

ANNUAL FINANCIAL REPORT

of the

CITY OF BLANCO, TEXAS

**For the Year Ended
September 30, 2023**

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CITY OF BLANCO, TEXAS

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September 30, 2023

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
City Council Members of the
City of Blanco, Texas:

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Blanco, Texas (the "City"), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2023, and the respective changes in financial position and, 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 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, 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.

Change in Accounting Principle

As described in Note I.F.10 to the financial statements, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*, in fiscal year 2023. Our opinion is not modified with respect to this matter.

Responsibility 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.

Auditors' 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 auditors' 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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion 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 the Management's Discussion and Analysis, budgetary comparison information, schedules of changes in net pension and total other postemployment benefits liability and related ratios, and schedule of contributions, identified as Required Supplementary Information on the table of contents, 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.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2024 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
March 4, 2024

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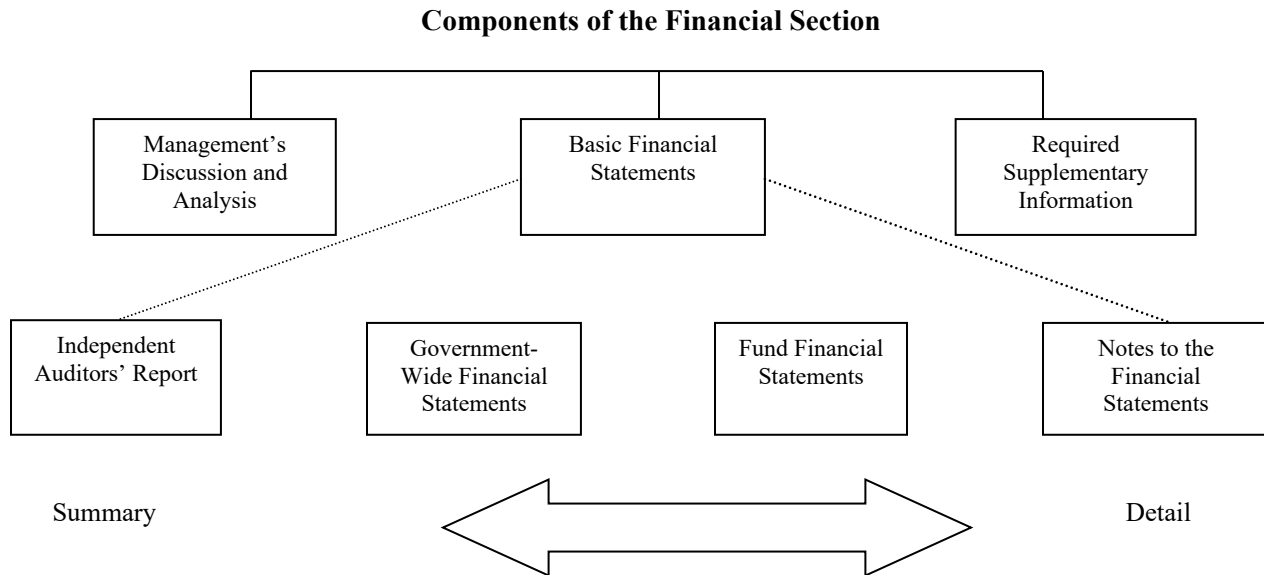
***MANAGEMENT'S DISCUSSION
AND ANALYSIS***

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CITY OF BLANCO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2023

The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the financial activities of the City of Blanco, Texas (the "City") for the year ended September 30, 2023. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the City's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Please read the MD&A in conjunction with the City's financial statements, which follow this section.

THE STRUCTURE OF OUR ANNUAL REPORT



The City's basic financial statements include (1) government-wide financial statements, (2) individual fund financial statements, and (3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Statements

The government-wide statements report information for the City as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of the City as an economic entity. The Statement of Net Position and the Statement of Activities, which appear first in the City's financial statements, report information on the City's activities that enable the reader to understand the financial condition of the City. These statements are prepared using the *accrual basis of accounting*, which is similar to the accounting method used by most private-sector companies. All of the current year revenues and expenses are taken into account even if cash has not yet changed hands.

The Statement of Net Position presents information on all of the City's assets, liabilities, and deferred outflows/inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other nonfinancial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

CITY OF BLANCO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2023

The Statement of Activities presents information showing how the City's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows – the accrual method rather than modified accrual that is used in the fund level statements.

The Statement of Net Position and the Statement of Activities divide the City's financials into two classes of activities:

1. *Governmental Activities* – Most of the City's basic services are reported here including city hall, code compliance, police, mayor and council, municipal court, streets and parks, tourism, and community aid. Sales tax, property tax, franchise fees, municipal court fines, and permit fees finance most of these activities.
2. *Business-Type Activities* – Services involving a fee for those services are reported here. These services include the City's water distribution, wastewater collection/treatment, and sanitation collection.

The government-wide financial statements can be found after the MD&A.

FUND FINANCIAL STATEMENTS

Funds may be considered as operating companies of the parent corporation, which is the City. They are usually segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal reporting requirements. The two categories of City funds are governmental and proprietary.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains five individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund and the debt service fund, which are considered to be major funds for reporting purposes.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for this fund to demonstrate compliance with the budget.

CITY OF BLANCO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2023

Proprietary Funds

The City maintains one type of proprietary fund, enterprise fund. The enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water distribution, wastewater collection/treatment, and sanitation collection services. The proprietary fund financial statements can be found in the basic financial statements of this report.

Notes to Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are the last section of the basic financial statements.

Other Information

In addition to basic financial statements, this MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). RSI includes a budgetary comparison schedule for the general fund and schedules of changes in net pension and total other postemployment benefits liability and related ratios and the schedule of contributions for the Texas Municipal Retirement System. RSI can be found after the notes to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve, over time, as a useful indicator of the City's financial position. Assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$10,986,663 as of year end. The largest portion of the City's net position (76%) reflects its investments in capital assets (e.g., land, City hall, fleet equipment, streets, and drainage systems, as well as the public works facilities) less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

CITY OF BLANCO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2023

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

	September 30, 2023			September 30, 2022		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Current and other assets	\$ 1,165,641	\$ 3,699,740	\$ 4,865,381	\$ 1,657,636	\$ 3,335,549	\$ 4,993,185
Capital assets, net	2,417,832	17,915,675	20,333,507	2,212,437	17,473,051	19,685,488
Total Assets	3,583,473	21,615,415	25,198,888	3,870,073	20,808,600	24,678,673
Deferred charge on refunding	-	16,661	16,661	-	20,826	20,826
Deferred outflows - pensions	149,769	6,056	155,825	35,330	20,751	56,081
Deferred outflows - OPEB	17,933	725	18,658	12,210	6,218	18,428
Total Deferred Outflows of Resources	167,702	23,442	191,144	47,540	47,795	95,335
Long-term liabilities	210,291	13,128,511	13,338,802	162,709	12,388,802	12,551,511
Other liabilities	299,188	605,717	904,905	520,599	676,168	1,196,767
Total Liabilities	509,479	13,734,228	14,243,707	683,308	13,064,970	13,748,278
Deferred inflows - pensions	122,908	4,970	127,878	81,613	33,066	114,679
Deferred inflows - OPEB	30,549	1,235	31,784	2,631	1,527	4,158
Total Deferred Inflows of Resources	153,457	6,205	159,662	84,244	34,593	118,837
Net Position:						
Net investment in capital assets	2,309,950	6,020,004	8,329,954	2,140,806	5,487,786	7,628,592
Restricted	331,152	265,604	596,756	319,395	457,048	776,443
Unrestricted	447,137	1,612,816	2,059,953	689,860	1,811,998	2,501,858
Total Net Position	\$ 3,088,239	\$ 7,898,424	\$ 10,986,663	\$ 3,150,061	\$ 7,756,832	\$ 10,906,893

A portion of the primary government's net position, \$596,756, represents resources that are subject to external restriction on how they may be used.

There was an increase in total net position of \$79,770, which was due to revenues exceeding expenses. Total assets are \$25,198,888, an increase of \$520,215 compared to prior year, which includes an increase in capital assets and a decrease in current and other assets. The decrease in current and other assets consists of a decrease in cash and restricted cash primarily from capital outlay for capital additions. Increases in capital assets include capital asset additions for construction in progress for wastewater treatment plant improvements, the sewer system, and the dam system of \$942,592. Total liabilities are \$14,243,707, an increase of \$495,429 compared to prior year, which includes a decrease in other liabilities and an increase in long-term liabilities. Long-term liabilities consist of outstanding debt which increased due primarily to issuance of note payables for \$1,275,000. Other liabilities decreased mainly due to a decrease in accounts payable from construction performed during the fiscal year 2023, along with a decrease in unearned revenue from advance payments of federal grants. The fiscal year end 2023 balances for deferred outflows and inflows of resources increased from prior year end balances. There was an increase in deferred outflows of resources of \$95,809 and an increase in total deferred inflows of resources of \$40,825.

CITY OF BLANCO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2023

Statement of Activities

The following table provides a summary of the City's changes in net position:

	For the Year Ended September 30, 2023			For the Year Ended September 30, 2022		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
			Primary Government			Primary Government
Revenues						
Program revenues:						
Charges for services	\$ 328,386	\$ 2,222,213	\$ 2,550,599	\$ 307,556	\$ 2,204,840	\$ 2,512,396
Operating grants and contributions	227,857	-	227,857	67,125	-	67,125
Capital grants and contributions	-	190,165	190,165	-	-	-
General revenues:						
Property taxes	968,038	-	968,038	773,224	-	773,224
Sales taxes	1,037,064	-	1,037,064	975,830	-	975,830
Hotel taxes	108,136	-	108,136	114,847	-	114,847
Franchise fees	108,040	-	108,040	101,645	-	101,645
Investment income	66,899	71,624	138,523	338	15,077	15,415
Other revenue	4,721	7,054	11,775	15,217	7,689	22,906
Total Revenues	2,849,141	2,491,056	5,340,197	2,355,782	2,227,606	4,583,388
Expenses						
City hall	694,464	-	694,464	630,567	-	630,567
Code compliance	48,808	-	48,808	30,718	-	30,718
Police	1,260,151	-	1,260,151	1,200,337	-	1,200,337
Mayor and council	15,619	-	15,619	13,229	-	13,229
Municipal court	180,992	-	180,992	153,064	-	153,064
Streets and parks	144,181	-	144,181	129,765	-	129,765
Tourism	92,877	-	92,877	63,007	-	63,007
Community aid	15,226	-	15,226	18,050	-	18,050
Interest and fees on long-term debt	3,519	274,853	278,372	4,184	198,429	202,613
Utility	-	2,529,737	2,529,737	-	2,337,880	2,337,880
Total Expenses	2,455,837	2,804,590	5,260,427	2,242,921	2,536,309	4,779,230
Increase (Decrease) in Net Position Before Transfers	393,304	(313,534)	79,770	112,861	(308,703)	(195,842)
Transfers in (out)	(455,126)	455,126	-	(450,316)	450,316	-
Change in Net Position	(61,822)	141,592	79,770	(337,455)	141,613	(195,842)
Beginning net position	3,150,061	7,756,832	10,906,893	3,487,516	7,615,219	11,102,735
Ending Net Position	\$ 3,088,239	\$ 7,898,424	\$ 10,986,663	\$ 3,150,061	\$ 7,756,832	\$ 10,906,893

For the year, revenues from governmental activities totaled \$2,849,141, an increase of 20.9% compared to the prior year. This increase is largely due to an increase in sales tax revenues from an increase in economic activity, property tax revenues from an increase in appraised values, investment income from an increase in interest rates on investments, and operating grants and contributions from federal grants. Expenses from governmental activities totaled \$2,455,837, an overall increase of 9.5% compared to the prior year. Governmental activities expenses increased primarily due to contractual costs related to professional assistance and tourism services.

Revenues from business-type activities totaled \$2,491,056, an increase of 11.8% compared to the prior year. This increase was largely related to an increase in investment income. Expenses from business-type activities totaled

CITY OF BLANCO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2023

\$2,804,590, an increase of 10.6% compared to the prior year. The increase in business-type activities expenses was primarily due to an increase in operational costs for Inframark, LLC.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

Governmental Funds – The focus of the City's governmental funds is to provide information on near-term outflows, inflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, the unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the year.

The City's governmental funds reflect a combined fund balance of \$770,212, of which \$27,488 is restricted for debt service, \$303,664 is restricted for enabling legislation, and \$1,000 is assigned by the City for claims and judgments. \$438,060 is reported as unassigned fund balance.

There was a decrease in the combined fund balance of \$247,330 from the prior year, which included a transfer to the utility fund of \$455,126, revenues in excess of expenditures of \$115,171, and other financing sources of \$30,185 from loan proceeds and issuance of subscription arrangements for \$62,440 based contracts related to software.

The general fund is the chief operating fund of the City. At the end of the current year, the general fund reported a net decrease in fund balance of \$259,087. The general fund's revenue increased by \$783,478 from the prior year mainly due to an increase in revenues from property tax collections, sales taxes, investment income, and intergovernmental revenues. The general fund expenditures increased by \$700,469 from the prior year mainly due to increases in City hall, police department, planning department, and parks and streets department expenditures from increases in contractual costs for professional services and costs related to capital additions.

The debt service fund reported a net increase in fund balance of \$5,877 after transfers to the utility fund for debt service costs. The debt service fund includes property tax revenue of \$451,264.

Proprietary Fund – The City's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual general fund revenues were greater than budgeted general fund revenues by \$277,547 during the year. This positive budget revenue variance is mainly due to more anticipated revenues from sales taxes and investment income. General fund expenditures were less than the final budget by \$9,387. The general fund expenditures include a positive budget variance from City Hall, police, municipal court, community aid, and mayor and council.

CITY OF BLANCO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2023

CAPITAL ASSETS

At the end of the year, the City's governmental and business-type activities had invested \$20,333,507 in a variety of capital assets (net of accumulated depreciation). Capital assets reported also include right-to-use assets from leases and software subscription assets (net of accumulated amortization). The increase in capital assets of \$648,019 includes capital additions of \$1,354,331, net of depreciation and amortization expense of \$706,312. Additions to capital asset during the current year include the following:

- Construction in progress for improvements to existing City infrastructure of \$700,096
- Equipment and software subscription assets for public safety of \$92,625
- Streets and infrastructure for \$246,045
- Infrastructure for the City's sewer and dam system of \$315,565

More detailed information on the City's capital assets is presented in note III.C. to the financial statements.

LONG-TERM DEBT

At the end of the current year, the City had total long-term debt of \$13,232,882. Included within total long-term debt were certificates of obligation of \$10,890,000, general obligation refunding bonds of \$960,000, notes payable for \$1,275,000, loans for equipment of \$25,498, lease payable of \$33,480, and liabilities from a software subscription arrangements of \$48,904.

More detailed information about the City's long-term liabilities is presented in note III.D. to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City adopted a budget for the fiscal year ending September 30, 2024 that included general fund revenues of \$2,437,695 and expenditures of \$2,386,445. The City also budgeted \$511,159 in property tax revenues and transfers out to the utility fund for debt service costs within the debt service fund for fiscal year ending September 30, 2024. The total property tax rate for fiscal year ended September 30, 2024 was approved at \$0.3532 per \$100 assessed property value which was a \$0.0045 decrease from prior year. The maintenance and operations portion of the total property tax rate is \$0.2026 and debt service portion of the total property tax rate is \$0.1506.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City's finances. Questions concerning this report or requests for additional financial information should be directed to the City of Blanco Finance Department at 300 Pecan Street, Blanco, Texas 78606.

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BASIC FINANCIAL STATEMENTS

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CITY OF BLANCO, TEXAS

STATEMENT OF NET POSITION

September 30, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Cash and cash equivalents	\$ 623,723	\$ 1,403,193	\$ 2,026,916
Receivables (net of allowance for uncollectible)	214,335	310,042	524,377
Inventory	-	19,060	19,060
Restricted assets:			
Cash and cash equivalents	245,542	1,964,128	2,209,670
Net pension asset	82,041	3,317	85,358
Capital assets and right-to-use assets:			
Nondepreciable	250,637	5,790,248	6,040,885
Net depreciable capital assets	2,134,886	12,125,427	14,260,313
Net amortizable right-to-use assets	32,309	-	32,309
Total Assets	3,583,473	21,615,415	25,198,888
<u>Deferred Outflows of Resources</u>			
Deferred charge on refunding	-	16,661	16,661
Deferred outflows - pensions	149,769	6,056	155,825
Deferred outflows - OPEB	17,933	725	18,658
Total Deferred Outflows of Resources	167,702	23,442	191,144
<u>Liabilities</u>			
Accounts payable	53,646	453,809	507,455
Accrued interest	-	29,594	29,594
Customer deposits payable	-	122,314	122,314
Unearned revenue	245,542	-	245,542
Noncurrent liabilities:			
Long-term liabilities due within one year	70,603	516,049	586,652
Long-term liabilities due in more than one year	81,729	12,610,118	12,691,847
Total OPEB liability	57,959	2,344	60,303
Total Liabilities	509,479	13,734,228	14,243,707
<u>Deferred Inflows of Resources</u>			
Deferred inflows - pensions	122,908	4,970	127,878
Deferred inflows - OPEB	30,549	1,235	31,784
Total Deferred Inflows of Resources	153,457	6,205	159,662
<u>Net Position</u>			
Net investment in capital assets	2,309,950	6,020,004	8,329,954
Restricted for:			
Enabling legislation	303,664	-	303,664
Debt service	27,488	265,604	293,092
Unrestricted	447,137	1,612,816	2,059,953
Total Net Position	\$ 3,088,239	\$ 7,898,424	\$ 10,986,663

See Notes to Financial Statements.

CITY OF BLANCO, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2023

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
City hall	\$ 694,464	\$ 109,418	\$ -	\$ -
Code compliance	48,808	-	-	-
Police	1,260,151	77,035	-	-
Mayor and council	15,619	-	-	-
Municipal court	180,992	141,933	-	-
Streets and parks	144,181	-	-	-
Tourism	92,877	-	-	-
Community aid	15,226	-	227,857	-
Interest and fees on long-term debt	3,519	-	-	-
Total Governmental Activities	2,455,837	328,386	227,857	-
Business-Type Activities				
Utility	2,529,737	2,222,213	-	190,165
Interest and fees on long-term debt	274,853	-	-	-
Total Business-Type Activities	2,804,590	2,222,213	-	190,165
Total Primary Government	\$ 5,260,427	\$ 2,550,599	\$ 227,857	\$ 190,165

General Revenues:

- Property taxes
- Sales taxes
- Hotel taxes
- Franchise fees
- Investment income
- Other revenues
- Transfers

Total General Revenues and Transfers

Change in Net Position

Beginning net position

Ending Net Position

See Notes to Financial Statements.

Net Revenue (Expense) and Changes in Net Position
Primary Government

Governmental Activities	Business-Type Activities	Total
\$ (585,046)	\$ -	\$ (585,046)
(48,808)	-	(48,808)
(1,183,116)	-	(1,183,116)
(15,619)	-	(15,619)
(39,059)	-	(39,059)
(144,181)	-	(144,181)
(92,877)	-	(92,877)
212,631	-	212,631
(3,519)	-	(3,519)
<u>(1,899,594)</u>	<u>-</u>	<u>(1,899,594)</u>
-	(117,359)	(117,359)
-	(274,853)	(274,853)
-	(392,212)	(392,212)
<u>(1,899,594)</u>	<u>(392,212)</u>	<u>(2,291,806)</u>
968,038	-	968,038
1,037,064	-	1,037,064
108,136	-	108,136
108,040	-	108,040
66,899	71,624	138,523
4,721	7,054	11,775
(455,126)	455,126	-
<u>1,837,772</u>	<u>533,804</u>	<u>2,371,576</u>
(61,822)	141,592	79,770
<u>3,150,061</u>	<u>7,756,832</u>	<u>10,906,893</u>
<u>\$ 3,088,239</u>	<u>\$ 7,898,424</u>	<u>\$ 10,986,663</u>

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CITY OF BLANCO, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2023

	General	Debt Service	Nonmajor Governmental	Total Governmental Funds
<u>Assets</u>				
Cash and cash equivalents	\$ 311,828	\$ 27,488	\$ 284,407	\$ 623,723
Receivables, net	188,938	6,140	19,257	214,335
Restricted:				
Cash and cash equivalents	245,542	-	-	245,542
Total Assets	\$ 746,308	\$ 33,628	\$ 303,664	\$ 1,083,600
<u>Liabilities</u>				
Accounts payable	\$ 53,646	\$ -	\$ -	\$ 53,646
Unearned revenue	245,542	-	-	245,542
Total Liabilities	299,188	-	-	299,188
<u>Deferred Inflows of Resources</u>				
Unavailable revenue - property taxes	8,060	6,140	-	14,200
<u>Fund Balances</u>				
Restricted for:				
Debt service	-	27,488	-	27,488
Tourism	-	-	221,878	221,878
Municipal court technology	-	-	52,381	52,381
Municipal court security	-	-	29,405	29,405
Assigned for:				
Claims and judgments	1,000	-	-	1,000
Unassigned	438,060	-	-	438,060
Total Fund Balances	439,060	27,488	303,664	770,212
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 746,308	\$ 33,628	\$ 303,664	\$ 1,083,600

See Notes to Financial Statements

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CITY OF BLANCO, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
September 30, 2023

Total fund balances – governmental funds \$ 770,212

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.

Capital assets – nondepreciable	250,637
Capital assets – net depreciable	2,134,886
Right-to-use assets - net amortizable	32,309

Changes in pension/other postemployment benefits (OPEB) activity do not affect the fund balance on the statement of revenues, expenditures, and changes in fund balance for the governmental funds. These changes in pension/OPEB activity that affect the City's net position are as follows:

Net pension asset	82,041
Deferred outflows - pensions	149,769
Deferred inflows - pensions	(122,908)
Total OPEB liability	(57,959)
Deferred outflows - OPEB	17,933
Deferred inflows - OPEB	(30,549)

Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the governmental funds. 14,200

Some liabilities, including loans, lease payable, and compensated absences, are not reported as liabilities in the governmental funds.

Long-term liabilities due in one year	(70,603)
Long-term liabilities due in more than one year	(81,729)

Net Position of Governmental Activities \$ 3,088,239

See Notes to Financial Statements.

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CITY OF BLANCO, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

For the Year Ended September 30, 2023

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>				
Property taxes	\$ 520,905	\$ 451,264	\$ -	\$ 972,169
Sales taxes	1,037,064	-	-	1,037,064
Hotel occupancy taxes	-	-	108,136	108,136
Franchise fees	108,040	-	-	108,040
Fines and court costs	133,421	-	8,512	141,933
Licenses and permits	109,418	-	-	109,418
Charges for services	77,035	-	-	77,035
Intergovernmental revenue	227,857	-	-	227,857
Interest earnings	51,663	9,739	5,497	66,899
Miscellaneous	4,721	-	-	4,721
Total Revenues	<u>2,270,124</u>	<u>461,003</u>	<u>122,145</u>	<u>2,853,272</u>
<u>Expenditures</u>				
General government:				
City hall	741,235	-	-	741,235
Code compliance	48,808	-	-	48,808
Police	1,249,325	-	-	1,249,325
Mayor and council	15,619	-	-	15,619
Municipal court	155,544	-	23,388	178,932
Streets and parks	337,094	-	-	337,094
Tourism	-	-	92,877	92,877
Community aid	14,318	-	-	14,318
Debt service:				
Principal	56,374	-	-	56,374
Interest and fees	3,519	-	-	3,519
Total Expenditures	<u>2,621,836</u>	<u>-</u>	<u>116,265</u>	<u>2,738,101</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(351,712)</u>	<u>461,003</u>	<u>5,880</u>	<u>115,171</u>
<u>Other Financing Sources (Uses)</u>				
Transfers (out)	-	(455,126)	-	(455,126)
Loan proceeds	30,185	-	-	30,185
Subscription arrangements	62,440	-	-	62,440
Total Other Financing Sources (Uses)	<u>92,625</u>	<u>(455,126)</u>	<u>-</u>	<u>(362,501)</u>
Net Change in Fund Balances	<u>(259,087)</u>	<u>5,877</u>	<u>5,880</u>	<u>(247,330)</u>
Beginning fund balances	698,147	21,611	297,784	1,017,542
Ending Fund Balances	<u>\$ 439,060</u>	<u>\$ 27,488</u>	<u>\$ 303,664</u>	<u>\$ 770,212</u>

See Notes to Financial Statements.

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CITY OF BLANCO, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2023

Amounts reported for governmental activities in the Statement of Activities are different because:

Net changes in fund balances - governmental funds	\$	(247,330)
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation amortization expense.</p>		
Capital outlay and increase in subscription assets		411,739
Depreciation and amortization		(206,344)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		(4,131)
<p>The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when it is first issued; whereas, these amounts are deferred and amortized in the Statement of Activities. In addition, pension and other postemployment benefits (OPEB) expenses and the amortization of deferred items are accounted for in the Statement of Activities.</p>		
Principal payment on vehicle loan, lease payable, and SBITAs		56,374
Loan proceeds		(30,185)
SBITAs		(62,440)
Deferred outflows - pensions		114,439
Deferred inflows - pensions		(41,295)
Net pension asset		(19,123)
Deferred outflows - OPEB		5,723
Deferred inflows - OPEB		(27,918)
Total OPEB liability		(1,157)
Change in compensated absences		(10,174)
Change in Net Position of Governmental Activities	\$	<u>(61,822)</u>

See Notes to Financial Statements.

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CITY OF BLANCO, TEXAS

STATEMENT OF NET POSITION

PROPRIETARY FUND

September 30, 2023

	Business-Type Activities
	Utility
<u>Assets</u>	
Current Assets	
Cash and cash equivalents	\$ 1,403,193
Receivables, net	310,042
Inventory	19,060
Restricted assets:	
Cash and cash equivalents	1,964,128
Net pension asset	3,317
Total Current Assets	3,699,740
Noncurrent Assets	
Capital assets:	
Nondepreciable	5,790,248
Depreciable capital assets	12,125,427
Total Capital Assets, Net of Accumulated Depreciation	17,915,675
Total Noncurrent Assets	17,915,675
Total Assets	21,615,415
<u>Deferred Outflows of Resources</u>	
Deferred charge on refunding	16,661
Deferred outflows - pensions	6,056
Deferred outflows - OPEB	725
Total Deferred Outflows of Resources	23,442
<u>Liabilities</u>	
Current Liabilities	
Accounts payable	453,809
Accrued interest payable	29,594
Customer deposits	122,314
Bonds payable - current	515,000
Compensated absences - current	1,049
Total Current Liabilities	1,121,766
Noncurrent liabilities	
Bonds payable	12,610,000
Compensated absences	118
Total OPEB liability	2,344
Total Noncurrent Liabilities	12,612,462
Total Liabilities	13,734,228
<u>Deferred Inflows of Resources</u>	
Deferred inflows - pensions	4,970
Deferred inflows - OPEB	1,235
Total Deferred Inflows of Resources	6,205
<u>Net Position</u>	
Net investment in capital assets	6,020,004
Restricted for debt service	265,604
Unrestricted	1,612,816
Total Net Position	\$ 7,898,424

See Notes to Financial Statements.

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CITY OF BLANCO, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND

For the Year Ended September 30, 2023

	Business-Type Activities
	Utility
<u>Operating Revenues</u>	
Charges for services	\$ 2,222,213
Other revenue	7,054
Total Operating Revenues	2,229,267
 <u>Operating Expenses</u>	
Payroll costs	47,729
Professional and contractual services	461,561
Other operation expenses	1,520,479
Depreciation expense	499,968
Total Operating Expenses	2,529,737
Operating (Loss)	(300,470)
 <u>Nonoperating Revenues (Expenses)</u>	
Investment income	71,624
Interest and fiscal agent fees	(274,853)
Total Nonoperating (Expenses)	(203,229)
(Loss) Before Contributions and Transfers	(503,699)
Contribution for capital construction	190,165
Transfers in	455,126
Change in Net Position	141,592
Beginning net position	7,756,832
Ending Net Position	\$ 7,898,424

See Notes to Financial Statements.

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CITY OF BLANCO, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

For the Year Ended September 30, 2023

	Business-Type Activities
	Utility
<u>Cash Flows from Operating Activities</u>	
Cash received for services	\$ 2,126,012
Cash paid for salaries and wages	(63,534)
Cash paid to suppliers	(2,061,253)
Net Cash Provided by Operating Activities	1,225
<u>Cash Flows from Noncapital Financing Activities</u>	
Transfer from other funds	455,126
Net Cash Provided by Noncapital Financing Activities	455,126
<u>Cash Flows from Capital and Related Financing Activities</u>	
Acquisition and construction of capital assets	(942,592)
Contribution for capital construction	190,165
Proceeds from issuance of notes payable	1,275,000
Bond issuance costs	(75,000)
Principal paid on bonds	(510,000)
Interest paid on bonds and fiscal agent fees	(189,570)
Net Cash (Used) by Capital and Related Financing Activities	(251,997)
<u>Cash Flows from Investing Activities</u>	
Interest on investments	71,624
Net Cash Provided by Investing Activities	71,624
Net Increase in Cash and Cash Equivalents	275,978
Beginning cash and cash equivalents	3,091,343
Ending Cash and Cash Equivalents	\$ 3,367,321
Ending Cash and Cash Equivalents	
Unrestricted cash and cash equivalents	\$ 1,403,193
Restricted cash and cash equivalents	1,964,128
	\$ 3,367,321
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating (loss)	\$ (300,470)
Adjustments to Reconcile Operating (Loss) to Net Cash Provided by Operating Activities:	
Depreciation	499,968
Changes in Operating Assets and Liabilities:	
(Increase) Decrease in Current Assets:	
Accounts receivable	(105,899)
Net pension asset	17,686
Deferred outflows - pensions	14,695
Deferred outflows - OPEB	5,493
Increase (Decrease) in Current Liabilities:	
Accounts payable	(79,213)
Customer deposits	2,644
Compensated absences	(855)
Total OPEB liability	(24,436)
Deferred inflows - pensions	(28,096)
Deferred inflows - OPEB	(292)
Net Cash Provided by Operating Activities	\$ 1,225

See Notes to Financial Statements.

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CITY OF BLANCO, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Blanco, Texas (the “City”) was incorporated under the laws of the State of Texas (the “State”) in 1938 as a general law City.

The City provides the following services: general administration, public safety (police), public works (includes sanitation), parks and recreation, community aid, and water and wastewater services.

The City is an independent political subdivision of the State governed by an elected council and a mayor and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City’s financial reporting entity. No other entities have been included in the City’s reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the City’s financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with the prescribed criteria considered in determining that the City’s financial reporting entity status is that of a primary government are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable, and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

B. Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the primary government. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support.

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the City’s enterprise fund. Separate financial statements are provided for governmental and proprietary funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the City’s water and wastewater functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

CITY OF BLANCO, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the City’s funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The City reports the following governmental funds:

The *general fund* is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales taxes, franchise fees, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, public safety, public works, parks and recreation, and community services. The general fund is always considered a major fund for reporting purposes.

The *debt service fund* is used to account for the payment of interest and principal on all general obligation bonds and other long-term debt of the City. The primary source of revenue for debt service is local property taxes. The debt service fund is considered a major fund for reporting purposes.

The *special revenue funds* are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The special revenue funds include the hotel/motel occupancy tax fund, the municipal court technology fund, and the municipal court building security fund. The special revenue funds are considered nonmajor funds for reporting purposes.

The City reports the following proprietary fund:

The *enterprise fund* is used to account for the operations that provide water and wastewater collection, wastewater treatment operations, and sanitation collection services. The services are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis will be financed or recovered primarily through user charges. The utility fund is considered a major fund for reporting purposes.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise fund) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are

CITY OF BLANCO, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

eliminated so that only the net amount is included as internal balances in the business-type activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide and proprietary fund 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 related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The 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 collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under leases are reported as other financing sources.

Property taxes, sales taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the City.

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

2. Investments

Investments, except for certain investment pools, commercial paper, money market funds, and investment contracts, are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost. Money market funds,

CITY OF BLANCO, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations and commercial paper that have a remaining maturity of one year or less upon acquisition, are reported at amortized cost. Investments in nonparticipating interest earning contracts, such as certificates of deposit, are reported at cost.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Governmental Code. In summary, the City is authorized to invest in the following:

- Direct obligations of the U.S. Government
- Fully collateralized certificates of deposit and money market accounts
- Fully collateralized repurchase agreements that meet certain criteria
- Government investment pools and commercial paper

3. Inventories

Inventories are valued at cost. The consumption method is used to account for enterprise fund inventories. Under the consumption method, inventories of the enterprise fund are recorded as expenses when consumed rather than when purchased.

4. Restricted Assets

Certain bond proceeds, as well as other resources set aside for specific purposes, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants or contractual agreements. Restricted assets of the governmental and enterprise funds are restricted by bond covenants for repayment of debt and to finance construction projects.

5. Capital Assets

Capital assets, including property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively. Capital assets are defined by the government as assets with 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 acquisition value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Interest costs incurred in connection with the construction of the enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

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

CITY OF BLANCO, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful years:

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Equipment	7 years
Vehicles	5 years
Infrastructure	20 to 40 years
Utility system	20 to 40 years
Buildings and improvements	30 years

6. 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 so will *not* be recognized as an outflow of resources (expense/expenditure) until then. 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 so will *not* be recognized as an inflow of resources (revenue) until that time.

Deferred outflows/inflows of resources are amortized as follows:

- Deferred outflows/inflows from pension/other postemployment benefits (OPEB) activities are amortized over the average of the expected service lives of pension/OPEB plan members, except for the net differences between the projected and actual investment earnings on the pension/OPEB plan assets, which are amortized over a period of five years.
- For employer pension/OPEB plan contributions that were made subsequent to the measurement date through the end of the City’s fiscal year, the amount is deferred and recognized as a reduction to the net pension/OPEB liability during the measurement period in which the contributions were made.
- A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

At the fund level, the City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes, which are deferred and recognized as an inflow of resources in the period that the amount becomes available.

7. Compensated Employee Absences

It is the City’s policy to permit employees to accumulate earned but unused vacation time. Vacation amounts accumulated, up to 120 hours, may be paid to employees upon termination of employment. The estimated amount of compensation for services provided that is expected to be liquidated with expendable, available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it when it matures or becomes due. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable, available

CITY OF BLANCO, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

financial resources are maintained separately and represent a reconciling item between the fund and government-wide presentations.

8. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

The property tax rate is allocated each year between the general and debt service funds. The full amount estimated to be required for debt service on general obligation debt is provided by the tax along with the interest earned in the debt service fund.

9. Leases

The City is a lessee for a noncancellable lease of equipment. The City recognizes a lease liability and an intangible, right-to-use lease asset (the “lease asset”) in the government-wide financial statements.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Lease payments included in the measurement of the lease liability are composed of fixed payments and the purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

CITY OF BLANCO, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the Statement of Net Position.

10. Subscription-Based Information Technology Arrangements

The City has noncancellable subscription-based information technology arrangements (SBITAs) to finance the use of information technology software. The City recognizes a liability (the “subscription liability”) and an intangible, right-to-use subscription asset (the “subscription asset”) in the government-wide financial statements.

At the commencement of the SBITAs, the City initially measures the subscription liability at the present value of subscription payments expected to be made during the subscription term. Future subscription payments are discounted using either the implicit rate or the City’s incremental borrowing rate if the interest rate is not readily determinable. The subscription liability is reduced by the principal portion of the subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability, plus payments made before the commencement of the subscription term and capitalizable implementation costs. The subscription asset is reduced for any vendor incentives received. The subscription asset is amortized on a straight-line basis over the subscription term.

Key estimates and judgments related to the SBITAs include how the City determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) term of the subscription arrangements, and (3) subscription payments.

- The City uses the interest rate charged on the SBITAs as the discount rate. When the interest rate charged on the SBITAs is not provided, the City uses its estimated incremental borrowing rate as the discount rate.
- The term includes the noncancellable period of the SBITAs plus options periods, in which one party may exercise, that the City is reasonably certain will be exercised.
- The subscription payments included in the measurement of the subscription liability are composed of fixed or fixed in substance payments and other payments associated with the SBITA that the City is reasonably certain to make based on an assessment of all relevant factors.

The City monitors changes in circumstances that would require a remeasurement of its subscription arrangements and will remeasure the subscription liability and asset if certain changes occur that are expected to significantly affect the amount of the subscription liability. The subscription liabilities are reported with long-term debt and the subscription assets are reported with other capital assets on the Statement of Net Position.

11. Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to consider restricted net position to have been depleted before unrestricted net position is applied.

CITY OF BLANCO, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

12. Fund Balance Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

13. Fund Balance Policies

Fund balances of governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact are classified as nonspendable fund balance. Amounts that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions are classified as restricted.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

14. 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, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

15. Pensions

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS' fiduciary net position have been determined on the same basis as they are reported by

CITY OF BLANCO, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

16. Other Postemployment Benefits

The City participates in a defined benefit group-term life insurance plan administered by TMRS known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. 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. Benefit payments are treated as being equal to the employer's yearly contributions for retirees. Benefit payments and refunds are due and payable in accordance with the benefit terms. Information about the City's total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense is provided by TMRS from reports prepared by their consulting actuary.

G. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as *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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

Property taxes are levied during October of each year and are due upon receipt of the City's tax bill. Taxes become delinquent, with an enforceable lien on property, on February 1 of the following year.

3. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. The enterprise fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF BLANCO, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The City Council adopts an annual operating budget for the City’s general fund on a generally accepted accounting principles (GAAP) basis. Adopted budgets can be amended by the City Council throughout the year. The level of budgetary control (the level at which expenditures may not exceed budget) is the fund level. The City Administrator is authorized to approve a transfer of budgeted amounts between departments; however, any revisions that alter the total budgeted expenditures of any fund must be approved by the City Council. Unencumbered appropriations for annual budgets lapse at fiscal year end. Encumbrances outstanding at year end are reported as assigned fund balances and do not constitute expenditures on the budget to actual financial statements. In accordance with GAAP, the City presents the general fund budget to actual financial statements within the Required Supplementary Information to demonstrate that the City is within the legal level of budgetary control.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

At September 30, 2023, the carrying amount of the City’s deposits consisted of cash and cash equivalents in checking accounts, money market accounts, and investment pools. The City had the following pooled investments as of September 30, 2023:

<u>Investment Type</u>	<u>Value</u>	<u>Weighted Average Maturity (Years)</u>
Texas CLASS Investment Pool	\$ 3,355,744	0.20

Interest rate risk. In accordance with its investment policy, the City manages its exposure to declines in fair values by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations and invest operating funds primarily in short-term securities.

Credit risk. The City’s policy requires that investment pools must be rated no lower than ‘AAA’ or ‘AAA-m’. Bankers’ acceptances must be issued in the United States and carry a rating of ‘A1’/‘P1’ as provided by two of the top nationally recognized rating agencies. As of September 30, 2023, the City’s investments in investment pools were rated ‘AAAm’ or ‘AAA’ by Standard & Poor’s.

Custodial credit risk – deposits. In the case of deposits, this is the risk that the City’s deposits may not be returned in the event of a bank failure. The City’s investment policy requires funds on deposit at the depository bank to be collateralized by securities. As of September 30, 2023, fair market values of pledged securities and FDIC coverage exceeded bank balances.

Custodial credit risk – investments. For an investment, this is the risk that the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party in the event of the failure of the counterparty. The City’s investment policy requires that it will seek to safekeep securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, shall be conducted on a delivery versus payment basis or commercial book entry system as utilized by the Federal Reserve and shall be protected through the use of a third-party custody/safekeeping agent.

CITY OF BLANCO, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

Texas CLASS

The Texas Cooperative Liquid Assets Securities System Trust – Texas (CLASS) is a public funds investment pool under Section 2256.016 of the Public Funds Investment Act, Texas Government Code, as amended. CLASS is created under an amended and restated trust agreement, dated as of December 14, 2011 (the “Agreement”), among certain Texas governmental entities investing in CLASS (the “Participants”), with Cutwater Investor Services Corporation as program administrator and Wells Fargo Bank Texas, NA as custodian. CLASS is not SEC registered and is not subject to regulation by the State. Under the Agreement, however, CLASS is administered and supervised by a seven-member board of trustees (the “Board”), whose members are investment officers of the Participants, elected by the Participants for overlapping two-year terms. In the Agreement and by resolution of the Board, CLASS has contracted with Cutwater Investors Service Corporation to provide for the investment and management of the public funds of CLASS. Separate financial statements for CLASS may be obtained from CLASS’ website at www.texasclass.com.

B. Receivables

The following comprises receivable balances at year end:

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental</u>	<u>Utility</u>
Property taxes	\$ 8,061	\$ 6,140	\$ -	\$ -
Sales taxes	178,248	-	-	-
Hotel taxes	-	-	19,257	-
Other	2,629	-	-	-
Utilities	-	-	-	310,042
	<u>\$ 188,938</u>	<u>\$ 6,140</u>	<u>\$ 19,257</u>	<u>\$ 310,042</u>

CITY OF BLANCO, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

C. Capital Assets

A summary of changes in capital assets for governmental activities at year end is as follows:

	<u>Beginning</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Ending</u>
Governmental Activities:	Balance	Increases	(Decreases)	Balance
Capital assets not being depreciated/amortized:				
Land	\$ 140,892	\$ -	\$ -	\$ 140,892
Construction in progress	36,676	73,069	-	109,745
Total capital assets not being depreciated/amortized	<u>177,568</u>	<u>73,069</u>	<u>-</u>	<u>250,637</u>
Other capital assets:				
Building and improvements	1,027,694	-	-	1,027,694
Streets and infrastructure	1,954,444	246,045	-	2,200,489
Vehicles, machinery, and equipment	1,489,725	30,185	(590,078)	929,832
Right-to-use assets	49,647	-	-	49,647
Subscription assets	-	62,440	-	62,440
Total other capital assets	<u>4,521,510</u>	<u>338,670</u>	<u>(590,078)</u>	<u>4,270,102</u>
Less accumulated depreciation/amortization for:				
Building and improvements	(580,448)	(36,528)	-	(616,976)
Streets and infrastructure	(601,304)	(51,175)	-	(652,479)
Vehicles, machinery, and equipment	(1,297,008)	(102,940)	590,078	(809,870)
Right-to-use assets	(7,881)	(9,457)	-	(17,338)
Subscription assets	-	(6,244)	-	(6,244)
Total accumulated depreciation/amortization	<u>(2,486,641)</u>	<u>(206,344)</u>	<u>590,078</u>	<u>(2,102,907)</u>
Other capital assets, net	<u>2,034,869</u>	<u>132,326</u>	<u>-</u>	<u>2,167,195</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 2,212,437</u>	<u>\$ 205,395</u>	<u>\$ -</u>	<u>2,417,832</u>
			Less associated debt	<u>(107,882)</u>
			Net Investment in Capital Assets	<u>\$ 2,309,950</u>

Depreciation was charged to governmental functions as follows:

City hall	\$ 12,395
Police	124,380
Municipal court	2,060
Streets and parks	66,601
Community aid	908
Total Governmental Activities Depreciation and Amortization	<u>\$ 206,344</u>

CITY OF BLANCO, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

The following is a summary of changes in capital assets for business-type activities for the year:

Business-Type Activities:	Beginning Balance	Increases	(Decreases)	Ending Balance
Capital assets not being depreciated:				
Land and improvements	\$ 1,117,866	\$ -	\$ -	\$ 1,117,866
Construction in progress	6,413,643	627,027	(2,368,288)	4,672,382
Total capital assets not being depreciated	<u>7,531,509</u>	<u>627,027</u>	<u>(2,368,288)</u>	<u>5,790,248</u>
Depreciable capital assets:				
Water system	6,940,036	-	(764,274)	6,175,762
Sewer system	8,279,981	2,606,948	(358,038)	10,528,891
Dam system	523,884	76,905	(40,275)	560,514
Buildings and other improvements	147,455	-	-	147,455
Tools and equipment	528,154	-	(410,395)	117,759
Total depreciable capital assets	<u>16,419,510</u>	<u>2,683,853</u>	<u>(1,572,982)</u>	<u>17,530,381</u>
Less accumulated depreciation:				
Water system	(3,920,047)	(168,447)	764,274	(3,324,220)
Sewer system	(1,801,184)	(286,624)	358,038	(1,729,770)
Dam system	(148,272)	(34,280)	40,275	(142,277)
Buildings and other improvements	(94,568)	(4,915)	-	(99,483)
Tools and equipment	(513,897)	(5,702)	410,395	(109,204)
Total accumulated depreciation	<u>(6,477,968)</u>	<u>(499,968)</u>	<u>1,572,982</u>	<u>(5,404,954)</u>
Depreciable capital assets, net	<u>9,941,542</u>	<u>2,183,885</u>	<u>-</u>	<u>12,125,427</u>
Business-Type Activities Capital Assets, Net	<u>\$ 17,473,051</u>	<u>\$ 2,810,912</u>	<u>\$ (2,368,288)</u>	<u>\$ 17,915,675</u>
			Less associated debt	(13,125,000)
			Plus unspent bond proceeds	1,212,668
			Plus deferred loss on refunding	16,661
			Net Investment in Capital Assets	<u>\$ 6,020,004</u>

CITY OF BLANCO, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

D. Long-Term Debt

The following is a summary of changes in the City's total long-term liabilities for the year. In general, the City uses the general, debt service, and utility fund to liquidate long-term liabilities. There was a net pension asset at the end of fiscal year 2023 due to the pension plan having a surplus. The net pension asset is reported on the Statement of Net Position and not displayed on the schedule below.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Debt:					
Equipment loan	\$ 29,186	\$ 30,185	\$ (33,873)	\$ 25,498	\$ 9,785
Lease payable	42,445	-	(8,965)	33,480	9,331
Subscription liability	-	62,440	(13,536)	48,904	11,482
	<u>71,631</u>	<u>92,625</u>	<u>(56,374)</u>	<u>107,882</u>	<u>* 30,598</u>
Other liabilities:					
Compensated absences	34,276	41,022	(30,848)	44,450	40,005
Total OPEB liability	56,802	1,157	-	57,959	-
Total Governmental Activities	<u>\$ 162,709</u>	<u>\$ 134,804</u>	<u>\$ (87,222)</u>	<u>\$ 210,291</u>	<u>\$ 70,603</u>
				<u>Long-term Liabilities Due In More Than One Year</u>	<u>\$ 139,688</u>
				<u>* Debt Associated with Governmental Capital Assets</u>	<u>\$ 107,882</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Business-Type Activities:					
Debt:					
Private placement certificates of obligation	\$ 11,175,000	\$ -	\$ (285,000)	\$ 10,890,000	\$ 285,000
General obligation refunding bonds	1,185,000	-	(225,000)	960,000	230,000
Notes payable	-	1,275,000	-	1,275,000	-
	<u>12,360,000</u>	<u>1,275,000</u>	<u>(510,000)</u>	<u>13,125,000</u>	<u>* 515,000</u>
Other liabilities:					
Compensated absences	2,022	965	(1,820)	1,167	1,049
Total OPEB liability	26,780	-	(24,436)	2,344	-
Total Business-Type Activities	<u>\$ 12,388,802</u>	<u>\$ 1,275,965</u>	<u>\$ (536,256)</u>	<u>\$ 13,128,511</u>	<u>\$ 516,049</u>
				<u>Long-term Liabilities Due In More Than One Year</u>	<u>\$ 12,612,462</u>
				<u>* Debt Associated with Business-Type Capital Assets</u>	<u>\$ 13,125,000</u>

CITY OF BLANCO, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

Long-term liabilities applicable to the City’s governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. The governmental activities’ compensated absences are generally liquidated by the general fund. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

Long-term debt at year end was comprised of the following debt issues:

Description	Interest Rates	Balance
Governmental Activities		
Equipment loan	5.75%	\$ 25,498
Lease payable	4.00%	33,480
Subscription liability	4.00%	48,904
Total Governmental Activities Long-Term Debt		\$ 107,882
Business-Type Activities		
Certificates of Obligation		
Series 2017A	3.00-3.50%	\$ 2,670,000
Series 2017B	3.00-4.00%	2,650,000
Series 2019	3.00-4.00%	2,200,000
Series 2020	4.00%	3,370,000
		<u>10,890,000</u>
General Obligation Refunding Bonds		
Series 2015	3.58%	<u>960,000</u>
Notes Payable		
Series 2023	4.35%	<u>1,275,000</u>
Total Business-Type Activities Long-Term Debt		\$ 13,125,000

Governmental Activities Long-Term Debt

The principal and interest payments on the equipment loan, lease payable, and subscription liability are reported in the general fund. The repayment requirements are considered operational costs to the general fund and are reported as outstanding debt with the governmental activities on the Statement of Net Position.

The City issued a loan for public safety equipment on March 3, 2023 and payments are repaid in quarterly installments and carried at an interest rate of 5.75%. The final payment for the loan is due on March 2, 2026. The equipment obtained through the loan agreement are included as depreciable capital assets for \$30,185 and the accumulated depreciation as of year end was \$6,037. The remaining annual requirements to amortize this loan at year end were as follows:

Fiscal Year Ended Sept. 30	Equipment Loan		
	Principal	Interest	Total
2024	\$ 9,785	\$ 1,258	\$ 11,043
2025	10,360	683	11,043
2026	5,353	115	5,468
	<u>\$ 25,498</u>	<u>\$ 2,056</u>	<u>\$ 27,554</u>

CITY OF BLANCO, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

The City's lease agreement as a lessee was for the acquisition and use of equipment which is recorded with capital assets. The City made principal and interest payments on the leases in fiscal year 2023 for \$10,500. The City will continue to make principal and interest payments on leases through fiscal year 2027. The interest rate on the equipment is 4.00%. The value of the right-to-use assets for equipment for fiscal year 2023 was \$49,647 and had accumulated amortization of \$17,338. The remaining annual requirements to amortize the lease payable at year end were as follows:

Fiscal Year Ended Sept. 30	Lease Payable		
	Principal	Interest	Total
2024	\$ 9,331	\$ 1,169	\$ 10,500
2025	9,711	789	10,500
2026	10,106	394	10,500
2027	4,332	43	4,375
Total	\$ 33,480	\$ 2,395	\$ 35,875

During the current fiscal year, the City entered into subscription-based information technology arrangements (SBITAs) to control the right to use software for public safety equipment. The SBITAs commenced or were in effect at the end of the current fiscal year. Principal and interest payments of \$13,536 are due annually with the first payment occurring in fiscal year 2023 and the term of the agreement ending in fiscal year 2028. Subscription assets were recorded with capital assets for \$62,440, and the liability for the SBITAs as of September 30, 2023 was \$48,904. The interest rate on the liability for the SBITAs was 4.00%. The remaining annual requirements to amortize the subscription liability from SBITAs at year end were as follows:

Fiscal Year Ended Sept. 30	Subscription Liability		
	Principal	Interest	Total
2024	\$ 11,482	\$ 2,054	\$ 13,536
2025	11,964	1,572	13,536
2026	12,467	1,069	13,536
2027	12,991	545	13,536
Total	\$ 48,904	\$ 5,240	\$ 54,144

CITY OF BLANCO, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

Business-Type Activities Long-Term Debt

The long-term debt reported with the City’s business-type activities are accounted for in the utility fund. The City’s debt service fund transferred the property tax revenues that were levied for the fiscal year 2023 principal and interest payments for a portion of the City’s business-type activities long-term debt.

The certificates of obligation (the “Certificates”) are private placements through the Texas Water Development Board. The repayment of the Certificates is secured by a combination of taxes levied on all taxable property located within the City and a pledge of surplus revenues of the utility system. The City’s utility fund had restricted funds of \$265,604 for future debt service payments on the Certificates. The interest expense paid on the certificates was \$159,635 for the year ended September 30, 2023. The remaining annual requirements to amortize the Certificates at year end were as follows:

Fiscal Year Ended Sept. 30	Private Placement Certificate of Obligation		
	Principal	Interest	Total
2024	\$ 285,000	\$ 158,620	\$ 443,620
2025	285,000	157,256	442,256
2026	285,000	155,442	440,442
2027	285,000	153,249	438,249
2028	290,000	150,748	440,748
2029-2033	2,060,000	691,171	2,751,171
2034-2038	2,190,000	550,032	2,740,032
2039-2043	2,380,000	370,284	2,750,284
2044-2048	2,330,000	156,875	2,486,875
2049-2051	500,000	13,355	513,355
Total	\$ 10,890,000	\$ 2,557,032	\$ 13,447,032

The general obligation refunding bonds (the “Bonds”) are direct obligations of the City for which its full faith and credit are pledged. The repayment of the Bonds are secured by taxes levied on all taxable property located within the City. The City is not obligated in any manner for special assessment debt. The interest expense paid on the Bonds was \$28,322 for the year ended September 30, 2023. The remaining annual requirements to amortize the Bonds at year end were as follows:

Fiscal Year Ended Sept. 30	General Obligation Refunding Bonds		
	Principal	Interest	Total
2024	\$ 230,000	\$ 22,944	\$ 252,944
2025	235,000	17,447	252,447
2026	245,000	11,831	256,831
2027	250,000	5,975	255,975
Total	\$ 960,000	\$ 58,197	\$ 1,018,197

CITY OF BLANCO, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

During the current fiscal year, the City issued limited tax notes payable (the “Notes Payable”) for infrastructure within the utility fund. The Notes Payable Series 2023 was issued for \$1,275,000 in May 2023. The repayment of the Notes Payable is secured by taxes levied on all taxable property located within the City. The first payment for interest expense is due on November 1, 2023. The first principal repayment of the Notes Payable is scheduled for May 1, 2025. The remaining annual requirements to amortize the Notes Payable at year end were as follows:

Fiscal Year Ended Sept. 30	Notes Payable		
	Principal	Interest	Total
2024	\$ -	\$ 55,308	\$ 55,308
2025	190,000	55,462	245,462
2026	200,000	47,198	247,198
2027	210,000	38,498	248,498
2028	215,000	29,362	244,362
2029-2030	460,000	30,232	490,232
Total	\$ 1,275,000	\$ 256,060	\$ 1,531,060

Federal Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed, or are not performed correctly, a substantial liability to the City could result. The City periodically engages an arbitrage consultant to perform the calculations in accordance with the rules and regulations of the IRS.

E. Interfund Transactions

Transfers between the primary government funds during the year were as follows:

Transfer In	Transfer Out	Amounts
Utility fund	Debt service fund	\$ 455,126

Amounts transferred to the utility fund from the debt service fund are to pay portions of the interest and principal on bonds.

CITY OF BLANCO, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

F. Fund Equity

As of September 30, 2023, \$303,664 of the City's total fund balance is restricted by enabling legislation.

G. Restricted Assets

The utility fund has restricted certain cash and cash equivalents for capital projects from unspent Texas Water Development Board debt proceeds, customer deposits, and debt service requirements. The general fund has restricted certain cash and cash equivalents for monies received in advance for grant agency purposes.

IV. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City participates along with 1,174 other entities in the Texas Municipal League's Intergovernmental Risk Pools (the "Pool"). The Pool purchases commercial insurance at a group rate for participants in the Pool. The City has no additional risk or responsibility to the Pool outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements that exceeded coverage amounts for the past three years.

B. Contingent Liabilities

The City is a defendant in several lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's management that resolution of these matters will not have a material adverse effect of the financial condition of the City.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. No claim liabilities are reported at year end.

C. Pension Plan

Texas Municipal Retirement System

Plan Description

The City participates as one of 919 plans in the defined benefit cash-balance plan administered by TMRS. TMRS is a statewide public retirement plan created by the State and administered in accordance with the Texas Government Code, Title 8, Subtitle G (the "TMRS Act") as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees (the "Board"); however, TMRS is not fiscally dependent on the State. TMRS issues a publicly available annual comprehensive financial report that can be obtained at tmrs.com.

All eligible employees of the City are required to participate in TMRS.

CITY OF BLANCO, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

Benefits Provided

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

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

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

	2023	2022
Employee deposit rate	7.00%	7.00%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service requirement eligibility (expressed as age/yrs of service)	60/5, 0/20	60/5, 0/20
Updated service credit	50% Repeating, Transfers	50% Repeating, Transfers
Annuity increase (to retirees)	30% of CPI	30% of CPI

Employees Covered by Benefit Terms

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	9
Inactive employees entitled to, but not yet receiving, benefits	35
Active employees	17
Total	61

Contributions

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 5.92% and 6.55% in calendar years 2022 and 2023, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2023 were \$75,851, which were equal to the required contributions.

CITY OF BLANCO, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

Net Pension Liability/(Asset)

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

Actuarial Assumptions

The TPL in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

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

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

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

CITY OF BLANCO, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global public equity	35.0%	7.7%
Core fixed income	6.0%	4.9%
Non-core fixed income	20.0%	8.7%
Other public and private markets	12.0%	8.1%
Real estate	12.0%	5.8%
Hedge funds	5.0%	6.9%
Private equity	10.0%	11.8%
Total	<u><u>100.00%</u></u>	

Discount Rate

The discount rate used to measure the TPL was 6.75%. The projection of cash flows used to determine the discount rate assumed that member and employer contributions will be made at the rates specified in statute. Based on that assumption, TMRS's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Changes in the NPL/(A)

	<u>Total Pension Liability (A)</u>	<u>Plan Fiduciary Net Position (B)</u>	<u>Net Pension Liability/(Asset) (A) - (B)</u>
Changes for the year:			
Service cost	\$ 162,740	\$ -	\$ 162,740
Interest	87,904	-	87,904
Difference between expected and actual experience	(159,265)	-	(159,265)
Contributions - employer	-	70,840	(70,840)
Contributions - employee	-	83,763	(83,763)
Net investment income	-	(100,201)	100,201
Benefit payments, including refunds of employee contributions	(59,252)	(59,252)	-
Administrative expense	-	(867)	867
Other changes	-	1,035	(1,035)
Net Changes	<u>32,127</u>	<u>(4,682)</u>	<u>36,809</u>
Balance at December 31, 2021	1,250,536	1,372,703	(122,167)
Balance at December 31, 2022	<u><u>\$ 1,282,663</u></u>	<u><u>\$ 1,368,021</u></u>	<u><u>\$ (85,358)</u></u>

CITY OF BLANCO, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

Sensitivity of the NPL/(A) to Changes in the Discount Rate

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability (Asset)	\$ 103,889	\$ (85,358)	\$ (235,380)

Pension Plan Fiduciary Net Position

Detailed information about TMRS's fiduciary net position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at tmrs.com.

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

For the fiscal year ended September 30, 2023, the City recognized pension expense of \$25,868.

At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 127,878
Net difference between projected and actual investment earnings	96,063	-
Contributions subsequent to the measurement date	59,762	-
Total	\$ 155,825	\$ 127,878

\$59,762 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the NPL for the fiscal year ending September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended September 30	Pension Expense
2024	\$ (49,942)
2025	(23,819)
2026	3,375
2027	38,571
Total	\$ (31,815)

CITY OF BLANCO, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

D. Other Postemployment Benefits

Plan Description

The City participates in an OPEB plan administered by TMRS. TMRS administers the defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. Employers 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 member city contributes to the SDBF at a contractually required rate (based on the covered payroll of employee members) 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. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). As such, the SDBF is considered to be a single-employer unfunded OPEB defined benefit plan with benefit payments treated as being equal to the employer's yearly contributions for retirees.

The contributions to the SDBF are pooled for investment purposes with those of the Pension Trust Fund (PTF). The SDBF's funding policy assures that adequate resources are available to meet all death benefit payments for the upcoming year. The SDBF is a pay-as-you-go fund, and any excess contributions are available for future SDBF benefits.

Benefits

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an OPEB and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e., no assets are accumulated). Participation in the SDBF as of December 31, 2022 is summarized below:

Inactive employees or beneficiaries currently receiving benefits	9
Inactive employees entitled to, but not yet receiving, benefits	11
Active employees	17
Total	<u><u>37</u></u>

Total OPEB Liability

The City's total OPEB liability of \$60,303 was measured as of December 31, 2022 and was determined by an actuarial valuation as of that date.

CITY OF BLANCO, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary increases	3.50% to 11.50% including inflation
Discount rate*	4.05%
Retirees' share of benefit related costs	Zero
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements of GASB 68.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully general generational basis with scale UMP.
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2022.

The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018. Due to the higher mortality rates associated with the global pandemic, the TMRS Board adopted changes to the assumptions and methodology used for calculating 2023 and 2024 rates as determined in the December 31, 2021 and December 31, 2022 actuarial valuations, respectively.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Changes for the year:	
Service cost	\$ 4,906
Interest	1,570
Difference between expected and actual experience	6,529
Changes of assumptions	(34,848)
Benefit payments*	(1,436)
Net Changes	<u>(23,279)</u>
Beginning balance	83,582
Ending Balance	<u><u>\$ 60,303</u></u>

*Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the City's yearly contributions for retirees.

The discount rate increased from 1.84% as of December 31, 2021 to 4.05% as of December 31, 2022. There were no other changes of assumptions or other inputs that affected measurement of the total OPEB liability during the measurement period.

There were no changes of benefit terms that affected measurement of the total OPEB liability during the measurement period.

CITY OF BLANCO, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

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

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (3.05%)	Discount Rate (4.05%)	1% Increase in Discount Rate (5.05%)
City's Total OPEB Liability	\$ 73,303	\$ 60,303	\$ 50,359

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

For the year ended September 30, 2023, the City recognized OPEB expense of \$5,441.

The City reported deferred outflows/inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 10,757	\$ 29,696
Changes in actuarial assumptions	6,897	2,088
Contributions subsequent to the measurement date	1,004	-
Total	\$ 18,658	\$ 31,784

\$1,004 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the fiscal year ending September 30, 2024. Amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ended September 30	OPEB Expense
2024	\$ (1,328)
2025	(1,548)
2026	(2,971)
2027	(4,124)
2028	(4,159)
Total	\$ (14,130)

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF BLANCO, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended September 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Property taxes	\$ 542,352	\$ 542,352	\$ 520,905	\$ (21,447)
Sales taxes	837,000	837,000	1,037,064	200,064
Franchise fees	105,000	105,000	108,040	3,040
Fines and court costs	103,526	103,526	133,421	29,895
Licenses and permits	74,550	74,550	109,418	34,868
Charges for services	73,870	73,870	77,035	3,165
Intergovernmental	41,826	246,279	227,857	(18,422)
Interest earnings	-	-	51,663	51,663
Miscellaneous	10,000	10,000	4,721	(5,279)
Total Revenues	<u>1,788,124</u>	<u>1,992,577</u>	<u>2,270,124</u>	<u>277,547</u>
<u>Expenditures</u>				
City hall	749,028	749,028	741,235	7,793
Code compliance	24,000	24,000	48,808	(24,808)
Police	1,197,405	1,260,749	1,249,325	11,424
Mayor and council	18,000	18,000	15,619	2,381
Municipal court	194,750	193,262	155,544	37,718
Streets and parks	106,226	307,661	337,094	(29,433)
Community aid	18,000	18,000	14,318	3,682
Debt service:				
Principal	23,636	56,374	56,374	-
Interest and fees	3,100	4,149	3,519	630
Total Expenditures	<u>2,334,145</u>	<u>2,631,223</u>	<u>2,621,836</u>	<u>9,387</u>
(Deficiency) of Revenues				
(Under) Expenditures	<u>(546,021)</u>	<u>(638,646)</u>	<u>(351,712)</u>	<u>286,934</u>
<u>Other Financing Sources (Uses)</u>				
Loan proceeds	-	30,185	30,185	-
Subscription arrangements	-	62,440	62,440	-
Total Other Financing Sources	<u>-</u>	<u>92,625</u>	<u>92,625</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ (546,021)</u>	<u>\$ (546,021)</u>	<u>(259,087)</u>	<u>\$ 286,934</u>
Beginning fund balance			698,147	
Ending Fund Balance			<u>\$ 439,060</u>	

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

CITY OF BLANCO, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
For the Year Ended September 30, 2023

	Measurement Year*			
	2022	2021	2020	2019
Total Pension Liability				
Service cost	\$ 162,740	\$ 163,430	\$ 140,149	\$ 140,923
Interest (on the total pension liability)	87,904	76,089	71,460	60,821
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	(159,265)	(6,061)	(91,224)	13,114
Change in assumptions	-	-	-	494
Benefit payments, including refunds of employee contributions	(59,252)	(56,907)	(69,991)	(44,713)
Net Change in Total Pension Liability	<u>32,127</u>	<u>176,551</u>	<u>50,394</u>	<u>170,639</u>
Beginning total pension liability	<u>1,250,536</u>	<u>1,073,985</u>	<u>1,023,591</u>	<u>852,952</u>
Ending Total Pension Liability	<u><u>\$ 1,282,663</u></u>	<u><u>\$ 1,250,536</u></u>	<u><u>\$ 1,073,985</u></u>	<u><u>\$ 1,023,591</u></u>
Plan Fiduciary Net Position				
Contributions - employer	\$ 70,840	\$ 79,189	\$ 72,169	\$ 69,998
Contributions - employee	83,763	88,409	77,126	75,709
Net investment income	(100,201)	145,536	73,120	115,392
Benefit payments, including refunds of employee contributions	(59,252)	(56,907)	(69,991)	(44,713)
Administrative expense	(867)	(674)	(474)	(655)
Other	1,035	5	(19)	(20)
Net Change in Plan Fiduciary Net Position	<u>(4,682)</u>	<u>255,558</u>	<u>151,931</u>	<u>215,711</u>
Beginning plan fiduciary net position	<u>1,372,703</u>	<u>1,117,145</u>	<u>965,214</u>	<u>749,503</u>
Ending Plan Fiduciary Net Position	<u><u>\$ 1,368,021</u></u>	<u><u>\$ 1,372,703</u></u>	<u><u>\$ 1,117,145</u></u>	<u><u>\$ 965,214</u></u>
Net Pension Liability/(Asset)	<u><u>\$ (85,358)</u></u>	<u><u>\$ (122,167)</u></u>	<u><u>\$ (43,160)</u></u>	<u><u>\$ 58,377</u></u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	106.65%	109.77%	104.02%	94.30%
Covered Payroll	\$ 1,196,620	\$ 1,262,983	\$ 1,101,798	\$ 1,078,219
Net Pension Liability/(Asset) as a Percentage of Covered Payroll	-7.13%	-9.67%	-3.92%	5.41%

*Only nine years of information is currently available. The City will build this schedule over the next one-year period.

Measurement Year*				
2018	2017	2016	2015	2014
\$ 125,817	\$ 51,030	\$ 43,816	\$ 33,826	\$ 32,902
55,122	46,454	43,259	41,326	38,715
44,234	-	-	-	-
(50,695)	3,241	5,705	(358)	3,468
-	-	-	19,462	-
<u>(62,009)</u>	<u>(45,877)</u>	<u>(52,229)</u>	<u>(45,254)</u>	<u>(31,251)</u>
<u>112,469</u>	<u>54,848</u>	<u>40,551</u>	<u>49,002</u>	<u>43,834</u>
<u>740,483</u>	<u>685,635</u>	<u>645,084</u>	<u>596,082</u>	<u>552,248</u>
<u>\$ 852,952</u>	<u>\$ 740,483</u>	<u>\$ 685,635</u>	<u>\$ 645,084</u>	<u>\$ 596,082</u>
\$ 17,667	\$ 12,558	\$ 9,394	\$ 6,253	\$ 4,750
52,287	38,484	33,407	25,471	25,814
(22,898)	92,476	42,865	956	35,125
(62,009)	(45,877)	(52,229)	(45,254)	(31,251)
(443)	(480)	(485)	(582)	(367)
<u>(23)</u>	<u>(24)</u>	<u>(26)</u>	<u>(30)</u>	<u>(30)</u>
<u>(15,419)</u>	<u>97,137</u>	<u>32,926</u>	<u>(13,186)</u>	<u>34,041</u>
<u>764,922</u>	<u>667,785</u>	<u>634,859</u>	<u>648,045</u>	<u>614,004</u>
<u>\$ 749,503</u>	<u>\$ 764,922</u>	<u>\$ 667,785</u>	<u>\$ 634,859</u>	<u>\$ 648,045</u>
<u>\$ 103,449</u>	<u>\$ (24,439)</u>	<u>\$ 17,850</u>	<u>\$ 10,225</u>	<u>\$ (51,963)</u>
87.87%	103.30%	97.40%	98.41%	108.72%
\$ 962,643	\$ 769,685	\$ 654,942	\$ 509,427	\$ 516,275
10.75%	-3.18%	2.73%	2.01%	-10.06%

CITY OF BLANCO, TEXAS
SCHEDULE OF CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
For the Year Ended September 30, 2023

	Fiscal Year*			
	2023	2022	2021	2020
Actuarially determined contribution	\$ 75,851	\$ 79,949	\$ 71,885	\$ 76,526
Contributions in relation to the actuarially determined contribution	75,851	79,949	71,885	76,526
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 1,184,176	\$ 1,326,963	\$ 1,134,609	\$ 1,138,433
Contributions as a percentage of covered payroll	6.41%	6.02%	6.34%	6.72%

*Only nine years of information is currently available. The City will build this schedule over the next one-year period.

Notes to Required Supplementary Information:

1. Valuation Date:

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

2. Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	16 years (longest amortization ladder)
Asset valuation method	10 year smoothed market; 12% soft corridor
Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period December 31, 2014 - December 31, 2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

3. Other Information:

There were no benefit changes during the year.

Fiscal Year*				
2019	2018	2017	2016	2015
\$ 59,019	\$ 17,066	\$ 14,201	\$ 7,922	\$ 6,874
59,019	17,066	14,201	7,922	6,874
\$ -	\$ -	\$ -	\$ -	\$ -
\$ 1,062,145	\$ 892,195	\$ 779,240	\$ 606,054	\$ 489,557
5.56%	1.91%	1.82%	1.31%	1.40%

CITY OF BLANCO, TEXAS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
For the Year Ended September 30, 2023

	Measurement Year*			
	2022	2021	2020	2019
Total OPEB Liability				
Service cost	\$ 4,906	\$ 5,305	\$ 3,416	\$ 2,588
Interest (on the total OPEB liability)	1,570	1,527	1,782	1,867
Differences between expected and actual experience	6,529	1,140	(3,365)	(1,083)
Change in assumptions	(34,848)	2,587	9,721	11,117
Benefit payments, including refunds of employee contributions **	(1,436)	(1,389)	(441)	(431)
Net Change in Total OPEB Liability	<u>(23,279)</u>	<u>9,170</u>	<u>11,113</u>	<u>14,058</u>
Beginning total OPEB liability	<u>83,582</u>	<u>74,412</u>	<u>63,299</u>	<u>49,241</u>
Ending Total OPEB Liability	<u>\$ 60,303</u>	<u>\$ 83,582</u>	<u>\$ 74,412</u>	<u>\$ 63,299</u>
Covered Payroll	\$ 1,196,620	\$ 1,262,983	\$ 1,101,798	\$ 1,078,219
Total OPEB Liability as a Percentage of Covered Payroll	5.04%	6.62%	6.75%	5.87%

*Only six years of information is currently available. The City will build this schedule over the next four-year period.

**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 contributions for retirees.

Notes to Required Supplementary Information:

1. Valuation Date:

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

2. Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Discount rate	4.05%
Administrative expenses	All administrative expenses are paid through the PTF and accounted for under reporting requirements of GASB Statement No. 68.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% 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.

3. Other Information:

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

The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2022.

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

There were no benefit changes during the year.

Measurement Year*	
2018	2017
\$ 3,947	\$ 2,848
1,529	1,442
3,229	-
(3,534)	3,465
(289)	(231)
<u>4,882</u>	<u>7,524</u>
<u>44,359</u>	<u>36,835</u>
<u>\$ 49,241</u>	<u>\$ 44,359</u>
\$ 962,643	\$ 769,685
5.12%	5.76%

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COMBINING STATEMENTS

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CITY OF BLANCO, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2023

	Hotel/Motel Occupancy Tax	Municipal Court Technology	Municipal Court Building Security	Total Nonmajor Governmental Funds
<u>Assets</u>				
Cash and cash equivalents	\$ 202,621	\$ 52,381	\$ 29,405	\$ 284,407
Receivables, net	19,257	-	-	19,257
Total Assets	\$ 221,878	\$ 52,381	\$ 29,405	\$ 303,664
<u>Fund Balances</u>				
Restricted for:				
Tourism	221,878	-	-	221,878
Municipal court technology	-	52,381	-	52,381
Municipal court security	-	-	29,405	29,405
Total Fund Balances	221,878	52,381	29,405	303,664
Total Liabilities and Fund Balances	\$ 221,878	\$ 52,381	\$ 29,405	\$ 303,664

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CITY OF BLANCO, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2023

	Hotel/Motel Occupancy Tax	Municipal Court Technology	Municipal Court Building Security	Total Nonmajor Governmental Funds
Revenues				
Hotel occupancy tax	\$ 108,136	\$ -	\$ -	\$ 108,136
Fines and forfeitures	-	4,206	4,306	8,512
Interest earnings	3,489	2,008	-	5,497
Total Revenues	<u>111,625</u>	<u>6,214</u>	<u>4,306</u>	<u>122,145</u>
Expenditures				
General government:				
Municipal court	-	2,695	20,693	23,388
Tourism	92,877	-	-	92,877
Total Expenditures	<u>92,877</u>	<u>2,695</u>	<u>20,693</u>	<u>116,265</u>
Net Change in Fund Balances	18,748	3,519	(16,387)	5,880
Beginning fund balances	203,130	48,862	45,792	297,784
Ending Fund Balances	<u>\$ 221,878</u>	<u>\$ 52,381</u>	<u>\$ 29,405</u>	<u>\$ 303,664</u>

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