

CITY OF BALLINGER, TEXAS
ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2021

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Financial Section

April 8, 2024

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

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, and the major fund of the City of Ballinger, Texas as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and the major fund of the City of Ballinger, Texas as of September 30, 2021, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that a Budgetary Comparison Schedule – General Fund, Schedule of Changes in Net Pension Liability / (Asset) and Related Ratios - Pension Plan, Schedule of Contributions - Pension Plan, and Schedule of Changes in Total OPEB Liability and Related Ratios - OPEB 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 basic 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 April 8, 2024 on our consideration of the City of Ballinger, Texas' 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.

Condley and Company, L.L.P.

Certified Public Accountants

Basic Financial Statements

CITY OF BALLINGER, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Cash and cash equivalents	\$ 1,227,889	\$ 110,880	\$ 1,338,769
Restricted cash and cash equivalents		3,131,250	3,131,250
Certificates of deposit	126,628	119,674	246,302
Receivables, net of allowance for uncollectibles	518,603	294,997	813,600
Capital assets, net of accumulated depreciation:			
Land	229,545	1,767,700	1,997,245
Construction in progress		485,274	485,274
Improvements other than buildings		8,364,286	8,364,286
Buildings and improvements	222,108	49,165	271,273
Equipment	1,710,589	48,827	1,759,416
Total Assets	4,035,362	14,372,053	18,407,415
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	176,090	75,467	251,557
Deferred outflows of resources related to OPEB	23,550	10,093	33,643
Total Deferred Outflows of Resources	199,640	85,560	285,200
LIABILITIES			
Accounts payable	578,034	191,574	769,608
Accrued liabilities	10,034	3,308	13,342
Accrued interest	16,886	13,235	30,121
Unearned revenue	451,218	2,105,748	2,556,966
Deferred revenue - insurance proceeds	120,912	2,440	123,352
Notes payable, current portion	87,783		87,783
Capital leases, current portion	77,203		77,203
Certificates of obligation, current portion		620,000	620,000
Notes payable	108,829		108,829
Capital leases	187,982		187,982
Certificates of obligation		3,480,000	3,480,000
Compensated absences	130,709	12,210	142,919
Net pension liability	325,858	139,653	465,511
Total OPEB liability	119,453	51,194	170,647
Total Liabilities	2,214,901	6,619,362	8,834,263
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	151,137	64,773	215,910
Deferred inflows of resources related to OPEB	2,332	999	3,331
Total Deferred Inflows of Resources	153,469	65,772	219,241
NET POSITION			
Net investment in capital assets	1,700,445	6,615,252	8,315,697
Restricted for debt service	126,628	119,674	246,302
Unrestricted	39,559	1,037,553	1,077,112
Total Net Position	\$ 1,866,632	\$ 7,772,479	\$ 9,639,111

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

CITY OF BALLINGER, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Functions/Programs	Net (Expense) Revenues and Changes in Net Position					
	Expenses	Program Revenues		Primary Government		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES						
General government	\$ 1,183,237	\$ 78,480	\$ 193,431	\$ (911,326)	\$	\$ (911,326)
Public safety	1,165,969	11,400	15,558	(1,139,011)		(1,139,011)
Public works	2,057,646	805,394	534,675	(717,577)		(717,577)
Culture and recreation	256,990	55,097		(201,893)		(201,893)
Total Governmental Activities	<u>4,663,842</u>	<u>950,371</u>	<u>743,664</u>	<u>(2,969,807)</u>	<u>-</u>	<u>(2,969,807)</u>
BUSINESS-TYPE ACTIVITIES						
Water	2,384,316	2,111,775	110,639		(161,902)	(161,902)
Airport	37,349	55,868			18,519	18,519
Total Business-Type Activities	<u>2,421,665</u>	<u>2,167,643</u>	<u>110,639</u>	<u>-</u>	<u>(143,383)</u>	<u>(143,383)</u>
Total Primary Government	<u>\$ 7,085,507</u>	<u>\$ 3,118,014</u>	<u>\$ 854,303</u>	<u>\$ (2,969,807)</u>	<u>\$ (143,383)</u>	<u>\$ (3,113,190)</u>
General Revenues:						
Property tax				\$ 1,140,134	\$	\$ 1,140,134
Sales and franchise taxes				1,767,963		1,767,963
Interest income				2,577	2,390	4,967
Gain on sale of assets				18,658		18,658
Miscellaneous				147,566	164,815	312,381
Operating transfers				(118,941)	118,941	-
Total General Revenues				<u>2,957,957</u>	<u>286,146</u>	<u>3,244,103</u>
Change in Net Position				<u>(11,850)</u>	<u>142,763</u>	<u>130,913</u>
Net Position - Beginning				1,878,482	7,629,716	9,508,198
Net Position - Ending				<u>\$ 1,866,632</u>	<u>\$ 7,772,479</u>	<u>\$ 9,639,111</u>

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

CITY OF BALLINGER, TEXAS
BALANCE SHEET - GOVERNMENTAL FUND
SEPTEMBER 30, 2021

	<u>General Fund</u>
ASSETS	
Petty cash	\$ 250
Cash and cash equivalents	1,227,639
Certificates of deposit	126,628
Receivables:	
Sales tax	382,173
Property taxes, net of allowance for uncollectibles	47,321
Other receivables	<u>89,109</u>
 Total Assets	 \$ <u><u>1,873,120</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	
Liabilities:	
Accounts payable	\$ 578,034
Accrued liabilities	10,034
Unearned revenues - grants	451,218
Unearned revenues - insurance proceeds	<u>120,912</u>
 Total Liabilities	 <u>1,160,198</u>
Deferred Inflows of Resources:	
Unavailable revenue - property taxes	<u>47,321</u>
 Total Deferred Inflows of Resources	 <u>47,321</u>
Fund Balance:	
Restricted fund balance	126,628
Assigned fund balance	26,702
Unassigned fund balance	<u>512,271</u>
 Total Fund Balance	 <u>665,601</u>
 Total Liabilities, Deferred Inflows of Resources, and Fund Balance	 \$ <u><u>1,873,120</u></u>

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

CITY OF BALLINGER, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

Total fund balances - governmental fund balance sheet	\$ 665,601
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the fund.	2,162,242
Net pension liability used in governmental activities are not reported in the fund.	(325,858)
Total OPEB liability used in governmental activities are not reported in the fund.	(119,453)
Deferred outflows of resources related to pensions used in governmental activities are not reported in the fund.	176,090
Deferred inflows of resources related to pensions used in governmental activities are not reported in the fund.	(151,137)
Deferred outflows of resources related to OPEB used in governmental activities are not reported in the fund.	23,550
Deferred inflows of resources related to OPEB used in governmental activities are not reported in the fund.	(2,332)
Compensated absences used in the governmental activities are not reported in the fund.	(130,709)
Long-term debt liabilities not due and payable in the current period, and therefore, are not reported in the fund.	
Notes payable	(196,612)
Capital leases payable	(265,185)
Accrued interest payable	(16,886)
Property tax revenue considered unavailable for the governmental funds and recorded as an unearned revenue in the governmental fund.	<u>47,321</u>
Net position of governmental activities - Statement of Net Position	<u><u>\$ 1,866,632</u></u>

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

CITY OF BALLINGER, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>General Fund</u>
Revenues	
Property taxes	\$ 1,140,001
Sales and franchise taxes	1,767,963
Fines and fees	79,668
Charges for services	870,703
Interest income	2,577
Miscellaneous	<u>147,566</u>
Total revenues	<u>4,008,478</u>
Expenditures	
General government	829,000
Public safety	990,051
Public works	1,864,106
Culture and recreation	239,346
Capital Outlay	686,057
Debt service	
Principal	143,703
Interest	<u>16,234</u>
Total expenditures	<u>4,768,497</u>
Deficit of revenues over expenditures	(760,019)
Other Financing Sources (Uses)	
Grant proceeds	743,664
Lease proceeds	163,908
Sale of assets	18,658
Transfers in	41,643
Transfers out	<u>(160,584)</u>
Total other financing sources	<u>807,289</u>
Excess of revenues over expenditures and other financing sources	<u>47,270</u>
Fund balance - Beginning	<u>618,331</u>
Fund balance - Ending	<u>\$ 665,601</u>

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

CITY OF BALLINGER, TEXAS

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021*

Net change in fund balances - total governmental fund	\$ 47,270
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Property tax revenue considered unavailable for the governmental fund.	133
Governmental fund reports debt payments as expenditures but are reported as decreases in notes payable and capital leases in governmental activities.	148,341
Accrued interest expenses are not reported in the governmental fund but are reported as an accrued expense in governmental activities.	(67)
Governmental fund reports capital outlays as expenditures but shown as increases in capital assets in governmental activities.	733,760
Depreciation is not recognized as an expenditure in the governmental fund since it does not require use of current financial resources.	(414,798)
Proceeds from debt are included as revenue in the fund statements but an increase in capital leases in governmental activities.	(163,908)
Various adjustments including pension, OPEB, and compensated absences adjustments are necessary to convert to accrual accounting.	<u>(362,581)</u>
Change in net assets of governmental activities - Statement of Activities	<u>\$ (11,850)</u>

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

CITY OF BALLINGER, TEXAS
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
SEPTEMBER 30, 2021

	Water Fund	Airport Fund	Business-type Activities Enterprise Fund
			Total Enterprise Funds
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 54,146	\$ 56,734	\$ 110,880
Certificates of deposit	119,674		119,674
Accounts receivable, net of allowance for uncollectibles	275,432	19,565	294,997
Total Current Assets	449,252	76,299	525,551
Restricted assets:			
Cash and cash equivalents	3,131,250	-	3,131,250
Total Restricted Assets	3,131,250	-	3,131,250
Noncurrent:			
Capital assets:			
Property, plant and equipment	21,532,835	740,514	22,273,349
Less: accumulated depreciation	(11,000,675)	(557,422)	(11,558,097)
Total Noncurrent Assets	10,532,160	183,092	10,715,252
TOTAL ASSETS	14,112,662	259,391	14,372,053
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred outflows of resources related to pensions	75,467		75,467
Deferred outflows of resources related to OPEB	10,093		10,093
TOTAL DEFERRED OUTFLOWS OF RESOURCES	85,560	-	85,560
LIABILITIES:			
Current liabilities:			
Accounts payable	186,521	5,053	191,574
Accrued liabilities	3,308		3,308
Accrued interest	13,235		13,235
Unearned revenue	2,105,748		2,105,748
Deferred revenues - insurance proceeds	2,440		2,440
Certificates of obligation	620,000		620,000
Total Current Liabilities	2,931,252	5,053	2,936,305
Noncurrent liabilities:			
Certificates of obligation	3,480,000		3,480,000
Compensated absences	12,210		12,210
Net pension liability	139,653		139,653
Total OPEB liability	51,194		51,194
Total Noncurrent Liabilities	3,683,057	-	3,683,057
TOTAL LIABILITIES	6,614,309	5,053	6,619,362
DEFERRED INFLOWS OF RESOURCES:			
Deferred inflows of resources related to pensions	64,773		64,773
Deferred inflows of resources related to OPEB	999		999
TOTAL DEFERRED INFLOWS OF RESOURCES	65,772	-	65,772
NET POSITION:			
Net investment in capital assets	6,432,160	183,092	6,615,252
Restricted for debt service	119,674		119,674
Unrestricted	966,307	71,246	1,037,553
TOTAL NET POSITION	\$ 7,518,141	\$ 254,338	\$ 7,772,479

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

CITY OF BALLINGER, TEXAS

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

PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Water Fund</u>	<u>Airport Fund</u>	<u>Business-type Activities Enterprise Funds</u>
			<u>Total Enterprise Funds</u>
OPERATING REVENUES:			
Service revenue	\$ 2,103,240	\$ 2,705	\$ 2,105,945
Rental income	<u>8,535</u>	<u>53,163</u>	<u>61,698</u>
Total Operating Revenues	<u>2,111,775</u>	<u>55,868</u>	<u>2,167,643</u>
OPERATING EXPENSES:			
Salaries and wages	371,795		371,795
Employee benefits	275,074		275,074
Depreciation	473,419	8,835	482,254
Water supply	345,240		345,240
Sewer fee	1,250		1,250
Training and education	4,972		4,972
Contract services	73,865		73,865
Insurance	38,317	5,600	43,917
Office expenses	37,292		37,292
Professional services	11,742		11,742
Repairs and maintenance	168,831	2,277	171,108
Supplies	179,288	5,033	184,321
Taxes and licenses	1,065		1,065
Utilities	60,173	5,062	65,235
Other operating expenses	<u>292,518</u>	<u>10,542</u>	<u>303,060</u>
Total Operating Expenses	<u>2,334,841</u>	<u>37,349</u>	<u>2,372,190</u>
Operating Income (Loss)	<u>(223,066)</u>	<u>18,519</u>	<u>(204,547)</u>
NON-OPERATING REVENUES (EXPENSES):			
Interest	2,390		2,390
Grant revenue	110,639		110,639
Miscellaneous revenue	164,815		164,815
Interest expense	(49,475)		(49,475)
Transfers in	160,584		160,584
Transfers out	<u>(38,643)</u>	<u>(3,000)</u>	<u>(41,643)</u>
Total Non-Operating Revenues (Expenses)	<u>350,310</u>	<u>(3,000)</u>	<u>347,310</u>
Change in Net Position	<u>127,244</u>	<u>15,519</u>	<u>142,763</u>
Net Position - Beginning	<u>7,390,897</u>	<u>238,819</u>	<u>7,629,716</u>
Net Position - Ending	<u>\$ 7,518,141</u>	<u>\$ 254,338</u>	<u>\$ 7,772,479</u>

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

CITY OF BALLINGER, TEXAS
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Water Fund</u>	<u>Airport Fund</u>	<u>Business-type Activities Enterprise Funds</u>
			<u>Total Enterprise Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 1,906,032	\$ 58,937	\$ 1,964,969
Cash paid to employees	(646,869)		(646,869)
Cash paid to suppliers	(970,122)	(26,641)	(996,763)
Net Cash Provided by Operating Activities	<u>289,041</u>	<u>32,296</u>	<u>321,337</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:			
Miscellaneous receipts	164,815		164,815
Grant income	110,639		110,639
Interest income, net of reinvested interest	1,238		1,238
Interest paid	(52,887)		(52,887)
Net Cash Provided by Noncapital and Related Financing Activities	<u>223,805</u>	<u>-</u>	<u>223,805</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Payments on certificates of obligation	(610,000)		(610,000)
Purchase of capital assets	(264,999)	(18,925)	(283,924)
Net Cash Used in Capital and Related Financing Activities	<u>(874,999)</u>	<u>(18,925)</u>	<u>(893,924)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(362,153)</u>	<u>13,371</u>	<u>(348,782)</u>
Cash and Cash Equivalents at Beginning of Year	<u>3,547,549</u>	<u>43,363</u>	<u>3,590,912</u>
Cash and Cash Equivalents at End of Year	<u>\$ 3,185,396</u>	<u>\$ 56,734</u>	<u>\$ 3,242,130</u>
Cash and cash equivalents	\$ 54,146	\$ 56,734	\$ 110,880
Restricted cash and cash equivalents	3,131,250		3,131,250
	<u>\$ 3,185,396</u>	<u>\$ 56,734</u>	<u>\$ 3,242,130</u>

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

CITY OF BALLINGER, TEXAS

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Water Fund</u>	<u>Airport Fund</u>	<u>Business-type Activities Enterprise Funds</u>
			<u>Total Enterprise Funds</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	\$ (223,066)	\$ 18,519	\$ (204,547)
Adjustments Not Affecting Cash:			
(Increase) decrease in accounts receivable	(24,399)	3,069	(21,330)
Increase in net pension liability	139,653		139,653
Increase in deferred outflows related to pensions and OPEB	(3,501)		(3,501)
Increase in accounts payable	94,691	1,873	96,564
Decrease in accrued expenses	(1,019)		(1,019)
Decrease in unearned revenue	(181,344)		(181,344)
Increase in compensated absences	3,807		3,807
Increase in net pension liability	29,897		29,897
Increase in total OPEB liability	10,212		10,212
Decrease in deferred inflows related to pensions and OPEB	(29,309)		(29,309)
Depreciation	473,419	8,835	482,254
Net Cash Provided by Operating Activities	<u>\$ 289,041</u>	<u>\$ 32,296</u>	<u>\$ 321,337</u>

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

CITY OF BALLINGER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

Note 1: Reporting Entity

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

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

Note 2: Summary of Significant Accounting Policies

Government-Wide and Fund Financial Statements

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

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

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

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

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

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

CITY OF BALLINGER, TEXAS
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The City operates and reports the following major funds:

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

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

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

Cash and Cash Equivalents and Certificates of Deposit

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

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

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

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

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

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

Level 3 - Inputs to the valuation methodology are unobservable.

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

Accounts Receivable

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

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

Capital Assets

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

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

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

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

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

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

Long-Term Obligations

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

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

Compensated Absences

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

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

Equity Classification

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

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

Restricted net position – Consist of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The City's

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restricted net position as of September 30, 2021 totaling \$246,302 relates to funds held in certificates of deposit to be used for debt service.

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

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

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

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

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

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

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

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

In addition to unassigned fund balance, at September 30, 2021, the City reported assigned fund balance totaling \$26,702 for the City park and court technology, and restricted fund balance totaling \$126,628 to be used for debt service.

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

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

Deferred Outflows / Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. The City had deferred outflows of resources related to pensions totaling \$251,557 and deferred outflows of resources totaling \$33,643 related to OPEB as of September 30, 2021.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The City had deferred inflows of resources related to pensions totaling \$215,910 and deferred inflows of resources totaling \$3,331 related to OPEB as of September 30, 2021. In

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the governmental fund statements, the City also had one item that qualified for reporting in this category related to unavailable property tax revenue totaling \$47,321 as of September 30, 2021.

Use of Estimates

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

Subsequent Events

The City has evaluated subsequent events through April 8, 2024, the day the financial statements were available to be issued.

Recent Accounting Pronouncements

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

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

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

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

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

In May 2021, the GASB issued *Statement No. 96, Subscription-Based Information Technology Arrangements*, which improves accounting and financial reporting for subscription-based information technology arrangements for government end users. The requirements of this statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

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

CITY OF BALLINGER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
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Note 3: Cash Deposits and Certificates of Deposit

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

As of September 30, 2021, the City had cash and cash investments at federally insured local banks. The City is restricted by State statute to invest in certificates of deposit and investments of the United States and the State of Texas.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. On the date of the largest cash balance of the fiscal year, pledged securities plus FDIC coverage were sufficient to cover the total bank balance as of February 28, 2021 of \$1,735,953.

As of September 30, 2021, pledged securities were sufficient to cover the bank balances totaling \$1,013,870.

In the case of investments, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

Interest Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

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

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

	Fair Value	Weighted Average Maturity (Years)
Certificates of Deposit	\$ 246,302	1
Total	\$ 246,302	

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

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

Description	Fair Value Measurements at Reporting Date Using			
	(Level 1)	(Level 2)	(Level 3)	Total
Certificates of Deposit	\$ 246,302	\$ -	\$ -	\$ 246,302
Total	\$ 246,302	\$ -	\$ -	\$ 246,302

There have been no changes in the methodologies used at September 30, 2021 as compared to 2020.

Note 4: Accounts Receivable

Receivables in the General Fund totaling \$518,603 as of September 30, 2021 consist of ad valorem tax, sanitation, sales tax, sundry receivables, and appraisal district in the amounts of \$47,321, \$59,286, \$382,173, \$29,115, and \$708, respectively. An allowance for uncollectible ad valorem tax in the amount of \$12,641 has been recorded.

Accounts receivable for the Water Fund as of September 30, 2021 amounted to \$275,432. An allowance for uncollectible water billings in the amount of \$4,337 has been recorded as of September 30, 2021.

Accounts receivable for the Airport Fund as of September 30, 2021 amounted to \$19,565 and is considered fully collectible. Accordingly, no allowance for uncollectible accounts has been recorded.

CITY OF BALLINGER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
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Note 5: Capital Assets

Capital asset activity for the year ended September 30, 2021, was as follows:

<u>Governmental activities</u>	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land	\$ 152,545	\$ 77,000	\$ -	\$ 229,545
Total capital assets not being depreciated	<u>152,545</u>	<u>77,000</u>	<u>-</u>	<u>229,545</u>
Capital assets being depreciated:				
Buildings and improvements	736,503	5,553	(18,782)	723,274
Equipment	4,911,903	651,207	(22,500)	5,540,610
Total capital assets being depreciated	<u>5,648,406</u>	<u>656,760</u>	<u>(41,282)</u>	<u>6,263,884</u>
Less accumulated depreciation for:				
Buildings and improvements	(501,303)	(18,645)	18,782	(501,166)
Equipment	(3,456,368)	(396,153)	22,500	(3,830,021)
Total accumulated depreciation	<u>(3,957,671)</u>	<u>(414,798)</u>	<u>41,282</u>	<u>(4,331,187)</u>
Governmental activities capital assets, net	<u>\$ 1,843,280</u>	<u>\$ 318,962</u>	<u>\$ -</u>	<u>\$ 2,162,242</u>

Depreciation was charged to functions as follows:

General government	\$ 42,423
Public safety	162,965
Public works	191,766
Culture and recreation	17,644
	<u>\$ 414,798</u>

<u>Business-type activities</u>	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land	\$ 1,767,700	\$ -	\$ -	\$ 1,767,700
Construction in progress	249,776	235,498	-	485,274
Total capital assets not being depreciated	<u>2,017,476</u>	<u>235,498</u>	<u>-</u>	<u>2,252,974</u>
Capital assets being depreciated:				
Improvements other than buildings	17,642,693	-	-	17,642,693
Buildings and improvements	1,685,865	18,926	(6,502)	1,698,289
Equipment	649,893	29,500	-	679,393
Total capital assets being depreciated	<u>19,978,451</u>	<u>48,426</u>	<u>(6,502)</u>	<u>20,020,375</u>
Less accumulated depreciation for:				
Improvements other than buildings	(8,837,340)	(441,067)	-	(9,278,407)
Buildings and improvements	(1,621,159)	(34,467)	6,502	(1,649,124)
Equipment	(623,846)	(6,720)	-	(630,566)
Total accumulated depreciation	<u>(11,082,345)</u>	<u>(482,254)</u>	<u>-</u>	<u>(11,558,097)</u>
Business-type activities capital assets, net	<u>\$ 10,913,582</u>	<u>\$ (198,330)</u>	<u>\$ -</u>	<u>\$ 10,715,252</u>

CITY OF BALLINGER, TEXAS
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Depreciation charged to the business-type activities was \$473,419 and \$8,835 for the Water and Airport Funds, respectively.

Note 6: Unearned Revenue

Unearned revenue and restricted cash in the business-type activities at September 30, 2021 totaling \$2,105,748 and \$3,131,250, respectively, represent unspent funds for upgrades to the City's water supply system, which include both loan and loan forgiveness funding.

Note 7: Long-Term Obligations

In the governmental activities debt obligations at September 30, 2021, are summarized as follows:

Notes Payable

Government Capital Corporation note in the original amount of \$122,409; issued July 19, 2016 for a brush truck; payable in annual principal and interest payments due November 30; with an interest rate of 3.412%; final payment due November 30, 2022.	\$ 37,167
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.	81,578
Government Capital Corporation note in the original amount of \$36,570; issued November 30, 2017 for law enforcement hardware; payable in annual principal and interest payments due November 30; with an interest rate of 4.573%; final payment due November 30, 2021.	9,765
Keystone Bank note in the original amount of \$44,594; issued May 29, 2018 for a 2011 International truck; payable in semi-annual annual principal and interest payments due December 31 and June 30; with an interest rate of 3.338%; final payment due June 30, 2023.	18,658
Keystone Bank note in the original amount of \$121,000; issued October 16, 2018 for a ladder truck; payable in annual principal and interest payments due November 15; with an interest rate of 3.575%; final payment due November 15, 2022.	<u>49,444</u>
Total Notes Payable	\$ <u>196,612</u>

CITY OF BALLINGER, TEXAS
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Capital Leases Payable

John Deere Financial lease in the original amount of \$137,686; issued March 15, 2019 for an excavator; payable in monthly principal and interest payments due March 15; with an interest rate of 4.753%; final payment due March 15, 2024.	\$ 71,816
John Deere Financial lease in the original amount of \$48,000; issued January 12, 2018 for a skid steer; payable in annual principal and interest payments due December 15; with an interest rate of 4.508%; final payment due December 15, 2021.	13,367
John Deere Financial lease in the original amount of \$29,660; issued January 11, 2018 for a 5101 utility trailer; payable in annual principal and interest payments due November 2; with an interest rate of 6.650%; final payment due November 2, 2022.	15,894
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.	70,838
American National Leasing in the original amount of \$69,443; issued December 22, 2020 for a 2021 bobcat escavator; payable in annual principal and interest payments due December 22; with an interest rate of 2.99%; final payment due December 22, 2024.	69,543
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.	<u>23,727</u>
Total Capital Leases Payable	\$ <u>265,185</u>

Long-Term Obligation Activity

A summary of long-term obligation activity for the year ended September 30, 2021, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Notes payable	\$ 290,715	\$ -	\$ (94,103)	\$ 196,612	\$ 87,783
Capital leases	155,316	164,108	(54,239)	265,185	76,615
Compensated absences	111,221	19,488		130,709	-
Net pension liability	-	325,858		325,858	-
Total OPEB liability	<u>95,624</u>	<u>23,829</u>		<u>119,453</u>	-
Total	\$ <u>652,876</u>	\$ <u>533,283</u>	\$ <u>(148,342)</u>	\$ <u>1,037,817</u>	\$ <u>164,398</u>

CITY OF BALLINGER, TEXAS
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Maturities of notes payable are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total Requirement
2022	\$ 87,783	\$ 6,886	\$ 94,669
2023	80,708	3,715	84,423
2024	28,121	971	29,092
	<u>\$ 196,612</u>	<u>\$ 11,572</u>	<u>\$ 208,184</u>

Maturities of capital leases payable are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total Requirement
2022	\$ 77,203	\$ 9,321	\$ 86,524
2023	66,740	6,004	72,744
2024	43,989	3,353	47,342
2025	50,696	2,311	53,007
2026	26,557	794	27,351
	<u>\$ 265,185</u>	<u>\$ 21,783</u>	<u>\$ 286,968</u>

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

Year Ending March 31,	
2022	\$ 164,986
2023	147,448
2024	72,110
2025	50,696
2026	26,557
	<u>\$ 461,797</u>

In the business-type activities debt obligations at September 30, 2021, are summarized as follows:

Certificates of Obligations

Texas general obligation refunding bond (2012 Series) in the original amount of \$3,495,000; issued to pay for a new water treatment plant dated October 16, 2012; payable in annual principal and interest payments due June 1, and the additional interest payments due December 1; with an interest rate ranging from .090% - 3.65%; final payment due June 1, 2023. \$ 680,000

Zero coupon Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation Taxable (2006 Series) in the original amount of \$3,865,000; issued for water system improvements dated December 1, 2006; payable in annual payments due June 1; final payment due June 1, 2038. 2,175,000

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SEPTEMBER 30, 2021

Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation (2016 Series) of \$605,000 issued to purchase water system improvements, dated February 1, 2016, payable in annual principal and interest payments due June 1, with interest rate ranging from 0.12% - 1.90%; final payment due June 1, 2026. 305,000

City of Ballinger, Texas, Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation (2018 Series) in the original amount of \$1,035,000; issued to pay contractual obligations to be incurred to improve water system properties and facilities dated January 30, 2019; payable in annual principal and interest payments due June 1, and the additional interest payments due December 1; with an interest rate ranging from 1.10% - 1.93%; final payment due June 1, 2030. 940,000

Total Certificates of Obligation \$ 4,100,000

Long-Term Obligation Activity

A summary of long-term obligation activity for the year ended September 30, 2021, is as follows:

Business-Type Activities:	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Certificate of obligation (2012)	\$ 1,005,000	\$	\$ (325,000)	\$ 680,000	\$ 335,000
Certificate of obligation (2006)	2,305,000		(130,000)	2,175,000	130,000
Certificates of obligation (2016)	365,000		(60,000)	305,000	60,000
Certificates of obligation (2018)	1,035,000		(95,000)	940,000	95,000
Compensated absences	8,403	3,807		12,210	
Net pension liability	-	139,653		139,653	-
Total OPEB liability	<u>40,982</u>	<u>10,212</u>		<u>51,194</u>	-
Total	<u>\$ 4,759,385</u>	<u>\$ 153,672</u>	<u>\$ (610,000)</u>	<u>\$ 4,303,057</u>	<u>\$ 620,000</u>

CITY OF BALLINGER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

Maturities of certificates of obligation are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total Requirement
2022	\$ 620,000	\$ 41,372	661,372
2023	635,000	28,582	663,582
2024	290,000	14,299	304,299
2025	290,000	12,352	302,352
2026	300,000	10,257	310,257
2027	235,000	7,858	242,858
2028	240,000	6,147	246,147
2029	240,000	4,243	244,243
2030	245,000	2,220	247,220
2031	130,000		130,000
2032	130,000		130,000
2033	125,000		125,000
2034	125,000		125,000
2035	125,000		125,000
2036	125,000		125,000
2037	125,000		125,000
2038	120,000		120,000
	<u>\$ 4,100,000</u>	<u>\$ 127,330</u>	<u>\$ 4,227,330</u>

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

Year Ending March 31,	
2022	\$ 620,000
2023	635,000
2024	290,000
2025	290,000
2026 and thereafter	<u>2,265,000</u>
	<u>\$ 4,100,000</u>

Note 8: Risk Management

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During the fiscal year 2021, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool (TMLIRP). TMLIRP is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TMLIRP for insurance coverage. The agreement for the formation of TMLIRP provides that TMLIRP will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level or reinsurance. The City continues to carry commercial insurance of other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and any settled claims have not exceeded coverage in any of the past three fiscal years.

CITY OF BALLINGER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

Note 9: Interfund Transfers and Due to/from Interfund

Interfund transfers for the year ended September 30, 2021 consisted of a \$160,584 transfer from the General Fund from the Water Fund, a \$38,643 transfer from the Water Fund to the General Fund, and a \$3,000 transfer to the General Fund from the Airport Fund.

Note 10: Pension Plans

Retirement Pension Plan

Plan Description

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

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

Benefits Provided

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

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

TMRS members vest after 5 years of service. If a vested member leaves covered employment before reaching retirement eligibility, the member may leave his or her deposits with TMRS, earn interest on the deposits, and, upon reaching age 60, apply for and receive a monthly retirement payment. A member becomes eligible for service retirement based on various combinations of age and service, depending on which provisions have been adopted by the employing municipality. City of Stamford members can retire at ages 60 and above with five or more years of services or with 25 years of service regardless of age.

A member city may elect to increase the annuities of its retirees (grant a cost-of-living adjustment, or COLA), either annually or on an annually repeating basis, effective January 1 of a calendar year. For cities that adopted annuity increases since January 1, 2000, the adjustment is either 30%, 50% or 70% of the increase (if any) in the Consumer Price Index – All Urban Consumers (CPI-U) between the preceding the member's retirement date and the December 13 months before the effective date of the increase, applied to the original monthly annuity.

CITY OF BALLINGER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

Employees covered by benefit terms.

At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	28
Inactive employees entitled to but not yet receiving benefits	22
Active employees	30
Total participants	80

Contributions

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

Employees for the City of Ballinger were required to contribute 5.0% of their annual gross earnings during the fiscal year. The contribution rates for the City were 3.85% and 3.55% in the calendar years 2020 and 2021, respectively. The City's contributions to TMRS for the year ended September 30, 2021, were \$117,451, and were equal to the required contributions.

Net Pension Liability

Actuarial Assumptions

The total Pension Liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%	
Overall payroll growth	1.75%	
Investment rate of return	6.75%	This rate represents the assumed return, net of all investment and administrative expenses.

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

Actuarial assumptions used in the December 31, 2020, valuation was based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2014 through December 31, 2018, first used in the December 31, 2019 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. Plan assets are managed on a total return basis with

CITY OF BALLINGER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	30.00%	5.30%
Core Fixed Income	10.00%	1.25%
Non-Core Fixed Income	20.00%	4.14%
Real Return	10.00%	3.85%
Real Estate	10.00%	4.00%
Absolute Return	10.00%	3.48%
Private Equity	10.00%	7.75%

Discount Rate

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

CITY OF BALLINGER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

Changes in Net Pension Liability / (Asset)

	Increase (Decrease)		
	Total Pension	Plan	Net Pension
	Liability	Fiduciary Net	Liability /
	(a)	(b)	(a)-(b)
Balances as of December 31, 2018	\$ 3,792,866	\$ 3,892,523	\$ (99,657)
Changes for the year:			
Service cost	147,372		147,372
Interest on total pension liability	289,198		289,198
Change in benefit terms	560,490		560,490
Difference between expected and actual experience	(30,862)		(30,862)
Benefit payments	(285,254)	(285,254)	-
Administrative expenses		(1,912)	1,912
Member contributions		63,196	(63,196)
Net investment income		294,839	(294,839)
Employer contributions		44,982	(44,982)
Other		(75)	75
Balances as of December 31, 2019	\$ 4,473,810	\$ 4,008,299	\$ 465,511

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

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

	1% Decrease	Current Rate	1% Increase
	(5.75%)	(6.75%)	(7.75%)
Net pension liability (asset)	\$ 1,008,263	\$ 465,511	\$ 15,354

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2021, the City recognized total pension expense of \$469,735.

CITY OF BALLINGER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

As of September 30, 2021, the City reported on the Statement of Net Position deferred (inflows) outflows of resources related to pensions from the following sources:

	Outflows	Inflows
Contributions subsequent to measurement date	\$ 153,573	\$
Difference between expected and actual experience		(46,741)
Difference between projected and actual investment earnings	91,942	(169,169)
Change of assumptions	6,042	
Total	\$ 251,557	\$ (215,910)

Deferred outflows of resources related to contributions subsequent to the measurement date of \$153,573 will be recognized as a reduction of the net pension liability for the year ending September 30, 2022. Remaining net deferred outflows (inflows) of resources related to pensions totaling (\$117,926) will be recognized in pension expense for the years ending September 30, 2022, 2023, 2024, and 2025 in the amounts of (\$28,629), (\$63,048), (\$24,644), and (\$1,605), respectively.

Note 11: Other Post-Employment Benefits (OPEB)

Plan Description

The City also participates in the cost-sharing single-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). For purposes of reporting under *GASB Statement No. 75*, the retiree portion of the SDBF does not meet the definition of a trust and is not considered a cost-sharing plan and is instead considered a single-employer, defined benefit OPEB plan. The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1. The City offered SDBF to active employees and retirees in the 2020 and 2021 plan years.

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

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

Contributions

The City determines rates based on an actuarially determined rate. The City's average contribution rate was 13.50% of covered payroll as of the measurement date of December 31, 2020. Employees are not required to contribute to the plan.

CITY OF BALLINGER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

Employees covered by benefit terms.

At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	25
Inactive employees entitled to but not yet receiving benefits	2
Active employees	30
Total participants	59

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

Actuarial Assumptions

The total OPEB Liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Discount rate	2.00%, which represents the assumed return, net of all investment and administrative expenses

Administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68. Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the 2019 Municipal Retirees of Texas Mortality Tables, projected on a fully generational basis with scale UMP.

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

Actuarial assumptions used in the December 31, 2020 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2014 through December 31, 2018, first used in the December 31, 2019 valuation. For purposes of developing the SDBF contribution rates, no other demographic assumptions are applicable. Mortality assumptions were modified as of the December 31, 2019 valuation. In addition, premiums for retirees are based on the full \$7,500 benefit versus the \$2,500 previously used. A credit is granted against premiums for active employees equal to 2% of the SDB Fund balance as of the valuation date expressed as a percentage of payroll.

Discount Rate

The discount rate used to measure the Total OPEB Liability was 2.00%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2020. Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contribution for retirees.

CITY OF BALLINGER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

Changes in Total OPEB Liability

	<u>Total OPEB Liability</u>
Balances as of December 31, 2019	\$ 136,606
Changes for the year:	
Service cost	5,056
Interest on total OPEB liability	3,814
Difference between expected and actual experience	6,047
Changes in assumptions	20,009
Benefit payments	(885)
Balances as of December 31, 2020	\$ 170,647

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

The following presents the total OPEB liability of the City calculated using the discount rate of 2.75% as well as what the City's total OPEB liability would have been if it were calculated using a discount rate that is 1% lower and 1% higher than the current rate:

	<u>1% Decrease</u> <u>(1.00%)</u>	<u>Current Rate</u> <u>(2.00%)</u>	<u>1% Increase</u> <u>(3.00%)</u>
Total OPEB liability	\$ 203,609	\$ 170,647	\$ 144,789

OPEB Expense

Contributions subsequent to measurement date	\$ 3,414
Change in OPEB liability	20,112
Total OPEB expense	\$ 23,526

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

For the year ended September 30, 2021, the City recognized OPEB expense of \$20,112. The City reported deferred outflows (inflows) of resources related to OPEB from the following sources:

	<u>Outflows</u>	<u>Inflows</u>
Differences between expected and actual experience	\$ 6,527	\$ (1,260)
Changes in assumptions and other inputs	23,702	(2,071)
Contributions made subsequent to measurement date	3,414	
Total	\$ 33,643	\$ (3,331)

Deferred outflows of resources related to contributions subsequent to measurement date of \$3,414 will be recognized as a reduction of the net OPEB liability for the year ending September 30, 2022. Remaining net deferred outflows (inflows) of resources related to OPEB totaling \$26,898 will be recognized in OPEB expense for the years ending September 30, 2021, 2022, 2023, 2023, and 2024 in the amounts of \$8,866, \$8,026, \$3,955, and \$6,051, respectively.

Required Supplementary Information

CITY OF BALLINGER, TEXAS
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ 618,331	\$ 618,331	\$ 618,331	\$ -
Resources (Inflows):				
Taxes:				
Property tax	1,299,636	1,299,636	1,140,001	(159,635)
Sales tax	1,290,000	1,290,000	1,599,434	309,434
Other tax	166,700	166,700	168,529	1,829
Total taxes	<u>2,756,336</u>	<u>2,756,336</u>	<u>2,907,964</u>	<u>151,628</u>
Charges for services	<u>707,890</u>	<u>707,890</u>	<u>870,703</u>	<u>162,813</u>
Fines and forfeitures:				
Court costs	50,000	50,000	70,152	20,152
Miscellaneous fees	2,450	2,450	9,516	7,066
Total fines and forfeitures	<u>52,450</u>	<u>52,450</u>	<u>79,668</u>	<u>27,218</u>
Miscellaneous:				
Grant proceeds	-	-	743,664	743,664
Lease proceeds	-	-	163,908	163,908
Sale of assets	-	-	18,658	18,658
Interest and investment income	5,500	5,500	2,577	(2,923)
Miscellaneous	18,000	18,000	147,566	129,566
Total miscellaneous	<u>23,500</u>	<u>23,500</u>	<u>1,076,373</u>	<u>1,052,873</u>
Transfers in	<u>28,124</u>	<u>28,124</u>	<u>41,643</u>	<u>13,519</u>
Amounts available for appropriation	<u>4,186,631</u>	<u>4,186,631</u>	<u>5,594,682</u>	<u>1,408,051</u>
Charges to Appropriations (Outflows):				
General government	875,492	875,492	829,000	46,492
Public safety	986,566	986,566	990,051	(3,485)
Public works	1,286,381	1,286,381	1,864,106	(577,725)
Culture and recreation	232,985	232,985	239,346	(6,361)
Capital Outlay	186,876	186,876	686,057	(499,181)
Debt service	-	-	159,937	(159,937)
Transfers Out	<u>-</u>	<u>-</u>	<u>160,584</u>	<u>(160,584)</u>
Total charges to appropriations	<u>3,568,300</u>	<u>3,568,300</u>	<u>4,929,081</u>	<u>(1,360,781)</u>
Ending Budgetary Fund Balance	\$ <u>618,331</u>	\$ <u>618,331</u>	\$ <u>665,601</u>	\$ <u>2,768,832</u>

Notes to Budgetary Comparison Schedule - General Fund

Note 1: Basis of Accounting

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

CITY OF BALLINGER, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY / (ASSET)
AND RELATED RATIOS - PENSION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2021 *

	Measurement Date 12/31/2020	Measurement Date 12/31/2019	Measurement Date 12/31/2018	Measurement Date 12/31/2017	Measurement Date 12/31/2016	Measurement Date 12/31/2015	Measurement Date 12/31/2014
Total Pension Liability:							
Service cost	\$ 147,372	\$ 127,223	\$ 116,279	\$ 112,726	\$ 119,577	\$ 107,862	\$ 85,949
Interest on total pension liability	289,198	246,894	242,173	236,855	226,217	222,640	210,848
Change in benefit terms including substantively automatic status	560,490						
Difference between expected and actual experience	(30,862)	(50,676)	(32,978)	(36,811)	31,950	(6,891)	71,951
Change in assumptions		16,127				22,554	
Benefit payments / refunds of contributions	(285,254)	(281,570)	(240,426)	(231,114)	(202,314)	(160,141)	(262,359)
Net change in total pension liability	680,944	57,998	85,048	81,656	175,430	186,024	106,389
Total pension liability, beginning	3,792,866	3,734,868	3,649,820	3,568,164	3,392,734	3,206,710	3,100,321
Total pension liability, ending (a)	4,473,810	3,792,866	3,734,868	3,649,820	3,568,164	3,392,734	3,206,710
Fiduciary Net Position:							
Employer contributions	44,982	57,389	53,968	51,714	49,767	45,042	58,622
Member contributions	63,196	77,480	70,048	68,651	71,861	66,829	58,977
Investment income net of investment expenses	294,839	540,358	(111,625)	467,941	219,044	4,852	185,877
Benefit payments / refunds of contributions	(285,254)	(281,570)	(240,426)	(231,114)	(202,314)	(160,141)	(262,359)
Administrative expenses	(1,912)	(3,059)	(2,161)	(2,426)	(2,474)	(2,956)	(1,941)
Other	(75)	(92)	(113)	(123)	(133)	(146)	(160)
Net change in fiduciary net position	115,776	390,506	(230,309)	354,643	135,751	(46,520)	39,016
Fiduciary net position, beginning	3,892,523	3,502,017	3,732,326	3,377,683	3,241,932	3,288,452	3,249,436
Fiduciary net position, ending (b)	4,008,299	3,892,523	3,502,017	3,732,326	3,377,683	3,241,932	3,288,452
Net pension liability (asset), ending ((a) - (b))	\$ 465,511	\$ (99,657)	\$ 232,851	\$ (82,506)	\$ 190,481	\$ 150,802	\$ (81,742)
Fiduciary net position as a % of total pension liability	89.59%	102.63%	93.77%	102.26%	94.66%	95.56%	102.55%
Pensionable covered payroll	\$ 1,263,914	\$ 1,549,608	\$ 1,400,951	\$ 1,373,029	\$ 1,437,223	\$ 1,336,582	\$ 1,179,541
Net pension liability (asset) as a % of covered payroll	36.83%	-6.43%	16.62%	-6.01%	13.25%	11.28%	-6.93%

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

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

Period Ending September 30,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll**	Actual Contribution as a % of Covered Payroll
2014	\$ 58,622	\$ 58,622	\$ -	\$ 1,179,541	4.97%
2015	\$ 45,042	\$ 45,042	\$ -	\$ 1,336,582	3.37%
2016	\$ 49,767	\$ 49,767	\$ -	\$ 1,437,223	3.46%
2017	\$ 51,714	\$ 51,714	\$ -	\$ 1,373,029	3.77%
2018	\$ 53,968	\$ 53,968	\$ -	\$ 1,400,951	3.85%
2019	\$ 60,380	\$ 60,380	\$ -	\$ 1,501,432	4.02%
2020	\$ 50,781	\$ 50,781	\$ -	\$ 1,303,400	3.90%
2021	\$ 117,451	\$ 117,451	\$ -	\$ 1,438,018	8.17%

Notes to Schedule of Contributions:

Valuation date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry age normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	25 years
Asset Valuation Method	10 year smoothed market; 12% soft corridor
Inflation	2.5%
Salary Increases	3.5% to 11.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 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 full generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.
Other information	There were no benefit changes during the year.

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

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

CITY OF BALLINGER, TEXAS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
AND RELATED RATIOS - OPEB
FOR THE YEAR ENDED SEPTEMBER 30, 2021 *

	Measurement Date 12/31/2020	Measurement Date 12/31/2019	Measurement Date 12/31/2018	Measurement Date 12/31/2017
Total OPEB Liability:				
Service cost	\$ 5,056	\$ 5,269	\$ 5,604	\$ 4,806
Interest on total OPEB liability	3,814	4,003	3,602	3,538
Change in benefit terms including substantively automatic status				
Difference between expected and actual experience	6,047	2,609	(2,538)	
Change in assumptions	20,009	20,000	(6,448)	7,236
Benefit payments / refunds of contributions	<u>(885)</u>	<u>(1,085)</u>	<u>(841)</u>	<u>(687)</u>
Net change in total OPEB liability	<u>34,041</u>	<u>30,796</u>	<u>(621)</u>	<u>14,893</u>
Total OPEB liability, beginning	<u>136,606</u>	<u>105,810</u>	<u>106,431</u>	<u>91,538</u>
Total OPEB liability, ending	<u>\$ 170,647</u>	<u>\$ 136,606</u>	<u>\$ 105,810</u>	<u>\$ 106,431</u>
Covered payroll	\$ 1,263,914	\$ 1,549,608	\$ 1,400,951	\$ 1,373,029
Total OPEB liability as a % of covered payroll	13.50%	8.82%	7.55%	7.75%

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

Internal Control Section

April 8, 2024

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and the major fund of the City of Ballinger, Texas (the City) as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 8, 2024.

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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section, and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2021-001 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 (including the Public Funds Investment Act Chapter 2256, Texas Government Code), 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*.

The City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. The City's response was not subjected to the 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.

Condley and Company, L.L.P.

Certified Public Accountants

CITY OF BALLINGER, TEXAS
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended September 30, 2021

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

A. Type of Report Issued on the Financial Statements

The Independent Auditor's Report on the financial statements of the City of Ballinger, Texas as of and for the year ended September 30, 2021, was an unmodified opinion.

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

The audit of the financial statements of the City of Ballinger, Texas as of and for the year ended September 30, 2021, disclosed a material weakness in internal control.

C. Noncompliance Material to the Financial Statements

The audit disclosed no instances of noncompliance which is material to the financial statements of the City of Ballinger, Texas as of and for the year ended September 30, 2021.

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

A. Material Weakness in Internal Control

2021-001

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: Statement of net position and balance sheet accounts for the Governmental Activities and 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 to the appropriate accounts.

Effect: Several of the accounts listed above had balances that could not be supported by management which resulted in numerous audit adjustments. Stale items on the bank reconciliation had not been cleared up causing material audit adjustments to remove incorrectly posted audit adjustments from prior periods.

Recommendation: At a minimum, we recommend management maintain and reconcile, on a monthly basis, the significant statement of net position and balance sheet accounts, for all funds, that experience a high volume of monthly transactions and all statement of net position and balance sheet accounts at least annually.

CITY OF BALLINGER, TEXAS
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended September 30, 2021

Views of responsible official and planned corrective actions:

The City of Ballinger agrees with the findings and has taken measures to address the deficiencies. The City experienced turnover in key positions during 2023, and in order to move forward, the City promoted some employees and also hired a third-party consultant to assist in reconciliations of all accounts. The consultant and City staff were able to assist the external auditors by providing requested information as well as resolve systematic issues within the accounting software. Upon completion of the audit, many of the issues that had been troublesome in previous years were corrected and management is optimistic about getting outstanding audits completed during 2024.