

CITY OF BALLINGER, TEXAS
ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2020

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Financial Section

January 25, 2023

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, 2020, 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, 2020, 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 January 25, 2023 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 & Company, LLP

Certified Public Accountants

Basic Financial Statements

CITY OF BALLINGER, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Cash and cash equivalents	\$ 245,942	\$ 349,345	\$ 595,287
Restricted cash and cash equivalents		3,241,567	3,241,567
Certificates of deposit	126,628	118,522	245,150
Receivables, net of allowance for uncollectibles	408,583	273,667	682,250
Net pension asset	69,760	29,897	99,657
Capital assets, net of accumulated depreciation:			
Land	152,545	1,767,700	1,920,245
Construction in progress		249,776	249,776
Improvements other than buildings		8,805,353	8,805,353
Buildings and improvements	235,200	64,706	299,906
Equipment	1,455,535	26,047	1,481,582
Total Assets	2,694,193	14,926,580	17,620,773
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	176,617	75,693	252,310
Deferred outflows of resources related to OPEB	14,855	6,366	21,221
Total Deferred Outflows of Resources	191,472	82,059	273,531
LIABILITIES			
Accounts payable	103,269	213,951	317,220
Accrued liabilities	12,365	4,327	16,692
Accrued interest	16,819	16,647	33,466
Unearned revenue		2,289,532	2,289,532
Notes payable, current portion	84,723		84,723
Capital leases, current portion	46,159		46,159
Certificates of obligation, current portion		610,000	610,000
Notes payable	205,992		205,992
Capital leases	109,157		109,157
Certificates of obligation		4,100,000	4,100,000
Compensated absences	111,221	8,403	119,624
Total OPEB liability	95,624	40,982	136,606
Total Liabilities	785,329	7,283,842	8,069,171
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	218,467	93,629	312,096
Deferred inflows of resources related to OPEB	3,387	1,452	4,839
Total Deferred Inflows of Resources	221,854	95,081	316,935
NET POSITION			
Net investment in capital assets	1,397,249	6,203,582	7,600,831
Restricted for debt service	126,628	118,522	245,150
Unrestricted	354,605	1,307,612	1,662,217
Total Net Position	\$ 1,878,482	\$ 7,629,716	\$ 9,508,198

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

CITY OF BALLINGER, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Functions/Programs	Net (Expense) Revenues and Changes in Net Position					
	Expenses	Program Revenues		Primary Government		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	
GOVERNMENTAL ACTIVITIES						
General government	\$ 617,992	\$ 53,686	\$ 15,125	\$ (549,181)	\$	\$ (549,181)
Public safety	1,021,405	117	231,000	(790,288)		(790,288)
Public works	1,445,863	774,505		(671,358)		(671,358)
Culture and recreation	227,905	40,314		(187,591)		(187,591)
Total Governmental Activities	<u>3,313,165</u>	<u>868,622</u>	<u>246,125</u>	<u>(2,198,418)</u>	-	<u>(2,198,418)</u>
BUSINESS-TYPE ACTIVITIES						
Water	1,905,739	2,107,428	97,281		298,970	298,970
Airport	37,657	58,873			21,216	21,216
Total Business-Type Activities	<u>1,943,396</u>	<u>2,166,301</u>	<u>97,281</u>	-	<u>320,186</u>	<u>320,186</u>
Total Primary Government	<u>\$ 5,256,561</u>	<u>\$ 3,034,923</u>	<u>\$ 343,406</u>	<u>\$ (2,198,418)</u>	<u>\$ 320,186</u>	<u>\$ (1,878,232)</u>
General Revenues:						
Property tax				\$ 1,095,125	\$	\$ 1,095,125
Sales and franchise taxes				1,427,135		1,427,135
Interest income				6,470	24,095	30,565
Gain on sale of assets				58,135		58,135
Miscellaneous				16,200	201,716	217,916
Operating transfers				591,175	(591,175)	-
Total General Revenues				<u>3,194,240</u>	<u>(365,364)</u>	<u>2,828,876</u>
Change in Net Position				<u>995,822</u>	<u>(45,178)</u>	<u>950,644</u>
Net Position - Beginning				882,660	7,674,894	8,557,554
Net Position - Ending				<u>\$ 1,878,482</u>	<u>\$ 7,629,716</u>	<u>\$ 9,508,198</u>

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

CITY OF BALLINGER, TEXAS
BALANCE SHEET - GOVERNMENTAL FUND
SEPTEMBER 30, 2020

	<u>General Fund</u>
ASSETS	
Petty cash	\$ 250
Cash and cash equivalents	245,692
Certificates of deposit	126,628
Receivables:	
Sales tax	255,046
Property taxes, net of allowance for uncollectibles	47,188
Other receivables	<u>106,349</u>
 Total Assets	 \$ <u><u>781,153</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	
Liabilities:	
Accounts payable	\$ 103,269
Accrued liabilities	<u>12,365</u>
 Total Liabilities	 <u>115,634</u>
Deferred Inflows of Resources:	
Unavailable revenue - property taxes	<u>47,188</u>
 Total Deferred Inflows of Resources	 <u>47,188</u>
Fund Balance:	
Restricted fund balance	126,628
Assigned fund balance	10,363
Unassigned fund balance	<u>481,340</u>
 Total Fund Balance	 <u>618,331</u>
 Total Liabilities, Deferred Inflows of Resources, and Fund Balance	 \$ <u><u>781,153</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, 2020

Total fund balances - governmental fund balance sheet	\$ 618,331
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the fund.	1,843,280
Net pension asset used in governmental activities are not reported in the fund.	69,760
Total OPEB liability used in governmental activities are not reported in the fund.	(95,624)
Deferred outflows of resources related to pensions used in governmental activities are not reported in the fund.	176,617
Deferred inflows of resources related to pensions used in governmental activities are not reported in the fund.	(218,467)
Deferred outflows of resources related to OPEB used in governmental activities are not reported in the fund.	14,855
Deferred inflows of resources related to OPEB used in governmental activities are not reported in the fund.	(3,387)
Compensated absences used in the governmental activities are not reported in the fund.	(111,221)
Long-term debt liabilities not due and payable in the current period, and therefore, are not reported in the fund.	
Notes payable	(290,715)
Capital leases payable	(155,316)
Accrued interest payable	(16,819)
Property tax revenue considered unavailable for the governmental funds and recorded as an unearned revenue in the governmental fund.	<u>47,188</u>
Net position of governmental activities - Statement of Net Position	<u><u>\$ 1,878,482</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, 2020

	<u>General Fund</u>
Revenues	
Property taxes	\$ 1,089,051
Sales and franchise taxes	1,427,135
Fines and fees	49,382
Charges for services	819,240
Interest income	6,470
Miscellaneous	<u>16,200</u>
Total revenues	<u>3,407,478</u>
Expenditures	
General government	591,859
Public safety	851,667
Public works	1,268,045
Culture and recreation	210,261
Capital Outlay	363,655
Debt service	
Principal	179,330
Interest	<u>36,209</u>
Total expenditures	<u>3,501,026</u>
Deficit of revenues over expenditures	(93,548)
Other Financing Sources	
Grant proceeds	246,125
Sale of assets	200,000
Transfers in	<u>591,175</u>
Total other financing sources	<u>1,037,300</u>
Excess of revenues over expenditures and other financing sources	<u>943,752</u>
Fund balance - Beginning	<u>(325,421)</u>
Fund balance - Ending	<u><u>\$ 618,331</u></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, 2020*

Net change in fund balances - total governmental fund	\$ 943,752
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Property tax revenue considered unavailable for the governmental fund.	6,074
Governmental fund reports debt payments as expenditures but are reported as decreases in notes payable and capital leases in governmental activities.	179,330
Accrued interest expenses are not reported in the governmental fund but are reported as an accrued expense in governmental activities.	3,456
Governmental fund reports capital outlays as expenditures but shown as increases in capital assets in governmental activities.	363,655
Depreciation is not recognized as an expenditure in the governmental fund since it does not require use of current financial resources.	(377,281)
Various adjustments including pension, OPEB, and compensated absences adjustments are necessary to convert to accrual accounting.	<u>(123,164)</u>
Change in net assets of governmental activities - Statement of Activities	<u><u>\$ 995,822</u></u>

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

CITY OF BALLINGER, TEXAS
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
SEPTEMBER 30, 2020

	Water Fund	Airport Fund	Business-type Activities Enterprise Fund
	<u>Water Fund</u>	<u>Airport Fund</u>	<u>Total Enterprise Funds</u>
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 305,982	\$ 43,363	\$ 349,345
Certificates of deposit	118,522		118,522
Accounts receivable, net of allowance for uncollectibles	251,033	22,634	273,667
Total Current Assets	<u>675,537</u>	<u>65,997</u>	<u>741,534</u>
Restricted assets:			
Cash and cash equivalents	3,241,567	-	3,241,567
Total Restricted Assets	<u>3,241,567</u>	<u>-</u>	<u>3,241,567</u>
Noncurrent:			
Net pension asset	29,897		29,897
Capital assets:			
Property, plant and equipment	21,267,836	728,091	21,995,927
Less: accumulated depreciation	(10,527,256)	(555,089)	(11,082,345)
Total Noncurrent Assets	<u>10,770,477</u>	<u>173,002</u>	<u>10,943,479</u>
TOTAL ASSETS	<u>14,687,581</u>	<u>238,999</u>	<u>14,926,580</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred outflows of resources related to pensions	75,693		75,693
Deferred outflows of resources related to OPEB	6,366		6,366
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>82,059</u>	<u>-</u>	<u>82,059</u>
LIABILITIES:			
Current liabilities:			
Accounts payable	213,771	180	213,951
Accrued liabilities	4,327		4,327
Accrued interest	16,647		16,647
Unearned revenue	2,289,532		2,289,532
Certificates of obligation	610,000		610,000
Total Current Liabilities	<u>3,134,277</u>	<u>180</u>	<u>3,134,457</u>
Noncurrent liabilities:			
Certificates of obligation	4,100,000		4,100,000
Compensated absences	8,403		8,403
Total OPEB liability	<u>40,982</u>		<u>40,982</u>
Total Noncurrent Liabilities	<u>4,149,385</u>	<u>-</u>	<u>4,149,385</u>
TOTAL LIABILITIES	<u>7,283,662</u>	<u>180</u>	<u>7,283,842</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred inflows of resources related to pensions	93,629		93,629
Deferred inflows of resources related to OPEB	1,452		1,452
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>95,081</u>	<u>-</u>	<u>95,081</u>
NET POSITION:			
Net investment in capital assets	6,030,580	173,002	6,203,582
Restricted for debt service	118,522		118,522
Unrestricted	1,241,795	65,817	1,307,612
TOTAL NET POSITION	<u>\$ 7,390,897</u>	<u>\$ 238,819</u>	<u>\$ 7,629,716</u>

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

CITY OF BALLINGER, TEXAS

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

PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Water Fund	Airport Fund	Business-type Activities Enterprise Funds
	Water Fund	Airport Fund	Total Enterprise Funds
OPERATING REVENUES:			
Service revenue	\$ 2,098,893	\$ 1,073	\$ 2,099,966
Rental income	8,535	57,800	66,335
Total Operating Revenues	2,107,428	58,873	2,166,301
OPERATING EXPENSES:			
Salaries and wages	399,985		399,985
Employee benefits	103,580		103,580
Depreciation	469,856	11,350	481,206
Water supply	383,553		383,553
Sewer fee	1,250		1,250
Training and education	3,234		3,234
Contract services	27,611		27,611
Insurance	29,861	5,000	34,861
Office expenses	8,473		8,473
Professional services	16,799		16,799
Repairs and maintenance	86,006	4,391	90,397
Supplies	186,618	3,617	190,235
Taxes and licenses	986		986
Utilities	77,623	6,949	84,572
Other operating expenses	43,039	6,350	49,389
Total Operating Expenses	1,838,474	37,657	1,876,131
Operating Income	268,954	21,216	290,170
NON-OPERATING REVENUES (EXPENSES):			
Interest	24,095		24,095
Grant revenue	97,281		97,281
Miscellaneous revenue	201,716		201,716
Interest expense	(67,265)		(67,265)
Transfers out	(456,885)	(134,290)	(591,175)
Total Non-Operating Expenses	(201,058)	(134,290)	(335,348)
Change in Net Position	67,896	(113,074)	(45,178)
Net Position - Beginning	7,323,001	351,893	7,674,894
Net Position - Ending	\$ 7,390,897	\$ 238,819	\$ 7,629,716

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, 2020

	Water Fund	Airport Fund	Business-type Activities Enterprise Funds
			Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 2,123,776	\$ 55,891	\$ 2,179,667
Cash paid to employees	(503,565)		(503,565)
Cash paid to suppliers	(982,773)	(26,624)	(1,009,397)
Net Cash Provided by Operating Activities	<u>637,438</u>	<u>29,267</u>	<u>666,705</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:			
Miscellaneous receipts	201,716		201,716
Grant income	97,281		97,281
Interest income, net of reinvested interest	21,794		21,794
Interest paid	(70,358)		(70,358)
Net Cash Provided by Noncapital and Related Financing Activities	<u>250,433</u>	<u>-</u>	<u>250,433</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Payments on certificates of obligation	(510,000)		(510,000)
Purchase of capital assets	(254,223)		(254,223)
Net Cash Used in Capital and Related Financing Activities	<u>(764,223)</u>	<u>-</u>	<u>(764,223)</u>
Net Increase in Cash and Cash Equivalents	<u>123,648</u>	<u>29,267</u>	<u>152,915</u>
Cash and Cash Equivalents at Beginning of Year	<u>3,423,901</u>	<u>14,096</u>	<u>3,437,997</u>
Cash and Cash Equivalents at End of Year	<u>\$ 3,547,549</u>	<u>\$ 43,363</u>	<u>\$ 3,590,912</u>
Cash and cash equivalents	\$ 305,982	\$ 43,363	\$ 349,345
Restricted cash and cash equivalents	3,241,567		3,241,567
	<u>\$ 3,547,549</u>	<u>\$ 43,363</u>	<u>\$ 3,590,912</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, 2020*

	<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	\$ 268,954	\$ 21,216	\$ 290,170
Adjustments Not Affecting Cash:			
(Increase) decrease in accounts receivable	16,348	(2,982)	13,366
Increase in net pension asset	(29,897)		(29,897)
Decrease in deferred outflows related to pensions and OPEB	26,631		26,631
Increase (Decrease) in accounts payable	(93,130)	(317)	(93,447)
Increase in accrued expenses	2,912		2,912
Decrease in compensated absences	(13,365)		(13,365)
Decrease in net pension liability	(69,855)		(69,855)
Increase in total OPEB liability	9,239		9,239
Increase in deferred inflows related to pensions and OPEB	49,745		49,745
Depreciation	469,856	11,350	481,206
Net Cash Provided by Operating Activities	<u>\$ 637,438</u>	<u>\$ 29,267</u>	<u>\$ 666,705</u>

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

CITY OF BALLINGER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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.

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The City operates and reports the following funds:

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

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

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

Cash and Cash Equivalents and Certificates of Deposit

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

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

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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

CITY OF BALLINGER, TEXAS
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restricted net position as of September 30, 2020 totaling \$245,150 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, 2020, the City reported assigned fund balance totaling \$10,363 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 \$252,310 and deferred outflows of resources totaling \$21,221 related to OPEB as of September 30, 2020.

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 \$312,096 and deferred inflows of resources totaling \$4,839 related to OPEB as of September 30, 2020. 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 \$47,188 as of September 30, 2020.

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 January 25, 2023, 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 August 2018, the GASB issued Statement No. 90, *Majority Equity Interests*, which clarifies the accounting and financial reporting requirements for a state or local government's majority equity interest in an organization that remains legally separate after acquisition. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2020.

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

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

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

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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, 2020, 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 were not sufficient to cover the total bank balance as of February 7, 2020 of \$1,494,901 of which, \$18,383 was not covered. 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.

Demand Deposit Accounts	Bank Balance
Insured	\$ 1,476,518
Uninsured and uncollateralized	18,383
Total Deposits	<u>\$ 1,494,901</u>

As of September 30, 2020, pledged securities were sufficient to cover the bank balances totaling \$1,109,454.

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.

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Concentration of Credit Risk

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

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

	Fair Value	Weighted Average Maturity (Years)
Certificates of Deposit	\$ 245,150	1
Total	\$ 245,150	

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	\$ 245,150	\$ -	\$ -	\$ 245,150
Total	\$ 245,150	\$ -	\$ -	\$ 245,150

There have been no changes in the methodologies used at September 30, 2020.

Note 4: Accounts Receivable

Receivables in the General Fund totaling \$408,583 as of September 30, 2020 consist of ad valorem tax, sanitation, sales tax, sundry receivables, and appraisal district in the amounts of \$47,188, \$76,323, \$255,046, \$29,318, 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, 2020 amounted to \$251,033. An allowance for uncollectible water billings in the amount of \$1,911 has been recorded as of September 30, 2020.

Accounts receivable for the Airport Fund as of September 30, 2020 amounted to \$22,634 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, 2020, 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	\$	\$	\$ 152,545
Total capital assets not being depreciated	<u>152,545</u>	<u>-</u>	<u>-</u>	<u>152,545</u>
Capital assets being depreciated:				
Buildings and improvements	736,503			736,503
Equipment	<u>4,706,491</u>	<u>393,315</u>	<u>(187,903)</u>	<u>4,911,903</u>
Total capital assets being depreciated	<u>5,442,994</u>	<u>393,315</u>	<u>(187,903)</u>	<u>5,648,406</u>
Less accumulated depreciation for:				
Buildings and improvements	(482,890)	(18,413)		(501,303)
Equipment	<u>(3,143,540)</u>	<u>(358,868)</u>	<u>46,040</u>	<u>(3,456,368)</u>
Total accumulated depreciation	<u>(3,626,430)</u>	<u>(377,281)</u>	<u>46,040</u>	<u>(3,957,671)</u>
Governmental activities capital assets, net	<u>\$ 1,969,109</u>	<u>\$ 16,034</u>	<u>\$ (141,863)</u>	<u>\$ 1,843,280</u>

Depreciation was charged to functions as follows:

General government	\$ 42,542
Public safety	144,738
Public works	172,357
Culture and recreation	<u>17,644</u>
	<u>\$ 377,281</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	<u>4,766</u>	<u>245,010</u>		<u>249,776</u>
Total capital assets not being depreciated	<u>1,772,466</u>	<u>245,010</u>	<u>-</u>	<u>2,017,476</u>
Capital assets being depreciated:				
Improvements other than buildings	17,642,693			17,642,693
Buildings and improvements	1,685,865			1,685,865
Equipment	<u>640,680</u>	<u>9,213</u>		<u>649,893</u>
Total capital assets being depreciated	<u>19,969,238</u>	<u>9,213</u>	<u>-</u>	<u>19,978,451</u>
Less accumulated depreciation for:				
Improvements other than buildings	(8,396,273)	(441,067)		(8,837,340)
Buildings and improvements	(1,584,177)	(36,982)		(1,621,159)
Equipment	<u>(620,689)</u>	<u>(3,157)</u>		<u>(623,846)</u>
Total accumulated depreciation	<u>(10,601,139)</u>	<u>(481,206)</u>	<u>-</u>	<u>(11,082,345)</u>
Business-type activities capital assets, net	<u>\$ 11,140,565</u>	<u>\$ (226,983)</u>	<u>\$ -</u>	<u>\$ 10,913,582</u>

CITY OF BALLINGER, TEXAS
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Depreciation charged to the business-type activities was \$469,856 and \$11,350 for the Water and Airport Funds, respectively.

Note 6: Unearned Revenue

Unearned revenue and restricted cash in the business-type activities at September 30, 2020 totaling \$2,289,532 and \$3,241,567, respectively, represent unspent funds for upgrades to the City's water supply system.

Note 7: Long-Term Obligations

In the governmental activities debt obligations at September 30, 2020, are summarized as follows:

Notes Payable

Government Capital Corporation note in the original amount of \$80,000; issued February 24, 2016 for police vehicles and police department technology; payable in annual principal and interest payments due October 30; with an interest rate of 3.993%; final payment due October 30, 2021.	\$ 9,116
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.	54,837
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.	106,974
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.	19,102
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.	27,749
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>72,937</u>
Total Notes Payable	<u>\$ 290,715</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.	105,466
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.	26,733
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.	<u>23,117</u>
Total Capital Leases Payable	\$ <u>155,316</u>

Long-Term Obligation Activity

A summary of long-term obligation activity for the year ended September 30, 2020, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Notes payable	\$ 408,184	\$ -	\$ (117,469)	\$ 290,715	\$ 84,723
Capital leases	187,515	29,660	(61,859)	155,316	46,159
Compensated absences	96,928	14,293		111,221	-
Net pension liability	162,996		(162,996)	-	-
Total OPEB liability	<u>74,067</u>	<u>21,557</u>		<u>95,624</u>	<u>-</u>
Total	\$ <u>929,690</u>	\$ <u>65,510</u>	\$ <u>(342,324)</u>	\$ <u>652,876</u>	\$ <u>130,882</u>

Maturities of notes payable are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total Requirement
2021	\$ 84,723	\$ 10,660	\$ 95,383
2022	96,898	7,250	104,148
2023	80,972	3,715	84,687
2024	<u>28,122</u>	<u>971</u>	<u>29,093</u>
	\$ <u>290,715</u>	\$ <u>22,596</u>	\$ <u>313,311</u>

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

Fiscal Year Ending September 30,	Principal	Interest	Total Requirement
2021	46,159	6,767	52,926
2022	50,251	4,414	54,665
2023	37,908	1,938	39,846
2024	20,998	151	21,149
	<u>\$ 155,316</u>	<u>\$ 13,270</u>	<u>\$ 168,586</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,	
2021	130,882
2022	147,149
2023	118,880
2024	49,120
	<u>\$ 446,031</u>

In the business-type activities debt obligations at September 30, 2020, are summarized as follows:

Certificates of Obligations

Texas general obligation refunding bond (2012 Series) in the original amount of \$3,495,000; issued to pay for a new water treatment plant dated October 16, 2012; payable in annual principal and interest payments due June 1, and the additional interest payments due December 1; with an interest rate ranging from .090% - 3.65%; final payment due June 1, 2023. \$ 1,005,000

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. 2,305,000

Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation (2016 Series) of \$605,000 issued to purchase water system improvements, dated February 1, 2016, payable in annual principal and interest payments due June 1, with interest rate ranging from 0.12% - 1.90%; final payment due June 1, 2026. 365,000

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. 1,035,000

Total Certificates of Obligation \$ 4,710,000

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Long-Term Obligation Activity

A summary of long-term obligation activity for the year ended September 30, 2020, is as follows:

Business-Type Activities:	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Certificate of obligation (2012)	\$ 1,325,000	\$	\$ (320,000)	\$ 1,005,000	\$ 325,000
Certificate of obligation (2006)	2,435,000		(130,000)	2,305,000	130,000
Certificates of obligation (2016)	425,000		(60,000)	365,000	60,000
Certificates of obligation (2018)	1,035,000			1,035,000	95,000
Compensated absences	21,768		(13,365)	8,403	
Net pension liability	69,855		(69,855)	-	-
Total OPEB liability	31,743	9,239		40,982	-
Total	\$ 5,343,366	\$ 9,239	\$ (593,220)	\$ 4,759,385	\$ 610,000

Maturities of certificates of obligation are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total Requirement
2021	\$ 610,000	\$ 52,816	\$ 662,816
2022	620,000	41,372	661,372
2023	635,000	28,582	663,582
2024	290,000	14,299	304,299
2025	290,000	12,352	302,352
2026	300,000	10,257	310,257
2027	235,000	7,858	242,858
2028	240,000	6,147	246,147
2029	240,000	4,243	244,243
2030	245,000	2,220	247,220
2031	130,000		130,000
2032	130,000		130,000
2033	125,000		125,000
2034	125,000		125,000
2035	125,000		125,000
2036	125,000		125,000
2037	125,000		125,000
2038	120,000		120,000
	\$ 4,710,000	\$ 180,146	\$ 4,890,146

CITY OF BALLINGER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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

Year Ending March 31,	
2021	\$ 610,000
2022	620,000
2023	635,000
2024	290,000
2025 and thereafter	2,555,000
	\$ 4,710,000

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 2020, 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.

Note 9: Interfund Transfers and Due to/from Interfund

Interfund transfers for the year ended September 30, 2020 consisted of a \$456,885 transfer to the General Fund from the Water Fund and \$134,290 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.tMrs.com. All eligible employees of the City are required to participate in TMRS.

CITY OF BALLINGER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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

Benefits Provided

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

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

Employees covered by benefit terms.

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	22
Inactive employees entitled to but not yet receiving benefits	18
Active employees	35
Total participants	75

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 4.02% in the calendar years 2019 and 2020, respectively. The City's contributions to TMRS for the year ended September 30, 2020, were \$50,781, and were equal to the required contributions.

Net Pension Liability

Actuarial Assumptions

The total Pension Liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

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

CITY OF BALLINGER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

Salary increases were based on a service-related table. Mortality rates for retirees, and beneficiaries were based 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected based on a fully generational basis with scale UMP. Active members were based on PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected based on a fully generational basis with scale UMP.

Actuarial assumptions used in the December 31, 2019, 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. Healthy post-retirement mortality rates were updated based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements. No additional changes were made for the 2019 valuation.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
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, 2020

Changes in Net Pension Liability / (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a)-(b)
Balances as of December 31, 2018	\$ 3,734,868	\$ 3,502,017	\$ 232,851
Changes for the year:			
Service cost	127,223		127,223
Interest on total pension liability	246,894		246,894
Difference between expected and actual experience	(50,676)		(50,676)
Change in assumptions	16,127		16,127
Benefit payments	(281,570)	(281,570)	-
Administrative expenses		(3,059)	3,059
Member contributions		77,480	(77,480)
Net investment income		540,358	(540,358)
Employer contributions		57,389	(57,389)
Other		(92)	92
Balances as of December 31, 2019	\$ 3,792,866	\$ 3,892,523	\$ (99,657)

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 (5.75%)	Current Rate (6.75%)	1% Increase (7.75%)
Net pension liability (asset)	\$ 324,696	\$ (99,657)	\$ (455,498)

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2020, the City recognized total pension benefit of \$184,135.

CITY OF BALLINGER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

As of September 30, 2020, 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	\$ 76,876	\$
Difference between expected and actual experience	4,308	(55,440)
Difference between projected and actual investment earnings	161,612	(256,656)
Change of assumptions	9,514	
Total	\$ 252,310	\$ (312,096)

Deferred outflows of resources related to contributions subsequent to the measurement date of \$76,876 will be recognized as a reduction of the net pension liability for the year ending September 30, 2021. Remaining net deferred outflows (inflows) of resources related to pensions totaling (\$136,662) will be recognized in pension expense for the years ending September 30, 2021, 2022, 2023, and 2024 in the amounts of (\$55,783), (\$13,824), (\$50,255), and (\$16,800), respectively.

Note 11: Other Post-Employment Benefits (OPEB)

Plan Description

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

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other 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 8.82% of covered payroll as of the measurement date of December 31, 2019. Employees are not required to contribute to the plan.

CITY OF BALLINGER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

Employees covered by benefit terms.

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	20
Inactive employees entitled to but not yet receiving benefits	2
Active employees	35
Total participants	<u>57</u>

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

Actuarial Assumptions

The total OPEB Liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Discount rate	2.75%, which is based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2019.

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

Actuarial assumptions used in the December 31, 2019 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. Assumptions are reviewed annually. No additional changes were made for the 2019 valuation.

Discount Rate

The discount rate used to measure the Total OPEB Liability was 2.75%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2019. 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, 2020

Changes in Total OPEB Liability

		<u>Total OPEB Liability</u>
Balances as of December 31, 2018	\$	105,810
Changes for the year:		
Service cost		5,269
Interest on total OPEB liability		4,003
Difference between expected and actual experience		2,609
Changes in assumptions		20,000
Benefit payments		<u>(1,085)</u>
Balances as of December 31, 2019	\$	<u>136,606</u>

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

The following presents the total OPEB liability of the City calculated using the discount rate of 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>(1.75%)</u>	<u>Current Rate</u> <u>(2.75%)</u>	<u>1% Increase</u> <u>(3.75%)</u>
Total OPEB liability	\$ 160,718	\$ 136,606	\$ 117,383

OPEB Expense

Contributions subsequent to measurement date		\$ 2,602
Change in OPEB liability		<u>15,049</u>
Total OPEB expense		<u>\$ 17,651</u>

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

For the year ended September 30, 2019, the City recognized OPEB expense of \$13,871. The City reported deferred outflows (inflows) of resources related to OPEB from the following sources:

	<u>Outflows</u>	<u>Inflows</u>
Differences between expected and actual experience	\$ 2,169	\$ (1,686)
Changes in assumptions and other inputs	16,450	(3,153)
Contributions made subsequent to measurement date	<u>2,602</u>	<u></u>
Total	<u>\$ 21,221</u>	<u>\$ (4,839)</u>

Deferred outflows of resources related to contributions subsequent to measurement date of \$2,602 will be recognized as a reduction of the net OPEB liability for the year ending September 30, 2020. Remaining net deferred outflows (inflows) of resources related to OPEB totaling \$13,780 will be recognized in OPEB expense for the years ending September 30, 2021, 2022, 2023, 2023, and 2024 in the amounts of \$3,519, \$3,483, \$1,459, \$2,661 and \$2,658, respectively.

Required Supplementary Information

CITY OF BALLINGER, TEXAS
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ (325,421)	\$ (325,421)	\$ (325,421)	\$ -
Resources (Inflows):				
Taxes:				
Property tax	1,093,427	1,093,427	1,089,051	(4,376)
Sales tax	1,165,107	1,165,107	1,262,470	97,363
Other tax	166,200	166,200	164,665	(1,535)
Total taxes	<u>2,424,734</u>	<u>2,424,734</u>	<u>2,516,186</u>	<u>91,452</u>
Charges for services	<u>675,687</u>	<u>675,687</u>	<u>819,240</u>	<u>143,553</u>
Fines and forfeitures:				
Court costs	50,000	50,000	47,597	(2,403)
Miscellaneous fees	2,450	2,450	1,785	(665)
Total fines and forfeitures	<u>52,450</u>	<u>52,450</u>	<u>49,382</u>	<u>(3,068)</u>
Miscellaneous:				
Grant proceeds	-	-	246,125	246,125
Sale of assets	-	-	200,000	200,000
Interest and investment income	5,500	5,500	6,470	970
Miscellaneous	18,000	18,000	16,200	(1,800)
Total miscellaneous	<u>23,500</u>	<u>23,500</u>	<u>468,795</u>	<u>445,295</u>
Transfers in	<u>17,149</u>	<u>17,149</u>	<u>591,175</u>	<u>574,026</u>
Amounts available for appropriation	<u>2,868,099</u>	<u>2,868,099</u>	<u>4,119,357</u>	<u>1,251,258</u>
Charges to Appropriations (Outflows):				
General government	760,736	760,736	591,861	168,875
Public safety	890,203	890,203	858,650	31,553
Public works	1,325,033	1,325,033	1,309,310	15,723
Culture and recreation	217,548	217,548	210,261	7,287
Capital Outlay	-	-	351,614	(351,614)
Debt service	-	-	179,330	(179,330)
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total charges to appropriations	<u>3,193,520</u>	<u>3,193,520</u>	<u>3,501,026</u>	<u>(307,506)</u>
Ending Budgetary Fund Balance	\$ <u><u>(325,421)</u></u>	\$ <u><u>(325,421)</u></u>	\$ <u><u>618,331</u></u>	\$ <u><u>1,558,764</u></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, 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	\$ 127,223	\$ 116,279	\$ 112,726	\$ 119,577	\$ 107,862	\$ 85,949
Interest on total pension liability	246,894	242,173	236,855	226,217	222,640	210,848
Change in benefit terms including substantively automatic status						
Difference between expected and actual experience	(50,676)	(32,978)	(36,811)	31,950	(6,891)	71,951
Change in assumptions	16,127				22,554	
Benefit payments / refunds of contributions	(281,570)	(240,426)	(231,114)	(202,314)	(160,141)	(262,359)
Net change in total pension liability	57,998	85,048	81,656	175,430	186,024	106,389
Total pension liability, beginning	3,734,868	3,649,820	3,568,164	3,392,734	3,206,710	3,100,321
Total pension liability, ending (a)	3,792,866	3,734,868	3,649,820	3,568,164	3,392,734	3,206,710
Fiduciary Net Position:						
Employer contributions	57,389	53,968	51,714	49,767	45,042	58,622
Member contributions	77,480	70,048	68,651	71,861	66,829	58,977
Investment income net of investment expenses	540,358	(111,625)	467,941	219,044	4,852	185,877
Benefit payments / refunds of contributions	(281,570)	(240,426)	(231,114)	(202,314)	(160,141)	(262,359)
Administrative expenses	(3,059)	(2,161)	(2,426)	(2,474)	(2,956)	(1,941)
Other	(92)	(113)	(123)	(133)	(146)	(160)
Net change in fiduciary net position	390,506	(230,309)	354,643	135,751	(46,520)	39,016
Fiduciary net position, beginning	3,502,017	3,732,326	3,377,683	3,241,932	3,288,452	3,249,436
Fiduciary net position, ending (b)	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))	\$ (99,657)	\$ 232,851	\$ (82,506)	\$ 190,481	\$ 150,802	\$ (81,742)
Fiduciary net position as a % of total pension liability	102.63%	93.77%	102.26%	94.66%	95.56%	102.55%
Pensionable covered payroll	\$ 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	-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%

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) motality 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, 2020 *

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

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

Internal Control Section

January 25, 2023

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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 25, 2023.

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 2020-001 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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2020-002.

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.

Cordley & Company, LLP

Certified Public Accountants

CITY OF BALLINGER, TEXAS
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended September 30, 2020

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, 2020, 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, 2020, disclosed a material weakness in internal control.

C. Noncompliance Material to the Financial Statements

The audit disclosed one instance of noncompliance which is material to the financial statements of the City of Ballinger, Texas as of and for the year ended September 30, 2020.

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

2020-001

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, and debt 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. Additionally, capital assets were sold during the fiscal year for \$200,000, and although the transaction was authorized, the assets sold had not been identified and recorded as capital assets at the time of purchase by the City.

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.

Views of responsible official and planned corrective actions:

The City of Ballinger changed administrative controls in July of 2020 to include the addition of a financial administration division. The installation of this division separated powers of the operation and receipting side of the finances from the approval of expenses and budgeting side. This separation of duties and authorities allowed a better oversight of the financial picture, with more

CITY OF BALLINGER, TEXAS
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended September 30, 2020

efficient review and monitoring of spending. Additionally, the city has initiated more robust purchasing controls, regulations and enforcement of timely fiscal policies to cover deposit and reconciliation duties. We believe these control measures will address any concerns going forward and promote more responsible fiscal management.

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

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

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

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

B. Compliance Finding

2020-002

Criteria: In accordance with Texas Government Code Title 10, Subtitle F, Chapter 2257, a deposit of public funds shall be secured by eligible security to the extent and in the manner required by Government Code.

Condition: During the 2020 audit of cash balances, instances of uncollateralized deposits were discovered as stated in Note 3 of the Notes to Financial Statements.

Effect: Public funds are not collateralized due to City funds exceeding FDIC insurance coverage and pledged securities were not available to cover the remaining balance.

Cause: A large deposit was made, and pledged securities were not adjusted accordingly to cover that balance.

Recommendation: We recommend the City monitor any large deposits and notify the Bank to ensure proper coverage of these funds in maintained.

Views of responsible official and planned corrective actions:

A plan will be implemented to ensure pledged securities are reviewed prior to any large deposits of cash to maintain compliance with the City's investment policy and the Public Funds Investment Act.