

CITY OF BALLINGER, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2023



GMS

CERTIFIED PUBLIC
ACCOUNTANTS

GEORGE | MORGAN | SNEED

CITY OF BALLINGER, TEXAS
Annual Financial Report
For the Year Ended September 30, 2023

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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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2023, and the respective changes in financial position and 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

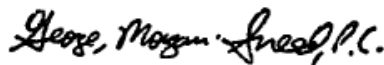
Accounting principles generally accepted in the United States of America require that budgetary comparison schedule – general fund, schedule of changes in net pension liability and related ratios – Texas Municipal Retirement System, schedule of contributions – Texas Municipal Retirement System, and schedule of changes in total OPEB liability and related ratios on pages 43 - 49 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 17, 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
July 17, 2025

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BASIC FINANCIAL STATEMENTS

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City of Ballinger
Statement of Net Position
September 30, 2023

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
ASSETS:			
Cash and cash equivalents	\$ 123,194	\$ 63,114	\$ 186,308
Certificates of deposit	126,629	-	126,629
Receivables (Net of allowances for uncollectibles)			
Property taxes	36,877	-	36,877
Sales taxes	318,550	-	318,550
Accounts receivable	83,697	216,397	300,094
Leases	-	1,625	1,625
Internal balances	970,560	(970,560)	0
Restricted assets:			
Cash and cash equivalents	-	3,243,697	3,243,697
Certificates of deposit	-	121,239	121,239
Capital assets (net of accumulated depreciation):			
Land	238,545	1,767,700	2,006,245
Buildings and improvements	452,499	10,409	462,908
Machinery and equipment	1,606,540	55,075	1,661,615
Leased equipment	76,543	-	76,543
Improvements other than buildings	-	8,080,731	8,080,731
Construction in progress	-	390,493	390,493
Total Assets	4,033,634	12,979,920	17,013,554
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred outflows related to pensions	561,957	163,811	725,768
Deferred outflows related to OPEB	16,499	4,901	21,400
Total Deferred Outflows of Resources	578,456	168,712	747,168
LIABILITIES:			
Accounts payable	378,447	237,491	615,938
Accrued payroll and related liabilities	26,597	6,574	33,171
Unearned revenue	-	1,987,842	1,987,842
Interest payable	5,364	4,098	9,462
Customer deposits	13,585	173,276	186,861
Noncurrent liabilities:			
Due Within One Year	465,531	302,210	767,741
Due in More Than One Year	2,494,265	3,002,266	5,496,531
Total Liabilities	3,383,789	5,713,757	9,097,546
DEFERRED INFLOWS OF RESOURCES:			
Deferred inflows related to pensions	12,204	3,457	15,661
Deferred inflows related to OPEB	35,342	10,497	45,839
Deferred inflows related to leases	-	1,625	1,625
Total Deferred Inflows of Resources	47,546	15,579	63,125
NET POSITION:			
Net Investment in Capital Assets	1,320,855	8,487,568	9,808,423
Restricted Net Position			
Public Safety	556	-	556
Debt Service	-	125,689	125,689
Unrestricted Net Position	(140,656)	(1,193,961)	(1,334,617)
Total Net Position	\$ 1,180,755	\$ 7,419,296	\$ 8,600,051

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

City of Ballinger
Statement of Activities
September 30, 2023

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General government	\$ 946,109	\$ 57,089	\$ 79,985	\$ -
Public safety	1,665,030	128,543	17,732	-
Culture and recreation	223,610	35,823	-	-
Public Works	1,726,261	765,096	-	-
Interest and fiscal charges	22,500	-	-	-
Total governmental activities	4,583,510	986,551	97,717	-
Business-type activities:				
Water and sewer	2,523,208	2,103,024	-	334,089
Airport	46,763	50,581		41,370
Total business-type activities	2,569,971	2,153,605	-	375,459
Total primary government	\$ 7,153,481	\$ 3,140,156	\$ 97,717	\$ 375,459

General Revenues:

Taxes:

Property Taxes, levied for general purposes

Sales Taxes

Franchise Taxes

Investment Earnings

Other Revenue

Total General Revenues and Transfers

Change in Net Position

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

EXHIBIT B-1

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (809,035)	\$ -	\$ (809,035)
(1,518,755)	-	(1,518,755)
(187,787)	-	(187,787)
(961,165)	-	(961,165)
(22,500)	-	(22,500)
<u>(3,499,242)</u>	<u>-</u>	<u>(3,499,242)</u>
-	(86,095)	(86,095)
	45,188	45,188
<u>-</u>	<u>(40,907)</u>	<u>(40,907)</u>
\$ <u><u>(3,499,242)</u></u>	\$ <u><u>(40,907)</u></u>	\$ <u><u>(3,540,149)</u></u>
\$ 1,199,593	\$ -	\$ 1,199,593
1,712,841	-	1,712,841
145,458	-	145,458
16,336	128,481	144,817
84,929	73,282	158,211
<u>3,159,157</u>	<u>201,763</u>	<u>3,360,920</u>
(340,085)	160,856	(179,229)
<u>1,520,840</u>	<u>7,258,440</u>	<u>8,779,280</u>
\$ <u><u>1,180,755</u></u>	\$ <u><u>7,419,296</u></u>	\$ <u><u>8,600,051</u></u>

CITY OF BALLINGER
Balance Sheet
Governmental Funds
September 30, 2023

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:			
Assets:			
Cash and cash equivalents	\$ 123,524	\$ (330)	\$ 123,194
Certificates of deposit	126,629	-	126,629
Receivables (Net of allowances for uncollectibles)			
Property taxes	36,877	-	36,877
Sales taxes	318,550	-	318,550
Accounts receivable	83,697	-	83,697
Due from other funds	970,560	-	970,560
Total assets	<u>\$ 1,659,837</u>	<u>\$ (330)</u>	<u>\$ 1,659,507</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:			
Liabilities:			
Accounts payable	\$ 379,333	\$ (886)	\$ 378,447
Accrued payroll and related liabilities	26,597	-	26,597
Customer Deposits	13,585	-	13,585
Total liabilities	<u>419,515</u>	<u>(886)</u>	<u>418,629</u>
Deferred inflows of resources:			
Deferred property taxes	36,880	-	36,880
Total deferred inflows of resources	<u>36,880</u>	<u>-</u>	<u>36,880</u>
Fund Balance:			
Restricted			
Public safety	-	556	556
Assigned Fund Balance			
Culture and recreation	45,691	-	45,691
Unassigned	1,157,751	-	1,157,751
Total fund balances	<u>1,203,442</u>	<u>556</u>	<u>1,203,998</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,659,837</u>	<u>\$ (330)</u>	<u>\$ 1,659,507</u>

City of Ballinger, Texas
Reconciliation of the Governmental Funds Balance Sheet
To the Statement of Net Position
September 30, 2023

Total Fund Balances - Governmental Funds		\$ 1,203,998
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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 \$7,975,136 and the accumulated depreciation was \$5,601,009		2,374,127
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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	(5,364)	
Notes Payable	(131,685)	
Capital Leases	(848,434)	
Financing Leases	(73,152)	
Line of Credit	(94,000)	
Compensated Absences	(189,239)	(1,341,874)

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 \$1,523,117, a deferred resource inflow related to pensions of \$12,204, and a deferred resource outflow related to pensions in the amount of \$561,957. This amounted to a decrease in net position.		(973,364)
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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 \$100,169, a deferred resource outflow related to OPEB in the amount of \$16,499, and a deferred resource inflow related to OPEB in the amount of \$35,342. This amounted to a decrease in net position.		(119,012)
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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.		36,880
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Net Position of Governmental Activities		<div style="border-top: 1px solid black; border-bottom: 3px double black; padding: 2px 0;">\$ 1,180,755</div>
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CITY OF BALLINGER
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the year ended September 30, 2023

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes:			
Property	\$ 1,206,632	\$ -	\$ 1,206,632
Sales and Use	1,712,841	-	1,712,841
Franchise	145,458	-	145,458
Fines and fees	128,085	-	128,085
Charges for service	858,466	-	858,466
Intergovernmental revenue	97,717	-	97,717
Investment earnings	16,246	90	16,336
Other revenue	84,929	-	84,929
Total revenues	<u>4,250,374</u>	<u>90</u>	<u>4,250,464</u>
Expenditures:			
Current			
General government	1,029,679	-	1,029,679
Public safety	1,511,333	-	1,511,333
Culture & recreation	200,370	-	200,370
Public Works	1,317,390	-	1,317,390
Capital Outlay	341,365	-	341,365
Debt Service:			
Principal	280,817	-	280,817
Interest and fiscal charges	23,028	-	23,028
Total expenditures	<u>4,703,982</u>	<u>-</u>	<u>4,703,982</u>
Excess (deficiency) of revenue over (under) expenditures	\$ <u>(453,608)</u>	\$ <u>90</u>	\$ <u>(453,518)</u>
Other financing sources (uses):			
Proceeds from sale of general capital assets	74,418	-	74,418
Insurance proceeds	21,045	-	21,045
Financed purchase	341,365	-	341,365
Loan proceeds	212,749	-	212,749
Total other financing sources (uses)	<u>649,577</u>	<u>-</u>	<u>649,577</u>
Net change in fund balances	195,969	90	196,059
Fund Balance, October 1, 2022	<u>1,007,473</u>	<u>466</u>	<u>1,007,939</u>
Fund Balance, September 30, 2023	<u>\$ 1,203,442</u>	<u>\$ 556</u>	<u>\$ 1,203,998</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, 2023

Total Net Change in Fund Balances - Governmental Funds	\$ 196,059
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 \$563,565 of capital outlays, and \$280,817 of debt principal payments is to increase net position.	844,382
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.	(532,814)
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.	(758,062)
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 \$528 decrease in interest payable and \$14,570 increase in compensated absences decrease net position.	(14,042)
Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(7,039)
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.	(67,211)
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.	(1,358)
Change in Net Position of Governmental Activities	<u><u>\$ (340,085)</u></u>

City of Ballinger
Statement of Net Position
Proprietary Funds
September 30, 2023

	Water Fund	Airport Fund	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 37,129	\$ 25,985	\$ 63,114
Accounts receivables (Net of allowance for uncollectibles):	213,864	2,533	216,397
Leases receivable	-	1,625	1,625
Due from other funds	-	79,780	79,780
Restricted Assets:			
Cash and cash equivalents	3,243,697	-	3,243,697
Certificates of deposit	121,239	-	121,239
Total current assets	<u>3,615,929</u>	<u>109,923</u>	<u>3,725,852</u>
Noncurrent Assets:			
Capital assets, at cost:			
Land	1,700,209	67,491	1,767,700
Construction in progress	390,493	-	390,493
Buildings and improvements	1,340,810	748,787	2,089,597
Machinery and equipment	711,194	-	711,194
Improvements other than buildings	17,889,807	-	17,889,807
Less: accumulated depreciation	<u>(11,954,293)</u>	<u>(590,090)</u>	<u>(12,544,383)</u>
Capital assets, net	<u>10,078,220</u>	<u>226,188</u>	<u>10,304,408</u>
Total noncurrent assets	<u>10,078,220</u>	<u>226,188</u>	<u>10,304,408</u>
Total assets	<u>\$ 13,694,149</u>	<u>\$ 336,111</u>	<u>\$ 14,030,260</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred outflow related to pensions	\$ 160,438	\$ 3,373	\$ 163,811
Deferred outflow related to OPEB	4,732	169	4,901
Total deferred outflows of resources	<u>\$ 165,170</u>	<u>\$ 3,542</u>	<u>\$ 168,712</u>
LIABILITIES:			
Current Liabilities:			
Accounts payable	\$ 236,105	\$ 1,386	\$ 237,491
Accrued payroll and related liabilities	6,574	-	6,574
Compensated absences payable	12,210	-	12,210
Accrued interest payable	4,098	-	4,098
Current portion of long-term debt	290,000	-	290,000
Unearned revenue	1,987,842	-	1,987,842
Due to other funds	1,050,340	-	1,050,340
Customer deposits payable	173,276	-	173,276
Total current liabilities	<u>3,760,445</u>	<u>1,386</u>	<u>3,761,831</u>
Noncurrent Liabilities:			
Net pension liability	403,145	14,369	417,514
Total OPEB liability	28,726	1,026	29,752
Bonds payable	2,555,000	-	2,555,000
Total noncurrent liabilities	<u>2,986,871</u>	<u>15,395</u>	<u>3,002,266</u>
Total liabilities	<u>\$ 6,747,316</u>	<u>\$ 16,781</u>	<u>\$ 6,764,097</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred Inflows related to pensions	\$ 3,338	\$ 119	\$ 3,457
Deferred Inflows related to OPEB	10,135	362	10,497
Deferred lease receivable	-	1,625	1,625
Total deferred inflows of resources	<u>\$ 13,473</u>	<u>\$ 2,106</u>	<u>\$ 15,579</u>
NET POSITION:			
Net investment in capital assets	\$ 8,261,381	\$ 226,187	\$ 8,487,568
Restricted for debt service	125,689	-	125,689
Unrestricted	<u>(1,288,540)</u>	<u>94,579</u>	<u>(1,193,961)</u>
Total net position	<u>\$ 7,098,530</u>	<u>\$ 320,766</u>	<u>\$ 7,419,296</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, 2023

	<u>Water Fund</u>	<u>Airport Fund</u>	<u>Total</u>
Operating revenues:			
Charges for sales and services:			
Charges for water services	\$ 1,468,359	\$ -	\$ 1,468,359
Charges for sewer services	562,513	-	562,513
Charges for aviation gas	-	2,132	2,132
Airport hanger revenue	-	48,449	48,449
Late charges and fees	63,617	-	63,617
Farm lease income	8,535	-	8,535
Total operating revenue	<u>2,103,024</u>	<u>50,581</u>	<u>2,153,605</u>
Operating expenses:			
Personnel	739,674	10,702	750,376
Raw water purchases	245,406	-	245,406
Insurance	29,540	7,864	37,404
Office expenses	24,795	-	24,795
Professional services	24,337	-	24,337
Repairs and maintenance	239,552	21	239,573
Utilities	65,735	5,445	71,180
Materials and supplies	387,620	51	387,671
Contractual services	154,715	-	154,715
Other operating expenses	118,449	3,430	121,879
Depreciation	467,991	19,250	487,241
Total operating expenses	<u>2,497,814</u>	<u>46,763</u>	<u>2,544,577</u>
Operating income	<u>(394,790)</u>	<u>3,818</u>	<u>(390,972)</u>
Nonoperating revenues (expenses):			
Investment earnings	127,110	1,371	128,481
Insurance proceeds	73,282	-	73,282
Interest expense	(23,591)	-	(23,591)
Debt service fees	(1,803)	-	(1,803)
Total nonoperating revenues (expenses)	<u>174,998</u>	<u>1,371</u>	<u>176,369</u>
Income (loss) before contributions and transfers	<u>(219,792)</u>	<u>5,189</u>	<u>(214,603)</u>
Capital contributions and transfers:			
Capital grants and contributions	<u>334,089</u>	<u>41,370</u>	<u>375,459</u>
Net capital contributions and transfers	<u>334,089</u>	<u>41,370</u>	<u>375,459</u>
Change in Net Position	114,297	46,559	160,856
Net Position, October 1, 2022	<u>6,984,233</u>	<u>274,207</u>	<u>7,258,440</u>
Net Position, September 30, 2023	<u>\$ 7,098,530</u>	<u>\$ 320,766</u>	<u>\$ 7,419,296</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, 2023

	Enterprise Funds		
	Water Fund	Airport Fund	Total Enterprise Funds
Cash flows from operating activities:			
Cash received from customers	\$ 2,159,418	\$ 50,143	\$ 2,209,561
Payments to suppliers	(1,191,531)	(16,799)	(1,208,330)
Cash paid to employees	(721,790)	-	(721,790)
Net cash provided by operating activities	246,097	33,344	279,441
Cash flow from noncapital financing activities:			
Increase (decrease) in due to other funds	334,524	-	334,524
(Increase) decrease in due to other funds	-	(79,780)	(79,780)
Net cash provided (used) by noncapital financing activities	334,524	(79,780)	254,744
Cash flow from capital and related financing activities:			
Capital grant	229,778	41,370	271,148
Capital outlay	(239,227)	(6,000)	(245,227)
Principal payments on long-term debt	(635,000)	-	(635,000)
Interest paid on long-term debt	(30,389)	-	(30,389)
Net cash (used) by capital and related financing activities	(674,838)	35,370	(639,468)
Cash flow from investing activities:			
Investment earnings	127,110	1,371	128,481
Reinvested earnings	(1,005)	-	(1,005)
Net cash provided (used) by investing activities	126,105	1,371	127,476
Net increase (decrease) in cash and cash equivalents	31,888	(9,695)	22,193
Cash and cash equivalents, October 1, 2022	3,248,938	35,680	3,284,618
Cash and cash equivalents, September 30, 2023	\$ 3,280,826	\$ 25,985	\$ 3,306,811
Reconciliation of Operating Income to			
Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	\$ (394,790)	\$ 3,818	\$ (390,972)
Adjustments to reconcile operating income to			
net cash provided (used) by operating activities:			
Depreciation expense	467,991	19,250	487,241
(Increase) decrease in accounts receivable	(19,756)	(438)	(20,194)
(Increase) decrease in prepaid expense	6,782	-	6,782
Increase (decrease) in accounts payable	91,836	12	91,848
Increase (decrease) in customer meter deposits	2,868	-	2,868
(Increase) decrease in net pension balances	16,566	9,876	26,442
(Increase) decrease in total OPEB balances	1,318	826	2,144
Total adjustments	567,605	29,526	597,131
Net cash provided by operating activities	\$ 172,815	\$ 33,344	\$ 206,159

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

CITY OF BALLINGER, TEXAS

Notes to Financial Statements

September 30, 2023

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, 2023

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, 2023

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 \$19,627 is based upon historical experience and is equal approximately 40% of outstanding delinquent property taxes at September 30. The fines and fees receivable is reported net of an allowance of \$18,853 which is 90% of the outstanding receivable. Trade accounts receivable in the General Fund and Water and Sewer fund are reported net of allowances of \$27,417 and \$88,512 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, 2023

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, 2023

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, 2023

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, 2023, 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, 2023, all of the City's deposits were collateralized with securities or covered by FDIC insurance.

\$3,228,474 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, 2023

NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

Interest Rate Risk – Investments

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. In accordance with its investment policy, the City manages interest rate risk by avoiding over-concentration of assets in a specific maturity sector, a specific issuer or a specific class of securities.

The City's investments at September 30, 2023 included the following:

Investment	Credit Rating	Maturities	% of Total Investments	Cost	Fair Value
Certificates of Deposit	n/a	3-12 months	100.00%	247,868	247,868
			100.00%	<u>\$ 247,868</u>	<u>\$ 247,868</u>

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	\$ 10,773
Bond Reserves	125,689
Loan forgiveness funds restricted for capital improvements	2,200,311
Unspent bond funds restricted for capital improvements	<u>1,028,163</u>
Total	<u>\$ 3,364,936</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, 2023, is as follows:

Receivable Fund	Payable Fund	Amount	Purpose
General Fund	Water and Sewer Fund	\$ 970,560	Pooled cash borrowing for operations
Total Governmental Funds		<u>\$ 970,560</u>	
Airport Fund	Water and Sewer Fund	79,780	Pooled cash borrowing for operations
Total Proprietary Funds		<u>\$ 79,780</u>	

CITY OF BALLINGER, TEXAS
Notes to Financial Statements
September 30, 2023

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.

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)	36,880
Total deferred inflows for governmental funds	<u>\$ 36,880</u>

NOTE 6: LEASES RECEIVABLES

The city is reporting Leases Receivable of \$1,625 at September 30, 2023. For 2023, the City reported lease revenue of \$25,159 and interest revenue of \$1,371 related to lease payments received. The lease is summarized as follows:

Lease	Lease Receivable	Lease Revenue	Lease Interest Revenue
Airport Farm	\$ -	\$ 24,512	\$ 1,238
Airport Hangars	1,625	647	133
Total	<u>\$ 1,625</u>	<u>\$ 25,159</u>	<u>\$ 1,371</u>

CITY OF BALLINGER, TEXAS
Notes to Financial Statements
September 30, 2023

NOTE 6: LEASES RECEIVABLES (Continued)

Airport Farm and Hangar Lease – On January 1, 2014 the City (lessor) entered into a lease agreement for the airport farm land. The lease term was 5 years from the date, with renewal terms for one additional 5 year term. Based on the agreement, the City is receiving monthly payment through 2023. On January 2, 2017 the City(lessor) entered into a lease agreement for hangar #6. The lease term was 5 years from the date, with renewal terms for 4 additional 1 year terms. Based on the agreement, the City is receiving monthly payment through 2026. Future payments receivable are as follows:

	Principal	Interest
2024	\$ 692	\$ 88
2025	740	40
2026	193	2
Total	<u>1,625</u>	<u>130</u>

NOTE 7: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2023 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	855,351	191,432	-	-	1,046,783
Machinery and equipment	6,261,011	372,133	(65,618)	-	6,567,526
Leased Equipment	<u>122,283</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>122,283</u>
Total capital assets being depreciated and amortized	<u>7,238,645</u>	<u>563,565</u>	<u>(65,618)</u>	<u>-</u>	<u>7,736,592</u>
Accumulated Depreciation and Amortization:					
Buildings and improvements	(558,366)	(35,918)	-	-	(594,284)
Machinery and equipment	(4,327,329)	(699,275)	65,618	-	(4,960,986)
Leased assets	<u>(22,870)</u>	<u>(22,870)</u>	<u>-</u>	<u>-</u>	<u>(45,740)</u>
Total accumulated depreciation and amortization	<u>(4,908,565)</u>	<u>(758,063)</u>	<u>65,618</u>	<u>-</u>	<u>(5,601,010)</u>
Governmental activities capital assets, net	<u>\$ 2,568,625</u>	<u>\$ (194,498)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,374,127</u>

CITY OF BALLINGER, TEXAS
Notes to Financial Statements
September 30, 2023

NOTE 7: CAPITAL ASSETS (Continued)

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

Governmental activities:	
General government	\$ 54,318
Public safety	291,805
Public works	390,463
Culture and recreation	21,477
Total depreciation expense - governmental activities	<u>\$ 758,063</u>

Business-type activities:	Beginning Balance	Increases	Decreases	Completed Projects	Ending Balance
Non - Depreciable Assets:					
Land	\$ 1,767,700	\$ -	\$ -	\$ -	\$ 1,767,700
Construction in Progress	226,281	164,211	-	-	390,492
Total non-depreciable assets	<u>1,993,981</u>	<u>164,211</u>	<u>-</u>	<u>-</u>	<u>2,158,192</u>
Depreciable Assets:					
Buildings and improvements	1,698,289	-	-	-	1,698,289
Machinery and equipment	711,193	-	-	-	711,193
Improvements other than buildings	18,200,099	80,916	-	-	18,281,015
Total capital assets being depreciated	<u>20,609,581</u>	<u>80,916</u>	<u>-</u>	<u>-</u>	<u>20,690,497</u>
Accumulated Depreciation:					
Buildings and improvements	(1,684,095)	(3,785)	-	-	(1,687,880)
Machinery and equipment	(641,809)	(14,309)	-	-	(656,118)
Improvements other than buildings	(9,731,238)	(469,147)	-	-	(10,200,385)
Total accumulated depreciation	<u>(12,057,142)</u>	<u>(487,241)</u>	<u>-</u>	<u>-</u>	<u>(12,544,383)</u>
Business-type activities capital assets, net	<u>\$ 10,546,420</u>	<u>\$ (242,114)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,304,306</u>

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

Business-type activities:	
Water and Sewer	\$ 467,991
Airport	19,250
Total depreciation expense - business-type activities	<u>\$ 487,241</u>

CITY OF BALLINGER, TEXAS
Notes to Financial Statements
September 30, 2023

NOTE 8: LOANS PAYABLE

The City has 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 matures on May 18, 2025. The loan is secured by all of the deposit accounts of the City.

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%	\$ -	\$ 1,915,000
\$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%	-	185,000
\$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%	-	745,000
Total Certificates of Obligation	<u>\$ -</u>	<u>\$ 2,845,000</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>
2024	\$ 290,000	\$ 14,299	\$ 304,299
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
2029-2033	870,000	6,463	876,463
2034-2038	620,000	-	620,000
2039-2043	-	-	-
Debt Service Requirements	<u>\$ 2,845,000</u>	<u>\$ 57,375</u>	<u>\$ 2,902,375</u>

CITY OF BALLINGER, TEXAS
Notes to Financial Statements
September 30, 2023

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.	\$ 46,167	\$ -
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.	48,683	-
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	12,212	-
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.	31,491	-
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.	52,060	-
JCB Finance lease in the original amount of \$175,590; issued November 17, 2021 for a 110W hydradig excavator; payable in monthly principal and interest payments; with an interest rate of 6.7%; final payment due November 2026.	95,773	-
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.	61,008	-
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.	22,933	-
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.	136,743	-
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.	110,200	-
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.	32,443	-
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.	198,722	-
Total Capital Leases Payable	<u>\$ 848,435</u>	<u>\$ -</u>

CITY OF BALLINGER, TEXAS
Notes to Financial Statements
September 30, 2023

NOTE 9: LONG-TERM LIABILITIES (Continued)

Future minimum lease/purchase commitments are as follows:

	Governmental Activities	Business-type Activities	Total
2024	\$ 283,687	\$ -	\$ 283,687
2025	300,119	-	300,119
2026	212,904	-	212,904
2027	136,685	-	136,685
2028	-	-	-
Total debt service requirements	933,395	-	933,395
Less: Interest Portion	84,962	-	84,962
Debt Principal	<u>\$ 848,433</u>	<u>\$ -</u>	<u>\$ 848,433</u>

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

	Governmental Activities	Business-type Activities	Total
Machinery and Equipment	\$ 812,955	\$ -	\$ 812,955
Less: Accumulated Depreciation	(145,243)	-	(145,243)
Net	<u>\$ 667,712</u>	<u>\$ -</u>	<u>\$ 667,712</u>

C. Notes Payable

	Governmental Activities	Business-type Activities
Notes Payable		
Government Capital Corporation note in the original amount of \$178,188; issued February 1, 2017 for vehicles; payable in annual principal and interest payments due January 27; with an interest rate of 3.455%, final payment due January 27, 2024	\$ 28,128	\$ -
Keystone Bank note in the original amount of \$118,749; issued February 6, 2023 for a fire department building; payable in annual principal and interest payments due January 15; with an interest rate of 3.09%; final payment due January 15, 2028.	103,557	-
Total Notes Payable	<u>\$ 131,685</u>	<u>-</u>

CITY OF BALLINGER, TEXAS
Notes to Financial Statements
September 30, 2023

NOTE 9: LONG-TERM LIABILITIES (Continued)

The aggregate debt service payments to maturity of the notes payable are as follows:

Governmental Activities	Notes Payable		
	Principal	Interest	Total
2024	\$ 51,280	\$ 3,855	\$ 55,135
2025	23,886	2,149	26,035
2026	24,636	1,400	26,036
2027	23,261	604	23,865
2028	8,622	60	8,682
Debt Service Requirements	\$ 131,685	\$ 8,068	\$ 139,753

D. 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 \$45,740. 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 9/30/2023
Body Cameras	11/15/2021	60 months	6.70%	\$ 74,668	\$ 44,668
Fleet vehicle cameras	11/15/2021	60 months	6.70%	47,615	28,484
Total				<u>\$ 122,283</u>	<u>\$ 73,152</u>

The future lease payments under lease agreements are as follows:

	Leases		
	Principal	Interest	Total
2024	\$ 22,774	\$ 5,055	\$ 27,829
2025	24,348	3,481	27,829
2026	26,030	1,799	27,829
Total	<u>\$ 73,152</u>	<u>\$ 10,335</u>	<u>\$ 83,487</u>

CITY OF BALLINGER, TEXAS
Notes to Financial Statements
September 30, 2023

NOTE 9: LONG-TERM LIABILITIES (Continued)

E. Change in Long-term Liabilities

	<u>9/30/2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>9/30/2023</u>	<u>Due Within One Year</u>
Governmental activities					
Notes payable	\$ 108,915	\$ 118,749	\$ 95,979	131,685	\$ 51,280
Capital leases	691,908	341,365	184,839	848,434	249,548
Financing leases	94,454	-	21,302	73,152	22,774
Line of credit	-	94,000	-	94,000	
Compensated absences	174,669	14,570	-	189,239	141,929
Net pension liability	923,269	599,848	-	1,523,117	-
Total OPEB liability	136,723	-	36,554	100,169	-
Total governmental activities	<u>\$ 2,129,938</u>	<u>\$ 1,168,532</u>	<u>\$ 338,674</u>	<u>\$ 2,959,796</u>	<u>\$ 465,531</u>
Business-type activities					
Certificates of obligation bonds	\$ 3,480,000	\$ -	\$ 635,000	\$ 2,845,000	\$ 290,000
Compensated absences	12,210	-	-	12,210	12,210
Net pension liability	251,347	166,167	-	417,514	-
Total OPEB liability	38,585	-	8,830	29,755	-
Total business-type activities	<u>\$ 3,782,142</u>	<u>\$ 166,167</u>	<u>\$ 643,830</u>	<u>\$ 3,304,479</u>	<u>\$ 302,210</u>
Total long-term liabilities	<u>\$ 5,912,080</u>	<u>\$ 1,334,699</u>	<u>\$ 982,504</u>	<u>\$ 6,264,275</u>	<u>\$ 767,741</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, 2023

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 2022</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, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

TMRS	
Inactive employees or beneficiaries currently receiving benefits	29
Inactive employees entitled to but not yet receiving benefits	28
Active employees	<u>38</u>
	95

CITY OF BALLINGER, TEXAS
Notes to Financial Statements
September 30, 2023

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 16.40% and 18.28% in calendar years 2022 and 2023, respectively. The city's contributions to TMRS for the year ended September 30, 2023, were \$307,659.

Net Pension Liability

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

Actuarial Assumptions:

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

Inflation	2.5% per year
Overall payroll growth	2.75% per year
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, 2023

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return (Arithmetic)</u>
Global Equities	35.0%	7.70%
Core Fixed Income	6.0%	4.90%
Non-Core Fixed Income	20.0%	8.70%
Real Return	12.0%	8.10%
Real Estate	12.0%	5.80%
Absolute Return	5.0%	6.90%
Private Equity	10.0%	11.80%
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, 2023

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 12/31/2021	\$ 5,627,411	\$ 4,485,259	\$ 1,142,152
Changes for the year:			
Service cost	275,048	-	275,048
Interest	371,576	-	371,576
Change of benefit terms	-	-	-
Difference between expected and actual experience	90,166	-	90,166
Changes of assumptions	-	-	-
Contributions - employer	-	265,415	(265,415)
Contributions - employee	-	116,264	(116,264)
Net investment income	-	(326,570)	326,570
Benefit payments, including refunds of employee contributions	(520,202)	(520,202)	-
Administrative expense	-	(2,833)	2,833
Other changes	-	3,381	(3,381)
Net changes	216,588	(464,545)	681,133
Balance at 12/31/2022	<u>\$ 5,843,999</u>	<u>\$ 4,020,714</u>	<u>\$ 1,823,285</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)	\$ 2,612,330	\$ 1,823,285	\$ 1,177,475

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, 2023

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, 2022, there were 239 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, 2022, the pension system membership consisted of:

Retirees and beneficiaries currently receiving benefits	3,991
Terminated members entitled to but not yet receiving benefits	1,813
Active participants	3,379

CITY OF BALLINGER, TEXAS
Notes to Financial Statements
September 30, 2023

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.

CITY OF BALLINGER, TEXAS
Notes to Financial Statements
September 30, 2023

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, 2022, total contributions of \$4,049,093 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, 2021. The City's contributions for the year ended August 31, 2022 and 2021 were \$13,905 and \$14,535, 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, 2021 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, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2022.

	System 100%	City 0.3030%
Total pension liability	\$ 165,375,669	\$ 472,974
Plan fiduciary net position	124,345,593	355,628
Net pension liability	<u>\$ 41,030,076</u>	<u>\$ 117,346</u>
Plan fiduciary net position as a percentage of the total pension liability	75.2%	75.2%

CITY OF BALLINGER, TEXAS
Notes to Financial Statements
September 30, 2023

NOTE 11: DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions

The total pension liability in the August 31, 2022 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%
Real 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, 2023

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
	2022	(6.5%)	Discount Rate (7.5%)	(8.5%)
City's net pension liability	\$	184,084	\$ 117,346	\$ 63,302

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

At September 30, 2022, the City reported a liability of \$117,346 for its proportionate share of the TESRS's net pension liability. The net pension liability was measured as of August 31, 2022. 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 (0.286%) 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, 2022.

For the year ended September 30, 2023, the City recognized pension expense/(income) of \$423,896. \$399,101 of this expense was for TMRS and \$24,795 was for TESRS.

CITY OF BALLINGER, TEXAS
Notes to Financial Statements
September 30, 2023

NOTE 11: DEFINED BENEFIT PENSION PLANS (Continued)

At September 30, 2023, 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	\$ 145,613	\$ 15,096
Changes in actuarial assumptions	2,987	-
Difference between projected and actual investment earnings	279,375	-
Contributions subsequent to the measurement date	<u>241,087</u>	<u>-</u>
Total TMRS	\$ 669,062	\$ 15,096
 Differences between expected and actual economic experience	 \$ 4,276	 \$ -
Changes in actuarial assumptions	-	565
Difference between projected and actual investment earnings	37,715	-
Contributions subsequent to the measurement date	<u>14,715</u>	<u>-</u>
Total TESRS	\$ 56,706	\$ 565
 Total	 <u>\$ 725,768</u>	 <u>\$ 15,661</u>

\$255,802 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, 2023. 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:			
2024	\$ 106,945	\$ 5,099	\$ 112,044
2025	101,727	11,669	113,396
2026	78,342	8,374	86,716
2027	125,865	16,283	142,148
2028	-	-	-
Thereafter	-	-	-
Total	<u>\$ 412,879</u>	<u>\$ 41,425</u>	<u>\$ 454,304</u>

CITY OF BALLINGER, TEXAS

Notes to Financial Statements

September 30, 2023

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

OPEB

Inactive employees or beneficiaries currently receiving benefits	25
Inactive employees entitled to but not yet receiving benefits	3
Active employees	38
	<hr/>
	66

Total OPEB Liability

The City's total OPEB liability was measured as of December 31, 2022, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.50% to 11.50% 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, 2023

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, 2022 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

Discount Rate

The discount rate used to measure the Total OPEB Liability was 4.05%. The discount rate was based on Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2022.

Changes in the OPEB Liability

	<u>Total OPEB Liability</u>
Balance at 12/31/2021	\$ 175,308
Changes for the year:	
Service cost	9,301
Interest	3,261
Change of benefit terms	-
Difference between expected and actual experience	(164)
Changes of assumptions	(52,304)
Benefit payments	(5,481)
Net changes	<u>(45,387)</u>
Balance at 12/31/2022	<u><u>\$ 129,921</u></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 4.05% as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.05%) or 1-percentage-point higher (5.05%) than the current rate:

	<u>1% Decrease in Discount Rate (3.05%)</u>	<u>Discount Rate (4.05%)</u>	<u>1% Increase in Discount Rate (5.05%)</u>
City's Total OPEB Liability	\$ 150,411	\$ 129,921	\$ 113,457

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

For the year ended September 30, 2023, the City recognized OPEB expense of \$9,116.

CITY OF BALLINGER, TEXAS
Notes to Financial Statements
September 30, 2023

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

For the year ended September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB for the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 3,149	\$ 4,172
Changes in assumptions and other inputs	16,501	41,667
Contributions subsequent to the measurement date	1,750	-
Total	<u>\$ 21,400</u>	<u>\$ 45,839</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:	
2024	\$ (4,550)
2025	(4,232)
2026	(11,787)
2027	(5,620)
2028	-
Thereafter	-
Total	<u>\$ (26,189)</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, 2023

NOTE 14: CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT

GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITA) was effective for the fiscal year ended September 30, 2023. 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 \$79,072 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 July 17, 2025, which is the date the financial statements were available to be issued.

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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, 2023

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes:				
General property	\$ 1,095,130	1,095,130	1,206,632	\$ 111,502
Sales and use	2,270,314	2,270,314	1,712,841	(557,473)
Franchise	125,000	125,000	145,458	20,458
Fines and fees	156,800	156,800	128,085	(28,715)
Charges for service	1,085,328	1,085,328	858,466	(226,862)
Intergovernmental revenue	-	-	97,717	97,717
Interest income	15,000	15,000	16,246	1,246
Other revenue	334,750	334,750	84,929	(249,821)
Total revenues	<u>5,082,322</u>	<u>5,082,322</u>	<u>4,250,374</u>	<u>(831,948)</u>
EXPENDITURES:				
Current				
General government	1,051,188	1,051,188	1,029,679	21,509
Public Safety	1,454,969	1,454,969	1,511,333	(56,364)
Culture and recreation	310,448	310,448	200,370	110,078
Public Works	1,558,207	1,558,207	1,317,390	240,817
Capital Outlay	99,250	99,250	341,365	(242,115)
Debt Service:				
Principal	117,129	117,129	280,817	(163,688)
Interest and fiscal charges	16,360	16,360	23,028	(6,668)
Total expenditures	<u>4,607,551</u>	<u>4,607,551</u>	<u>4,703,982</u>	<u>(96,431)</u>
Excess (deficiency) of revenue over (under) expenditures	<u>474,771</u>	<u>474,771</u>	<u>(453,608)</u>	<u>(928,379)</u>
Other financing sources (uses):				
Proceeds from sale of general capital assets	-	-	74,418	74,418
Insurance proceeds	-	-	21,045	21,045
Loan proceeds	-	-	554,114	554,114
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>649,577</u>	<u>649,577</u>
Net change in fund balance	474,771	474,771	195,969	(278,802)
Fund Balance, October 1, 2022	<u>1,007,473</u>	<u>1,007,473</u>	<u>1,007,473</u>	<u>-</u>
Fund Balance, September 30, 2023	<u>\$ 1,482,244</u>	<u>\$ 1,482,244</u>	<u>\$ 1,203,442</u>	<u>\$ (278,802)</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
Total Pension Liability			
Service Cost	\$ 85,949	\$ 107,862	\$ 119,577
Interest (on the Total Pension Liability)	210,848	222,640	226,217
Difference between expected and actual experience	71,951	(6,891)	31,950
Change of assumptions	-	22,554	-
Benefit payments, including refunds of employee contributions	(262,359)	(160,141)	(202,314)
Net Change in Total Pension Liability	106,389	186,024	175,430
Total Pension Liability - Beginning	3,100,321	3,206,710	3,392,734
Total Pension Liability - Ending	<u>\$ 3,206,710</u>	<u>\$ 3,392,734</u>	<u>\$ 3,568,164</u>
Plan Fiduciary Net Position			
Contributions - Employer	\$ 58,622	\$ 45,042	\$ 49,767
Contributions - Employee	58,977	66,829	71,861
Net Investment Income	185,877	4,852	219,044
Benefit payments, including refunds of employee contributions	(262,359)	(160,141)	(202,314)
Administrative Expense	(1,941)	(2,956)	(2,474)
Other	(160)	(146)	(133)
Net Change in Plan Fiduciary Net Position	39,016	(46,520)	135,751
Plan Fiduciary Net Position - Beginning	3,249,436	3,288,452	3,241,932
Plan Fiduciary Net Position - Ending	<u>\$ 3,288,452</u>	<u>\$ 3,241,932</u>	<u>\$ 3,377,683</u>
Net Pension (Asset)/Liability Ending	<u>\$ (81,742)</u>	<u>\$ 150,802</u>	<u>\$ 190,481</u>
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	 102.55%	 95.56%	 94.66%
 Covered Payroll	 \$ 1,179,541	 \$ 1,336,582	 \$ 1,437,223
 Net Pension Liability as a Percentage of Covered Payroll	 -6.93%	 11.28%	 13.25%

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

2017	2018	2019	2020	2021	2022
\$ 112,726	\$ 116,279	\$ 127,223	\$ 147,372	\$ 234,916	\$ 275,048
236,855	242,173	246,894	289,198	340,655	371,576
(36,811)	(32,978)	(50,676)	560,490	580,307	90,166
-	-	16,127	(30,862)	247,377	-
(231,114)	(240,426)	(281,570)	(285,254)	(249,654)	(520,202)
81,656	85,048	57,998	680,944	1,153,601	216,588
3,568,164	3,649,820	3,734,868	3,792,866	4,473,810	5,627,411
<u>\$ 3,649,820</u>	<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>
\$ 51,714	\$ 53,968	\$ 57,389	\$ 44,982	\$ 134,923	\$ 265,415
68,651	70,048	77,480	63,196	72,774	116,264
467,941	(111,625)	540,358	294,839	521,317	(326,570)
(231,114)	(240,426)	(281,570)	(285,254)	(249,654)	(520,202)
(2,426)	(2,161)	(3,059)	(1,912)	(2,418)	(2,833)
(123)	(113)	(92)	(75)	18	3,381
354,643	(230,309)	390,506	115,776	476,960	(464,545)
3,377,683	3,732,326	3,502,017	3,892,523	4,008,299	4,485,259
<u>\$ 3,732,326</u>	<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>\$ (82,506)</u>	<u>\$ 232,851</u>	<u>\$ (99,657)</u>	<u>\$ 465,511</u>	<u>\$ 1,142,152</u>	<u>\$ 1,823,285</u>
102.26%	93.77%	102.63%	89.59%	79.70%	68.80%
\$ 1,373,029	\$ 1,400,951	\$ 1,549,608	\$ 1,263,914	\$ 1,455,489	\$ 1,660,919
-6.01%	16.62%	-6.43%	36.83%	78.47%	109.78%

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
2014	\$ 58,622	\$ 58,622	-	\$ 1,179,541	4.97%
2015	45,042	45,042	-	1,336,582	3.37%
2016	49,767	49,767	-	1,437,223	3.46%
2017	51,714	51,714	-	1,373,029	3.77%
2018	53,968	53,968	-	1,400,951	3.85%
2019	60,380	60,380	-	1,501,432	4.02%
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%

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

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, 2023

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 \$96,431 more than budgeted due to capital outlay being \$242,115 over budget due to capital asset purchases needed in the current year and other smaller variances.

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	22 Years (longest amortization ladder)
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Post-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information

Notes	There were no benefit changes during the year.
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City of Ballinger, Texas
Notes to Required Supplementary Information
September 30, 2023

4. Schedule of Changes in OPEB Liability

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

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**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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 17, 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 2023-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

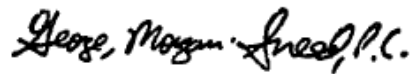
As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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
July 17, 2025

CITY OF BALLINGER, TEXAS
Schedule of Findings
For the Year Ended September 30, 2023

Financial Statement Findings

2023-001 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.

Condition:

Balance sheet accounts for the General, Water and Airport funds such as cash, accounts receivable, capital assets, debt and accrued expenses are not maintained and reconciled on a regular basis.

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. 23 audit adjustments were proposed by auditor.

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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