthly contribution over the member's years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at the rate of 6.2% compounded annually. There is no provision for automatic postretirement benefit increases. On and off-duty death benefits and on-duty disability benefits are dependent on whether or not the member was engaged in the performance of duties at the time of death or disability. Death benefits include a lump sum amount or continuing monthly payments to a member's surviving spouse and dependent children.

Covered Membership

On August 31, 2023, the pension system membership consisted of:

Retirees and beneficiaries currently receiving benefits	3,929
Terminated members entitled to but not yet receiving benefits	1,689
Active participants	3,343

CITY OF BALLINGER, TEXAS
Notes to Financial Statements
September 30, 2024

NOTE 11: DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy

Contributions are made by governing bodies for the participating departments. No contributions are required from the individuals who are members of the System, nor are they allowed. The governing bodies of each participating department are required to make contributions for each month a member performs emergency services for a department (this minimum contribution is \$36 per member and the department may make a higher monthly contribution for its members). This is referred to as a Part One contribution, which is the legacy portion of the System contribution that directly impacts future retiree annuities.

According to the state law governing the System, the state is required to contribute an amount necessary to make the System “actuarially sound” each year, which may not exceed one-third of the total of all contributions made by participating governing bodies in a particular year.

The board rule defining contributions was amended in 2014 to add the potential for actuarially determined Part Two contributions that would be required only if the expected future annual contributions from the state are not enough with the Part One contributions to provide an adequate contribution arrangement as determined by the most recent actuarial valuation. This Part Two portion, which is actuarially determined as a percent of the Part One portion (not to exceed 15%), is to be actuarially adjusted every two years based on the most recent actuarial valuation. Based on the August 31, 2022 actuarial valuation, the Part Two contributions are not required for an adequate contribution arrangement.

Additional contributions may be made by governing bodies within two years of joining the System, to grant up to 15 years of credit for service per member. Prior service purchased must have occurred before the department began participation in the System.

A small subset of participating departments have a different contribution arrangement which is being phased out over time. In this arrangement, contributions made in addition to the monthly contributions for active members, are made by local governing bodies on a pay-as-you-go basis for members who were pensioners when their respective departments merged into the System. There is no actuarial impact associated with this arrangement as the pay-as-you-go contributions made by these governing bodies are always equal to benefit payments paid by the System.

Ultimately, the contribution policy also depends upon the total return of the System’s assets, which varies from year to year. Investment policy decisions are established and maintained by the board of trustees. For the year ending August 31, 2023, the money-weighted rate of return on pension plan investments was 5.68%. This measurement of the investment performance is net of investment-related expenses, reflecting the effect of the timing of the contributions received and the benefits paid during the year.

CITY OF BALLINGER, TEXAS
Notes to Financial Statements
September 30, 2024

NOTE 11: DEFINED BENEFIT PENSION PLANS (Continued)

Contributions Required and Contributions Made

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions are set by board rule, and there is no maximum contribution rate. For the fiscal year ending August 31, 2023, total contributions of \$3,736,446 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel. The state appropriated \$1,262,763 for the fiscal year ending August 31, 2023. The City's contributions for the year ended August 31, 2023 and 2022 were \$14,715 and \$13,905, respectively.

The purpose of the biennial actuarial valuation is to determine if the contribution arrangement is adequate to pay the benefits that are promised. Actuarial assumptions are disclosed in Section I(B)(1). The most recent completed biennial actuarial valuation as of August 31, 2022 stated that TESRS has an adequate contribution arrangement for the benefit provisions recognized in the valuation based on the expected total contributions, including the expected contributions both from the governing body or each participating department and from the state. The expected contributions from the state are state appropriations equal to (1) the maximum annual contribution (one-third of all contributions to TESRS by governing bodies of participating departments in a year) as needed in accordance with state law governing TESRS and (2) approximately \$675,000 each year to pay for part of the System's administrative expenses.

Net Pension Liability

The System's net pension liability was measured as of August 31, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2023.

	System 100%	City 0.3090%
Total pension liability	\$ 170,671,239	\$ 527,374
Plan fiduciary net position	127,384,132	393,617
Net pension liability	<u>\$ 43,287,107</u>	<u>\$ 133,757</u>
Plan fiduciary net position as a percentage of the total pension liability	74.6%	74.6%

CITY OF BALLINGER, TEXAS
Notes to Financial Statements
September 30, 2024

NOTE 11: DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions

The total pension liability in the August 31, 2023 actuarial valuation was determined using the following actuarial assumption, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	N/A
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Mortality rates were based on the PubS-2010 (public safety) below-median income mortality tables for employees and retirees, projected for mortality improvement generationally using projection scale MP-2019.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage (currently 4.60%) and by adding expected inflation (3.00%). In addition, the final 7.50% assumption was selected by rounding down. The target allocation and expected arithmetic real rates of return for each major asset class are summarized in the following table:

	Target Allocation	Long-Term Expected Net Real Rate of Return
Equities:		
Large cap domestic	20%	5.83%
Small cap domestic	10%	5.94%
Developed internation	15%	6.17%
Emerging markets	5%	7.36%
Global infrastructure	5%	6.61%
reat estate	10%	4.48%
Multi asset income	5%	3.86%
Fixed income	30%	1.95%
Cash	0%	0.00%
Total	100%	
Weighted Average		4.60%

CITY OF BALLINGER, TEXAS
Notes to Financial Statements
September 30, 2024

NOTE 11: DEFINED BENEFIT PENSION PLANS (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. No projection of cash flows was used to determine the discount rate because the August 31, 2022 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in 30 years using the conservative level dollar amortization method. Because of the 30-year amortization period with the amortization method, the pension plan's fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. 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.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 7.50%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

		1% Decrease	Current	1% Increase
	2023	(6.5%)	Discount Rate (7.5%)	(8.5%)
City's net pension liability	\$	207,112	\$ 133,757	\$ 74,258

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

At September 30, 2023, the City reported a liability of \$133,757 for its proportionate share of the TESRS's net pension liability. The net pension liability was measured as of August 31, 2023. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability (0.309%) was based on the City's contributions to the pension plan relative to the contribution of all employers to the plan for the period September 1, 2011 through August 31, 2023.

For the year ended September 30, 2024, the City recognized pension expense/(income) of \$351,805. \$320,156 of this expense was for TMRS and \$31,649 was for TESRS.

CITY OF BALLINGER, TEXAS
Notes to Financial Statements
September 30, 2024

NOTE 11: DEFINED BENEFIT PENSION PLANS (Continued)

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 35,058	\$ 34,806
Changes in actuarial assumptions	-	47,459
Difference between projected and actual investment earnings	117,425	-
Contributions subsequent to the measurement date	<u>216,300</u>	<u>-</u>
Total TMRS	\$ 368,783	\$ 82,265
 Differences between expected and actual economic experience	 \$ 1,426	 \$ -
Changes in actuarial assumptions	-	189
Difference between projected and actual investment earnings	40,558	-
Contributions subsequent to the measurement date	<u>11,340</u>	<u>-</u>
Total TESRS	\$ 53,324	\$ 189
 Total	 <u>\$ 422,107</u>	 <u>\$ 82,454</u>

\$227,640 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability for the year ending September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>TMRS</u>	<u>TESRS</u>	<u>Total</u>
Year Ended September 30:			
2025	\$ 26,962	\$ 13,036	\$ 39,998
2026	3,577	9,741	13,318
2027	78,041	17,650	95,691
2028	(38,362)	1,368	(36,994)
2029	-	-	-
Thereafter	-	-	-
Total	<u>\$ 70,218</u>	<u>\$ 41,795</u>	<u>\$ 112,013</u>

CITY OF BALLINGER, TEXAS
Notes to Financial Statements
September 30, 2024

NOTE 12: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description

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

The member 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.

Benefits Provided

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

OPEB	
Inactive employees or beneficiaries currently receiving benefits	27
Inactive employees entitled to but not yet receiving benefits	4
Active employees	36
	67

Total OPEB Liability

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

Actuarial Assumptions

The total OPEB liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.60% to 11.85% including inflation
Retirees' share of benefit related costs	\$0

All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.

Mortality rates for service retirees were based on the 2019 Municipal Retirees of Texas Mortality Tables. Their rates are projected on a fully generational basis with scale UMP.

CITY OF BALLINGER, TEXAS
Notes to Financial Statements
September 30, 2024

NOTE 12: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Mortality rates for disabled retirees were based on 2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions used in the December 31, 2023 valuation were based on the results of an actuarial experience study for the period December 31, 2022.

Discount Rate

The discount rate used to measure the Total OPEB Liability was 3.77%. The discount rate was based on Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2023.

Changes in the OPEB Liability

	Total OPEB Liability
Balance at 12/31/2022	\$ 129,921
Changes for the year:	
Service cost	4,149
Interest	5,227
Change of benefit terms	-
Difference between expected and actual experience	6,311
Changes of assumptions	6,978
Benefit payments	(5,878)
Net changes	16,787
Balance at 12/31/2023	<u>\$ 146,708</u>

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

The following represents the total OPEB liability of the City, calculated using the discount rate of 3.77% as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.77%) or 1-percentage-point higher (4.77%) than the current rate:

	1% Decrease in Discount Rate (2.77%)	Discount Rate (3.77%)	1% Increase in Discount Rate (4.77%)
City's Total OPEB Liability	\$ 169,891	\$ 146,708	\$ 128,170

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

For the year ended September 30, 2024, the City recognized OPEB expense of \$7,660.

CITY OF BALLINGER, TEXAS

Notes to Financial Statements

September 30, 2024

NOTE 12: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

For the year ended September 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB for the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 6,425	\$ 2,018
Changes in assumptions and other inputs	13,363	28,954
Contributions subsequent to the measurement date	2,030	-
Total	<u>\$ 21,818</u>	<u>\$ 30,972</u>

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

Year Ended September 30:	
2025	\$ (1,398)
2026	(8,953)
2027	(2,786)
2028	1,953
2029	-
Thereafter	-
Total	<u>\$ (11,184)</u>

NOTE 13: CONTINGENT LIABILITIES

A. Federal and State Programs

Federal and state funding received related to various grant programs are based upon periodic reports detailing reimbursable expenditures made, in compliance with program guidelines, to the grantor agency.

These programs are governed by various statutory rules and regulations of the grantors. Amounts received and receivable under these various funding programs are subject to periodic audit and adjustment by the funding agencies. To the extent, if any, the City has not complied with all the rules and regulations with respect to performance, financial or otherwise, adjustment to or return of fund monies may be required.

As it pertains to other matters of compliance, in the opinion of the City's administration, there are no significant contingent liabilities relating to matters of compliance and accordingly, no provision has been made in the accompanying financial statements for such contingencies.

B. Litigation

The City has claims or lawsuits arising from the normal course of business. Although the outcome of these claims and lawsuits is not presently determinable, it is the opinion of City management that they will not have a material adverse effect on the financial condition of the City.

CITY OF BALLINGER, TEXAS
Notes to Financial Statements
September 30, 2024

NOTE 14: SUBSCRIPTION-BASED INFORMATION TECHNOLOGY AGREEMENTS

GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITA) was effective for the fiscal year ended September 30, 2024. The City has entered into subscription-based information technology arrangements involving:

- A SCADA (Supervisory Control and Data Acquisition) watch service suite regarding the City's water system.
- Various desktop and server software subscriptions
- Accounting and payroll services software
- Public safety allocation and deployment software

The City has outflows of resources during the fiscal year totaling \$78,881 that are not included in the measurement of a subscription liability. The City's software subscriptions are not commitments longer than twelve months; therefore a subscription liability is not calculated.

NOTE 15: SUBSEQUENT EVENTS

Subsequent events were evaluated through November 10, 2025, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

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City of Ballinger
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the year ended September 30, 2024

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes:				
General property	\$ 1,329,346	1,329,346	1,270,415	\$ (58,931)
Sales and use	1,792,000	1,792,000	1,605,792	(186,208)
Franchise	125,000	125,000	133,854	8,854
Fines and fees	139,800	139,800	163,303	23,503
Charges for service	909,991	909,991	1,025,120	115,129
Intergovernmental revenue	-	-	2,406	2,406
Interest income	5,000	5,000	42,129	37,129
Other revenue	124,250	124,250	138,859	14,609
Total revenues	<u>4,425,387</u>	<u>4,425,387</u>	<u>4,381,878</u>	<u>(43,509)</u>
EXPENDITURES:				
Current				
General government	803,234	803,234	867,180	(63,946)
Public Safety	1,524,868	1,524,868	1,343,111	181,757
Culture and recreation	99,520	99,520	107,068	(7,548)
Public Works	1,333,486	1,333,486	1,322,681	10,805
Capital Outlay	-	-	215,032	(215,032)
Debt Service:				
Principal	276,902	276,902	601,011	(324,109)
Interest and fiscal charges	45,610	45,610	44,534	1,076
Total expenditures	<u>4,083,620</u>	<u>4,083,620</u>	<u>4,500,617</u>	<u>(416,997)</u>
Excess (deficiency) of revenue over (under) expenditures	<u>341,766</u>	<u>341,766</u>	<u>(118,739)</u>	<u>(460,505)</u>
Other financing sources (uses):				
Proceeds from sale of general capital assets	-	-	152,750	152,750
Transfers in(out)	-	-	(28,841)	(28,841)
Loan proceeds	-	-	171,053	171,053
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>294,962</u>	<u>294,962</u>
Net change in fund balance	341,766	341,766	176,223	(165,543)
Fund Balance, October 1, 2023	<u>1,203,442</u>	<u>1,203,442</u>	<u>1,203,442</u>	<u>-</u>
Fund Balance, September 30, 2024	<u>\$ 1,545,208</u>	<u>\$ 1,545,208</u>	<u>\$ 1,379,665</u>	<u>\$ (165,543)</u>

The notes to the required supplementary information are an integral part of this schedule.

City of Ballinger
Schedule of Changes in Net Pension Liability and Related Ratios
Texas Municipal Retirement System
Last 10 Years (will ultimately be displayed)

	2014	2015	2016	2017
Total Pension Liability				
Service Cost	\$ 85,949	\$ 107,862	\$ 119,577	\$ 112,726
Interest (on the Total Pension Liability)	210,848	222,640	226,217	236,855
Difference between expected and actual experience	71,951	(6,891)	31,950	(36,811)
Change of assumptions	-	22,554	-	-
Benefit payments, including refunds of employee contributions	(262,359)	(160,141)	(202,314)	(231,114)
Net Change in Total Pension Liability	106,389	186,024	175,430	81,656
Total Pension Liability - Beginning	3,100,321	3,206,710	3,392,734	3,568,164
Total Pension Liability - Ending	<u>\$ 3,206,710</u>	<u>\$ 3,392,734</u>	<u>\$ 3,568,164</u>	<u>\$ 3,649,820</u>
Plan Fiduciary Net Position				
Contributions - Employer	\$ 58,622	\$ 45,042	\$ 49,767	\$ 51,714
Contributions - Employee	58,977	66,829	71,861	68,651
Net Investment Income	185,877	4,852	219,044	467,941
Benefit payments, including refunds of employee contributions	(262,359)	(160,141)	(202,314)	(231,114)
Administrative Expense	(1,941)	(2,956)	(2,474)	(2,426)
Other	(160)	(146)	(133)	(123)
Net Change in Plan Fiduciary Net Position	39,016	(46,520)	135,751	354,643
Plan Fiduciary Net Position - Beginning	3,249,436	3,288,452	3,241,932	3,377,683
Plan Fiduciary Net Position - Ending	<u>\$ 3,288,452</u>	<u>\$ 3,241,932</u>	<u>\$ 3,377,683</u>	<u>\$ 3,732,326</u>
Net Pension (Asset)/Liability Ending	<u>\$ (81,742)</u>	<u>\$ 150,802</u>	<u>\$ 190,481</u>	<u>\$ (82,506)</u>
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	 102.55%	 95.56%	 94.66%	 102.26%
 Covered Payroll	 \$ 1,179,541	 \$ 1,336,582	 \$ 1,437,223	 \$ 1,373,029
 Net Pension Liability as a Percentage of Covered Payroll	 -6.93%	 11.28%	 13.25%	 -6.01%

The notes to the required supplementary information are an integral part of this schedule.

2018	2019	2020	2021	2022	2023
\$ 116,279	\$ 127,223	\$ 147,372	\$ 234,916	\$ 275,048	\$ 289,072
242,173	246,894	289,198	340,655	371,576	388,344
(32,978)	(50,676)	560,490	580,307	90,166	(50,208)
-	16,127	(30,862)	247,377	-	-
					(68,459)
(240,426)	(281,570)	(285,254)	(249,654)	(520,202)	(470,573)
85,048	57,998	680,944	1,153,601	216,588	88,176
3,649,820	3,734,868	3,792,866	4,473,810	5,627,411	5,843,999
<u>\$ 3,734,868</u>	<u>\$ 3,792,866</u>	<u>\$ 4,473,810</u>	<u>\$ 5,627,411</u>	<u>\$ 5,843,999</u>	<u>\$ 5,932,175</u>
\$ 53,968	\$ 57,389	\$ 44,982	\$ 134,923	\$ 265,415	\$ 306,534
70,048	77,480	63,196	72,774	116,264	121,023
(111,625)	540,358	294,839	521,317	(326,570)	463,212
(240,426)	(281,570)	(285,254)	(249,654)	(520,202)	(470,573)
(2,161)	(3,059)	(1,912)	(2,418)	(2,833)	(2,960)
(113)	(92)	(75)	18	3,381	(21)
(230,309)	390,506	115,776	476,960	(464,545)	417,215
3,732,326	3,502,017	3,892,523	4,008,299	4,485,259	4,020,714
<u>\$ 3,502,017</u>	<u>\$ 3,892,523</u>	<u>\$ 4,008,299</u>	<u>\$ 4,485,259</u>	<u>\$ 4,020,714</u>	<u>\$ 4,437,929</u>
<u>\$ 232,851</u>	<u>\$ (99,657)</u>	<u>\$ 465,511</u>	<u>\$ 1,142,152</u>	<u>\$ 1,823,285</u>	<u>\$ 1,494,246</u>
93.77%	102.63%	89.59%	79.70%	68.80%	74.81%
\$ 1,400,951	\$ 1,549,608	\$ 1,263,914	\$ 1,455,489	\$ 1,660,919	\$ 1,728,900
16.62%	-6.43%	36.83%	78.47%	109.78%	86.43%

The notes to the required supplementary information are an integral part of this schedule.

City of Ballinger
Schedule of Contributions
Texas Municipal Retirement System
Last 10 Fiscal Years (will ultimately be displayed)

Fiscal Year Ending September 30	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Contribution as a % of Covered Payroll
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%
2020	50,781	50,781	-	1,303,400	3.90%
2021	117,451	117,451	-	1,438,018	8.17%
2022	239,364	239,364	-	1,681,440	14.24%
2023	307,659	307,659	-	1,776,365	17.32%
2024	281,746	281,746	-	1,596,663	17.65%

The notes to the required supplementary information are an integral part of this schedule.

City of Ballinger
Schedule of Changes in Total OPEB Liability and Related Ratios
Texas Municipal Retirement System
Last 10 Years (will ultimately be displayed)

	2017	2018	2019	2020	2021	2022	2023
Total OPEB Liability							
Service Cost	\$ 4,806	\$ 5,604	\$ 5,269	\$ 5,056	\$ 7,423	\$ 9,301	\$ 4,149
Interest (on the Total OPEB Liability)	3,538	3,602	4,003	3,814	3,449	3,261	5,227
Difference between expected and actual experience	-	(2,538)	2,609	6,047	(7,055)	(164)	6,311
Change of assumptions	7,236	(6,448)	20,000	20,009	4,628	(52,304)	6,978
Benefit payments	(687)	(841)	(1,085)	(885)	(3,784)	(5,481)	(5,878)
Net Change in Total OPEB Liability	14,893	(621)	30,796	34,041	4,661	(45,387)	16,787
Total OPEB Liability - Beginning	91,538	106,431	105,810	136,606	170,647	175,308	129,921
Total OPEB Liability - Ending	<u>\$ 106,431</u>	<u>\$ 105,810</u>	<u>\$ 136,606</u>	<u>\$ 170,647</u>	<u>\$ 175,308</u>	<u>\$ 129,921</u>	<u>\$ 146,708</u>
 Covered Payroll	 \$ 1,373,029	 \$ 1,400,951	 \$ 1,549,608	 \$ 1,263,914	 \$ 1,455,489	 \$ 1,660,919	 \$ 1,728,900
 Total OPEB Liability as a Percentage of Covered Payroll	 7.75%	 7.55%	 8.82%	 13.50%	 12.04%	 7.82%	 8.49%

The notes to the required supplementary information are an integral part of this schedule.

City of Ballinger, Texas
Notes to Required Supplementary Information
September 30, 2024

1. Budgetary Information

The City follows these procedures in establishing the budgetary data reflected in the budgetary comparison schedule.

- a. The City Administrator submits to City Council a proposed operating budget for the general, municipal court, airport, and water and sewer funds. The City's operating budget, which is consistent with U.S. generally accepted accounting principles (GAAP), includes expenditures and means of financing them.
- b. A public hearing is conducted to obtain taxpayer comment.
- c. The City Council approves, by ordinance, budget appropriations by September 30. Any revisions that alter the total appropriations of any fund must be approved by the City Council, therefore the level of budgetary responsibility is by fund.
- d. Unused appropriations of the above annually budgeted funds lapse at the end of each fiscal year.
- e. The City Council may authorize additional appropriations during the year.
- f. City Council approved transfers out of the general fund.

2. Excess of Expenditures over Appropriations

Total expenditures were \$416,997 more than budgeted due to \$215,032 capital outlay of which \$171,053 was financed and \$324,109 principal on debt service because notes payable were paid off early.

3. Schedule of Contributions – Texas Municipal Retirement System

Valuation Date

Notes	Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.
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Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	21 Years (longest amortization ladder)
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.60% to 11.85% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study for the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MO-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

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SUPPLEMENTARY INFORMATION

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CITY OF BALLINGER
Combining Balance Sheet
Nonmajor Funds
September 30, 2024

	<u>Court Security</u>	<u>Court Technology</u>	<u>Debt Service</u>	<u>Total Nonmajor Funds</u>
ASSETS:				
Assets:				
Cash and cash equivalents	\$ 23,078	\$ 4,292	\$ 9,271	\$ 36,641
Receivables (Net of allowances for uncollectibles)				
Property taxes	-	-	1,754	1,754
Total assets	<u>\$ 23,078</u>	<u>\$ 4,292</u>	<u>\$ 11,025</u>	<u>\$ 38,395</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:				
Liabilities:				
Accounts payable	\$ 520	\$ (886)	\$ -	\$ (366)
Total liabilities	<u>520</u>	<u>(886)</u>	<u>-</u>	<u>(366)</u>
Deferred inflows of resources:				
Deferred property taxes	-	-	1,754	1,754
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>1,754</u>	<u>1,754</u>
Fund Balance:				
Restricted				
Debt service	-	-	9,271	9,271
Public safety	22,558	5,178	-	27,736
Total fund balances	<u>22,558</u>	<u>5,178</u>	<u>9,271</u>	<u>37,007</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 23,078</u>	<u>\$ 4,292</u>	<u>\$ 11,025</u>	<u>\$ 38,395</u>

CITY OF BALLINGER
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Funds
For the year ended September 30, 2024

	<u>Court Security</u>	<u>Court Technology</u>	<u>Debt Service</u>	<u>Total Nonmajor Funds</u>
Revenues:				
Taxes:				
Property	\$ -	\$ -	\$ 87,286	\$ 87,286
Fines and fees	5,441	4,360	-	9,801
Investment earnings	-	128	-	128
Other revenue	-	1,263	-	1,263
Total revenues	<u>5,441</u>	<u>5,751</u>	<u>87,286</u>	<u>98,478</u>
Expenditures:				
Current				
General government	<u>520</u>	<u>-</u>	<u>-</u>	<u>520</u>
Total expenditures	<u>520</u>	<u>-</u>	<u>-</u>	<u>520</u>
Excess (deficiency) of revenue over (under) expenditures	\$ <u>4,921</u>	\$ <u>5,751</u>	\$ <u>87,286</u>	\$ <u>97,958</u>
Other financing sources (uses):				
Transfers in	17,637	14,870	-	32,507
Transfers out	<u>-</u>	<u>(16,000)</u>	<u>(78,014)</u>	<u>(94,014)</u>
Total other financing sources (uses)	<u>17,637</u>	<u>(1,130)</u>	<u>(78,014)</u>	<u>(61,507)</u>
Net change in fund balances	22,558	4,621	9,272	36,451
Fund Balance, October 1, 2023	<u>-</u>	<u>556</u>	<u>-</u>	<u>556</u>
Fund Balance, September 30, 2024	<u><u>\$ 22,558</u></u>	<u><u>\$ 5,177</u></u>	<u><u>\$ 9,272</u></u>	<u><u>\$ 37,007</u></u>

**OVERALL COMPLIANCE AND INTERNAL CONTROL
SECTION**

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

To the Honorable Mayor and City Council
City of Ballinger, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ballinger, Texas (the "City") as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 10, 2025.

Report on Internal Control over Financial Reporting

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

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying schedule of findings as item 2024-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

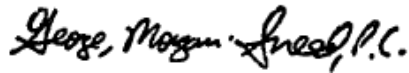
As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

City of Ballinger, Texas's Response to Findings

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

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.



George, Morgan & Sneed, P.C.
Weatherford, Texas
November 10, 2025

CITY OF BALLINGER, TEXAS
Schedule of Findings
For the Year Ended September 30, 2024

Financial Statement Findings

2024-001 Material Weakness in Internal Control

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. Effective internal control also includes timely accounting and financial reporting.

Condition:

Balance sheet accounts for the General, Water and Airport funds such as cash, accounts receivable, capital assets, debt and accrued expenses were not timely maintained and reconciled on a regular basis because the City was behind several years.

Cause:

Management is not reviewing these accounts on a regular basis; therefore, corrections are not being made timely to the accounts.

Effect:

Several of the accounts listed above required audit adjustment. 10 audit adjustments were proposed by auditor. The number of audit adjustments have decreased from previous years however many of the City's accounts were not reconciled until almost a year later.

Recommendation:

We recommend that the City maintain and reconcile, on a regular basis the significant balance sheet accounts, for all funds, that experience a high volume of monthly transactions and all balance sheet accounts at least annually.

Management's Response:

The City took corrective action near the end of fiscal year 2023 to hire a third party consultant to complete necessary monthly reconciliations and annual closing entries.

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