

*REPORT OF EXAMINATION*

# **CITY OF BLANCO**

*Blanco, Texas*

**For the Year Ended  
September 30, 2020**



**CITY OF BLANCO, TEXAS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SEPTEMBER 30, 2020**

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CITY OF BLANCO  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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# NEFFENDORF & BLOCKER, P.C.

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Councilmembers  
City of Blanco, Texas  
Blanco, TX 78606

We have audited the accompanying financial statements of the governmental activities, the business-type activities, major fund, and the aggregate remaining fund information of the City of Blanco, Texas, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

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, major fund, and the aggregate remaining fund information of the City of Blanco, Texas, as of September 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, the Schedule of Changes in Net Pension Liability and the Related Ratios, the Schedule of Employer Contributions and the Schedule of Changes in the Total OPEB Liability and Related Ratios on pages 43-50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Blanco, Texas's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Neffendorf & Blocker, P.C.*

NEFFENDORF & BLOCKER, P.C.

Fredericksburg, TX

June 3, 2021

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Blanco, we offer readers of the City's financial statements this narrative overview and analysis of the financial statements of the City for the year ended September 30, 2020. Please read it in conjunction with the independent auditors' report on page 1, and City's Basic Financial Statements which begin on page 9.

### FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$10,827,376 (net position). Of this amount, \$2,561,658 (unrestricted net position) may be used to meet the City's ongoing obligations to citizen's and creditors.
- The City's net position decreased by \$129,148 as a result of this year's operations.
- At September 30, 2020, the City's governmental funds reported combined ending fund balances of \$1,504,714 a decrease of \$303,428 in comparison with the prior year.
- At September 30, 2020, the City's Water and Sewer Fund reported net position of \$7,045,868 an increase of \$631,083 in comparison with the prior year.

### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 9 and 10). These provide information about the activities of the City as a whole and present a longer-term view of the City's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (beginning on page 12) report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget.

The notes to the financial statements (starting on page 23) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The Budgetary Comparison Schedule (operating fund), Schedule of Changes in Net Pension Liability and Related Ratios, the Schedule of Employer Contributions and the Schedule of Changes in the Total OPEB Liability and Related Ratios are presented as required supplementary information on pages 43-50.



## Reporting the City as a Whole

### *The Statement of Net Position and the Statement of Activities*

The analysis of the City's overall financial condition and operations begins on page 9. Its primary purpose is to show whether the City is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the City's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the City's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. All the City's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the City's net position and changes in them. The City's net position (the difference between assets and liabilities) provide one measure of the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the City, however, you should consider other factors as well, such as changes in the City's customers or its property tax base and the condition of the City's facilities.

In the Statement of Net Position and the Statement of Activities, the City has two kinds of activity:

- Governmental activity - Most of the City's basic services are reported here, including the public safety, public works, municipal court and administration. Property taxes, user charges, sales tax and franchise tax finance most of these activities.
- Business-type activity - The City's water and sewer system is reported as a business-type activity since the fees charged to customers cover the cost of services provided.

## Reporting the City's Most Significant Funds

### *Fund Financial Statements*

The fund financial statements provide detailed information about the most significant funds - not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

The City has two kinds of funds:

- Governmental funds - All of the City's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in Note II to the financial statements.
- Proprietary funds - Services for which the City charges customers a fee are generally reported in proprietary funds. The City's enterprise fund (Water and Sewer) is a business-type activity and provides both long and short-term financial information.



## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the City's governmental and business-type activities.

Net position of the City's governmental activities decreased from \$4,205,466 to \$3,781,508. Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - was \$1,254,939 at September 30, 2020. This decrease in governmental net position was the result of five factors. First, the City's expenditures exceeded the revenues by \$303,428. Second, the City acquired capital assets in the amount of \$181,317 and recorded depreciation in the amounts of \$199,511. Fourth, a net increase of \$4,170 due to recognition of deferred inflows, outflows and liability related to GASB 68 accounting and financial reporting for pensions and fifth, a net decrease of \$3,985 due to recognition of deferred inflows, outflows and liability related to GASB 75 accounting and financial reporting for other post-employment benefits.

Net position of the City's business-type activities increased from \$6,414,785 to \$7,045,868. Unrestricted net position was \$1,306,719 at September 30, 2020. This increase in business-type net position was the result of a net income of \$294,810 and a prior period adjustment of \$336,273.

Table I  
City of Blanco

### NET POSITION in thousands

	Governmental Activities		Business-Type Activities		TOTALS Primary Government	
	2020	2019	2020	2019	2020	2019
Current and Other Assets	\$ 1,709	\$ 2,228	\$ 8,534	\$ 5,184	\$ 10,243	\$ 7,412
Capital Assets	2,345	2,363	12,058	12,461	14,403	14,824
Total Assets	\$ 4,054	\$ 4,591	\$ 20,592	\$ 17,645	\$ 24,646	\$ 22,236
Deferred Outflow of Resources						
Deferred Outflows	\$ 52	\$ 64	\$ 28	\$ 35	\$ 80	\$ 99
Total Deferred Outflows of Resources	\$ 52	\$ 64	\$ 28	\$ 35	\$ 80	\$ 99
Long-Term Liabilities	\$ 112	\$ 174	\$ 12,868	\$ 9,950	\$ 12,980	\$ 10,124
Other Liabilities	179	249	688	1,302	867	1,551
Total Liabilities	\$ 291	\$ 423	\$ 13,556	\$ 11,252	\$ 13,847	\$ 11,675
Deferred Inflow of Resources						
Deferred Inflows	\$ 33	\$ 26	\$ 17	\$ 14	\$ 50	\$ 40
Total Deferred Inflows of Resources	\$ 33	\$ 26	\$ 17	\$ 14	\$ 50	\$ 40
Net Position:						
Net Investment in						
Capital Assets	\$ 2,270	\$ 2,247	\$ 5,292	\$ 5,406	\$ 7,562	\$ 7,653
Restricted	256	264	447	643	703	907
Unrestricted	1,255	1,694	1,307	366	2,562	2,060
Total Net Position	\$ 3,781	\$ 4,205	\$ 7,046	\$ 6,415	\$ 10,827	\$ 10,621

Table II  
City of Blanco

CHANGES IN NET POSITION  
in thousands

	Governmental Activities		Business-Type Activities		TOTALS Primary Government	
	2020	2019	2020	2019	2020	2019
Revenues:						
Charges for Services	\$ 253	\$ 310	\$ 1,780	\$ 1,696	\$ 2,033	\$ 2,006
Municipal Court Fines					-	-
Property Taxes	654	533			654	533
Sales Tax	763	601			763	601
Franchise Tax	103	141			103	141
Intergovernmental					-	-
Investment Earnings	1	1			1	1
Grants	203	520			203	520
Other Taxes	95	116			95	116
Miscellaneous	44	67	14	17	58	84
Total Revenue	\$ 2,116	\$ 2,289	\$ 1,794	\$ 1,713	\$ 3,910	\$ 4,002
Expenses:						
City Hall	\$ 309	\$ 338	\$	\$	\$ 309	\$ 338
Code Compliance	19	18			19	18
Police	1,125	1,036			1,125	1,036
Streets and Parks	252	219			252	219
Sanitation			262	230	262	230
Mayor and Council	15	18			15	18
Emergency Services					-	-
Municipal Court	109	107			109	107
Tourism	126	183			126	183
Community Aide	33	25			33	25
Water and Sewer			1,516	1,927	1,516	1,927
Debt Service			290	193	290	193
Total Expenses	\$ 1,988	\$ 1,944	\$ 2,068	\$ 2,350	\$ 4,056	\$ 4,294
Non-Operating Revenues (Expenses)						
Grants	\$ -	\$	\$	\$ 423	\$ 0	\$ 423
Investment Earnings			17	1	17	1
Special Item - Insurance Recovery			50		50	-
Total Non-Operating Revenues (Expenses)	\$ -	\$ -	\$ 67	\$ 424	\$ 67	\$ 424
Increase in Net Assets Before						
Special Items & Transfers	\$ 128	\$ 345	\$ (207)	\$ (213)	\$ (79)	\$ 132
Special Item - Settlement			(50)	-	(50)	-
Transfers	(552)	768	552	(768)	-	-
Net Change	\$ (424)	\$ 1,113	\$ 295	\$ (981)	\$ (129)	\$ 132
Net Position, Beginning	4,205	3,092	6,415	7,396	10,620	10,488
Prior Period Adjustment			336		336	-
Net Position, Ending	\$ 3,781	\$ 4,205	\$ 7,046	\$ 6,415	\$ 10,827	\$ 10,621

The cost of all governmental activities this year was \$1,987,814. However, as shown in the Statement of Activities on page 13, the amount that our taxpayers ultimately financed for these activities through City taxes was only \$266,654 because the other costs were paid by sales tax (\$763,414), franchise tax (\$102,808), user charges (\$252,649), grants (\$203,889) interest on investments (\$1,441) and other miscellaneous (\$42,612).

#### THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on page 12) reported a combined fund balance of \$1,504,714, which is less than last year's total of \$1,808,142. Included in this year's total change in fund balance is a decrease of \$297,655 in the City's General Fund. The decrease in the General Fund was due to excess of expenditures over revenues.

The City adopted the General Fund Budget. Actual revenues were more than budgeted amounts and actual expenditures were less than budgeted amounts.

#### CAPITAL ASSET AND DEBT ADMINISTRATION

At September 30, 2020, the City had the following amounts invested in capital assets, net of depreciation:

#### CAPITAL ASSETS In thousands

	Governmental Activities		Business-Type Activities		TOTALS Primary Government	
	2020	2019	2020	2019	2020	2019
Land	\$ 141	\$ 141	\$ 1,158	\$ 1,158	\$ 1,299	\$ 1,299
Machinery & Equipment	1,287	1,287	532	532	1,819	1,819
Buildings & Improvements	748	748	151	151	900	900
Distribution and Collection Systems			15,235	15,235	15,235	15,235
Improvements	255	255			255	255
Infrastructure	2,017	1,077			2,017	1,077
Construction in Progress	-	759	658	652	658	1,412
Total Capital Assets	\$ 4,449	\$ 4,267	\$ 17,737	\$ 17,730	\$ 22,184	\$ 21,997
Less: Accumulated Depreciation	(2,104)	(1,904)	(5,678)	(5,268)	(7,782)	(7,173)
Capital Assets, Net	\$ 2,345	\$ 2,363	\$ 12,058	\$ 12,461	\$ 14,402	\$ 14,824



This year's major additions included:

	Governmental Activities	Business Type Activities
Wastewater Treatment System Construction WIP – Water Treatment Plant Project		968
Sidewalk Grant Project	181,317	6,037
TOTALS	<u>\$ 181,317</u>	<u>\$ 7,005</u>

More detailed information about the City's capital assets is presented in Note E and F to the financial statements.

#### Debt

For governmental-type activities the City retired \$40,410 in principal. The balance of loans payable at year end was \$75,167. For business-type activities, the City issued Texas Combination Tax and Revenue Certificates of Obligation, Series 2020 in the amount of \$3,400,000. The City had \$1,620,000 in General Obligation Refunding Bonds outstanding and \$11,710,000 in Combination Tax and Revenue Certificates outstanding at year end. The City retired \$470,000 in principal payable.

More detailed information about the City's long-term liabilities is presented in Notes G and H to the financial statements.

#### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal-year 2021 budget and tax rates. The major factors are the assessed property valuation and population growth. These indicators were taken into account when adopting the General Fund budget for 2021. Amounts available for appropriation in the General Fund budget are \$1,326,869 and expenditures are estimated to be \$2,097,872.

If these estimates are realized, the City's budgetary General fund balance is expected to decrease by the close of 2021.

#### CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's business office, at City of Blanco, Blanco, Texas.

## BASIC FINANCIAL STATEMENTS

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

EXHIBIT A-1

	Primary Government		
	Governmental Activities	Business - Type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,564,755	\$ 1,337,761	\$ 2,902,516
Petty Cash	200	200	400
Taxes Receivable, Net	15,075	-	15,075
Accounts Receivable (Net)	106,607	166,037	272,644
Inventories	-	19,060	19,060
Restricted Asset-Construction	-	6,564,348	6,564,348
Restricted Asset-C/O Debt Service	-	446,625	446,625
Restricted Asset-COVID-19	22,574	-	22,574
Capital Assets:			
Land Purchase and Improvements	140,892	1,158,269	1,299,161
Infrastructure, Net	998,219	7,850,694	8,848,913
Buildings, Net	273,453	181,892	455,345
Improvements other than Buildings, Net	599,960	851,704	1,451,664
Furniture and Equipment, Net	332,347	1,792,815	2,125,162
Construction in Progress	-	222,802	222,802
Total Assets	4,054,082	20,592,207	24,646,289
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflow Related to Pension Plan	42,910	23,105	66,015
Deferred Resource Outflow Related to OPEB	8,915	4,800	13,715
Total Deferred Outflows of Resources	51,825	27,905	79,730
<b>LIABILITIES</b>			
Accounts Payable	91,236	33,574	124,810
Compensated Absences Payable	25,087	8,140	33,227
Accrued Interest Payable	-	23,476	23,476
Notes Payable - Current	42,238	-	42,238
Other Current Liabilities	20,724	148,046	168,770
Noncurrent Liabilities:			
Debt Due Within One Year	-	475,000	475,000
Debt Payable - Noncurrent	32,929	12,825,844	12,858,773
Net Pension Liability	37,945	20,432	58,377
Net OPEB Liability	41,145	22,155	63,300
Total Liabilities	291,304	13,556,667	13,847,971
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue - Property Taxes	452	-	452
Deferred Inflow Related to Pension Plan	30,469	16,406	46,875
Deferred Resource Inflow Related to OPEB	2,174	1,171	3,345
Total Deferred Inflows of Resources	33,095	17,577	50,672
<b>NET POSITION</b>			
Net Investment in Capital Assets	2,269,704	5,292,524	7,562,228
Restricted for:			
Restricted for Special Revenue	223,628	-	223,628
Restricted for Debt Service	33,237	446,625	479,862
Unrestricted Net Position	1,254,939	1,306,719	2,561,658
Total Net Position	\$ 3,781,508	\$ 7,045,868	\$ 10,827,376

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



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

	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
City Hall	\$ 308,681	\$ 44,312	\$ 22,572	\$ -
Code Compliance	18,656	-	-	-
Police	1,125,255	50,514	-	-
Mayor and Council	14,947	-	-	-
Municipal Court	109,589	157,823	-	-
Street and Parks	252,401	-	-	181,317
Tourism	125,989	-	-	-
Community Aid	32,296	-	-	-
Total Governmental Activities	1,987,814	252,649	22,572	181,317
BUSINESS-TYPE ACTIVITIES:				
Water and Sewer Fund	2,068,752	1,780,313	-	-
Total Business-Type Activities	2,068,752	1,780,313	-	-
TOTAL PRIMARY GOVERNMENT	\$ 4,056,566	\$ 2,032,962	\$ 22,572	\$ 181,317

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes  
Property Taxes, Levied for Debt Service  
General Sales and Use Taxes  
Franchise Tax  
Other Taxes  
Penalty and Interest on Taxes  
Miscellaneous Revenue  
Investment Earnings  
Special Item - Settlement  
Transfers In (Out)  
Total General Revenues, Special Items, and Transfers

Change in Net Position

Net Position - Beginning  
Prior Period Adjustment  
Net Position - Ending

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

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (241,797)	\$ -	\$ (241,797)
(18,656)	-	(18,656)
(1,074,741)	-	(1,074,741)
(14,947)	-	(14,947)
48,234	-	48,234
(71,084)	-	(71,084)
(125,989)	-	(125,989)
(32,296)	-	(32,296)
(1,531,276)	-	(1,531,276)
-	(288,439)	(288,439)
-	(288,439)	(288,439)
(1,531,276)	(288,439)	(1,819,715)
266,654	-	266,654
387,365	-	387,365
763,414	-	763,414
102,808	-	102,808
95,472	-	95,472
69	-	69
42,612	63,887	106,499
1,441	16,845	18,286
-	(50,000)	(50,000)
(552,517)	552,517	-
1,107,318	583,249	1,690,567
(423,958)	294,810	(129,148)
4,205,466	6,414,785	10,620,251
-	336,273	336,273
\$ 3,781,508	\$ 7,045,868	\$ 10,827,376

CITY OF BLANCO, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2020

	General Fund	Hotel Motel Fund	Debt Service Fund
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,463,305	\$ 68,500	\$ 32,950
Petty Cash	200	-	-
Taxes Receivable	6,181	-	8,894
Accounts Receivable (Net)	5,283	23,575	287
Due from Other Funds	-	-	-
Restricted Asset-COVID-19	-	-	-
Total Assets	<u>\$ 1,474,969</u>	<u>\$ 92,075</u>	<u>\$ 42,131</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 90,474	\$ -	\$ -
Due to Other Funds	109,741	-	-
Other Current Liabilities	20,724	-	-
Total Liabilities	<u>220,939</u>	<u>-</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue - Property Taxes	6,181	-	8,894
Total Deferred Inflows of Resources	<u>6,181</u>	<u>-</u>	<u>8,894</u>
<b>FUND BALANCES</b>			
Restricted Fund Balance:			
Restricted for Municipal Court Building Sec	-	-	-
Restricted for Tourism	-	92,075	-
Restricted for Court Technology	-	-	-
Retirement of Long-Term Debt	-	-	33,237
Other Restricted Fund Balance	-	-	-
Committed Fund Balance:			
Claims and Judgements	1,000	-	-
Unassigned Fund Balance	1,246,849	-	-
Total Fund Balances	<u>1,247,849</u>	<u>92,075</u>	<u>33,237</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 1,474,969</u>	<u>\$ 92,075</u>	<u>\$ 42,131</u>

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



Other Funds	Total Governmental Funds
\$ -	\$ 1,564,755
-	200
-	15,075
-	29,145
109,741	109,741
22,574	22,574
<u>\$ 132,315</u>	<u>\$ 1,741,490</u>
\$ 762	\$ 91,236
-	109,741
-	20,724
<u>762</u>	<u>221,701</u>
-	15,075
-	15,075
47,435	47,435
-	92,075
62,306	62,306
-	33,237
21,812	21,812
-	1,000
-	1,246,849
<u>131,553</u>	<u>1,504,714</u>
<u>\$ 132,315</u>	<u>\$ 1,741,490</u>

CITY OF BLANCO, TEXAS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2020

EXHIBIT C-2

<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 1,504,714</b>
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. In addition, long-term liabilities, including loans payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.	2,361,076
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2020 capital outlays and debt principal payments is to increase net position.	221,727
The City is required under GASB Statement No. 68 to report their net pension liability in the Government Wide Statement of Net Position. The items reported as a result of this requirement included a net pension liability of \$37,945, a Deferred Resource Outflow of \$42,910 and a Deferred Resource Inflow of \$30,469. The net effect of these was to decrease the ending net position by \$25,505.	(25,505)
The City is required under GASB Statement No. 75 to report their OPEB benefit plan through TMRS. The requirement resulted in an OPEB liability of \$41,145, a Deferred Resource Outflow of \$8,915 and a Deferred Resource Inflow of \$2,174. The net effect of these was to decrease net position by \$34,403.	(34,403)
The 2020 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(199,510)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.	(46,591)
<b>Net Position of Governmental Activities</b>	<b>\$ 3,781,508</b>

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

CITY OF BLANCO, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	General Fund	Hotel Motel Fund	Debt Service Fund
<b>REVENUES:</b>			
Taxes:			
Property Taxes	\$ 271,626	\$ -	\$ 387,365
General Sales and Use Taxes	763,414	-	-
Franchise Tax	102,808	-	-
Other Taxes	8,442	87,030	-
Penalty and Interest on Taxes	-	-	69
Licenses and Permits	44,312	-	-
Intergovernmental Revenue and Grants	181,317	-	-
Charges for Services	50,514	-	-
Fines	152,164	-	-
Investment Earnings	845	39	555
Other Revenue	41,896	-	-
Total Revenues	1,617,338	87,069	387,989
<b>EXPENDITURES:</b>			
Current:			
Tax Office:			
City Hall	287,493	-	-
Code Compliance	18,656	-	-
Police	929,319	-	-
Mayor and Council	14,947	-	-
Municipal Court	109,602	-	-
Street and Parks	353,238	-	-
Tourism	-	125,989	-
Community Aid	19,403	-	-
Total Expenditures	1,732,658	125,989	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(115,320)	(38,920)	387,989
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers In	-	-	-
Transfers Out (Use)	(182,335)	(12,599)	(369,714)
Total Other Financing Sources (Uses)	(182,335)	(12,599)	(369,714)
Net Change in Fund Balances	(297,655)	(51,519)	18,275
Fund Balance - October 1 (Beginning)	1,545,504	143,594	14,962
Fund Balance - September 30 (Ending)	\$ 1,247,849	\$ 92,075	\$ 33,237

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



Other Funds	Total Governmental Funds
\$ -	\$ 658,991
-	763,414
-	102,808
-	95,472
-	69
-	44,312
22,572	203,889
-	50,514
5,659	157,823
2	1,441
-	41,896
28,233	2,120,629
-	287,493
-	18,656
-	929,319
-	14,947
-	109,602
-	353,238
-	125,989
12,893	32,296
12,893	1,871,540
15,340	249,089
12,131	12,131
-	(564,648)
12,131	(552,517)
27,471	(303,428)
104,082	1,808,142
\$ 131,553	\$ 1,504,714

EXHIBIT C-4

CITY OF BLANCO, TEXAS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$ (303,428)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2020 capital outlays and debt principal payments is to increase the change in net position.	221,727
The entries required by GASB Statement No. 68 did require that some expenses on B-1 be adjusted. The net effect on the change in net position on Exhibit B-1 is an increase in net position	4,170
The requirements of recording the OPEB liability under GASB Statement No. 75 resulted in a decrease in net position.	(3,985)
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease the change in net position.	(199,510)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease the change in net position.	(142,932)
<b>Change in Net Position of Governmental Activities</b>	<u>\$ (423,958)</u>

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

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

EXHIBIT D-1 (Cont'd)

	Business Type Activities
	Water and Sewer Fund
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 1,337,761
Petty Cash	200
Restricted Assets - Current:	
Restricted Asset-Construction	6,564,348
Restricted Asset-C/O Debt Service	446,625
Accounts Receivable (Net)	166,037
Inventories	19,060
Total Current Assets	<u>8,534,031</u>
Noncurrent Assets:	
Capital Assets:	
Land Purchase and Improvements	1,158,269
Infrastructure	7,850,694
Buildings	181,892
Improvements other than Buildings	6,530,088
Accumulated Depreciation - Other Improvements	(5,678,384)
Furniture and Equipment	1,792,815
Construction in Progress	222,802
Total Noncurrent Assets	<u>12,058,176</u>
Total Assets	<u>20,592,207</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Outflow Related to Pension Plan	23,105
Deferred Resource Outflow Related to OPEB	4,800
Total Deferred Outflows of Resources	<u>27,905</u>

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

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

EXHIBIT D-I

	Business Type Activities
	Water and Sewer Fund
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	33,574
Compensated Absences Payable	8,140
Accrued Interest Payable	23,476
Debt Payable - Current	475,000
Other Current Liabilities	148,046
Total Current Liabilities	<u>688,236</u>
Noncurrent Liabilities:	
Debt Payable - Noncurrent	12,855,000
Unamortized Premiums (Discounts) on Bonds	(29,156)
Net Pension Liability	20,432
Net OPEB Liability	22,155
Total Noncurrent Liabilities	<u>12,868,431</u>
Total Liabilities	<u>13,556,667</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Inflow Related to Pension Plan	16,406
Deferred Resource Inflow Related to OPEB	1,171
Total Deferred Inflows of Resources	<u>17,577</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	5,292,524
Restricted for Debt Service	446,625
Unrestricted Net Position	1,306,719
Total Net Position	<u>\$ 7,045,868</u>

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



CITY OF BLANCO, TEXAS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

EXHIBIT D-2

	Business-Type Activities Water and Sewer Fund
<b>OPERATING REVENUES:</b>	
Charges for Services	\$ 23,415
Water and Sewer Fees	1,390,517
Tap Fees	26,981
Sanitation Fees	339,400
Other Revenue	13,887
Total Operating Revenues	<u>1,794,200</u>
<b>OPERATING EXPENSES:</b>	
Personnel Services - Salaries and Wages	350,565
Personnel Services - Employee Benefits	130,046
Purchased Professional & Technical Services	380,787
Other Operating Costs	446,766
Supplies	60,518
Depreciation	410,052
Total Operating Expenses	<u>1,778,734</u>
Operating Income	<u>15,466</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>	
Investment Earnings	16,845
Insurance Recovery	50,000
Interest Expense - Non-Operating	(216,918)
Debt Issuance Cost	(73,100)
Total NonOperating Revenue (Expenses)	<u>(223,173)</u>
Income Before Transfers, Gains or Losses	<u>(207,707)</u>
Non-Operating Transfers In	552,517
Special Item - (Use)	(50,000)
Change in Net Position	<u>294,810</u>
Total Net Position - October 1 (Beginning)	6,414,785
Prior Period Adjustment	336,273
Total Net Position - September 30 (Ending)	<u>\$ 7,045,868</u>

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

CITY OF BLANCO, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Business-Type Activities
	Water and Sewer Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 1,890,618
Cash Received from Assessments - Other	13,887
Cash Payments to Employees for Services	(490,112)
Cash Payments for Suppliers	(60,518)
Cash Payments for Other Operating Expenses	(1,478,493)
Net Cash Provided by (Used for) Operating Activities	(124,618)
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Operating Transfer In/(Out)	552,517
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Acquisition of Capital Assets	(7,006)
Increase in Restricted Assets	(3,023,000)
TWDB Loan Proceeds	3,400,000
Loan Payments	(260,000)
Refunding Bond Series 2015 Payment	(210,000)
Interest Paid	(208,621)
Debt Issuance Costs	(73,100)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(381,727)
<u>Cash Flows from Investing Activities:</u>	
Interest and Dividends on Investments	16,845
Net Increase in Cash and Cash Equivalents	63,017
Cash and Cash Equivalents at the Beginning of the Year	938,471
Prior Period Adjustment	336,273
Cash and Cash Equivalents at the End of the Year	\$ 1,337,761

CITY OF BLANCO, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Business-Type Activities
	Water and Sewer Fund
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided By (Used For) Operating Activities:</u>	
Operating Income	\$ 15,466
Adjustments to Reconcile Operating Income	
To Net Cash Provided by (Used For) Operating Activities:	
Depreciation	410,052
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (Increase) in Receivables	91,413
Decrease (Increase) in Inventories	(19,060)
Increase (Decrease) in Accounts Payable	(631,881)
Increase (Decrease) in Wages Payable	(9,402)
Increase (Decrease) in Other Current Liabilities	18,893
Increase (Decrease) in GASB 68 and GASB 75	(99)
Net Cash Provided by (Used for) Operating Activities	<u>\$ (124,618)</u>

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

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

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Blanco, Texas, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The *Government Accounting Standards Board* (GASB) is the accepted standard-setting body for establishing government accounting and financial reporting principles. The more significant of the City's accounting policies are described below:

A. Reporting Entity

In evaluating how to define the government, for financial purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement 14. The definition of the reporting entity is based primarily on the concept of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. Based on the foregoing criteria, there were no component units identified that would require inclusion in this report.

B. Government-Wide and Fund Financial Statements

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the City of Blanco nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, sales tax, franchise tax, municipal court fines, charges for services and other miscellaneous revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for services.

The Statement of Activities demonstrates how other people or entities that participate in programs the City operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the City.

Interfund activities between governmental funds appear as due to/due froms on the Governmental Fund Balance Sheet and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide Statement of Activities.

The fund financial statements provide reports on the financial condition and results of operations for two fund categories - governmental and proprietary. The City considers some governmental funds major and reports their financial condition and results of operations in a separate column.



Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are nonoperating.

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

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. 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.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e. revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The City considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes, sales tax and charges for services. Property tax revenues and revenues received from others are recognized under the "susceptible to accrual" concept; that is, when they are both measurable and available. The City considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors some times require the City to refund all or part of the unused amount.

D. Fund Accounting

The City reports the following major governmental funds:

1. **The General Fund** - The general fund is the City's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

2. **The Debt Service Fund-** The City accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of the governmental funds in a debt service fund
3. **Hotel/Motel Fund –** The Hotel/Motel Fund is a special revenue fund used to account for the promotion of tourism

Additionally, the City reports the following fund type(s):

**Special Revenue Fund:**

- 1.. **Court Technology Fund –** The Court Technology Fund is a special revenue fund used to account for technology fee collected through court cost.
2. **Municipal Court Building Security Fund –** The Municipal Court Building Security Fund is a special revenue fund used to account for the municipal court building security fee collected through court cost.

**Proprietary Fund:**

1. **Enterprise Fund -** The Water and Sewer Fund is operated as an Enterprise Fund.

**E. Other Accounting Policies**

1. In the government-wide financial statements in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognized 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.

2. Inventories are valued at cost. The consumption method is used to account for enterprise fund type inventories. Under the consumption method, inventories of the enterprise fund are recorded as expenditures when consumed rather than when purchased.
3. Capital assets, which include land, buildings, furniture and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City 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 estimated fair market value at the date of donation.

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. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture and equipment of the City are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Infrastructure	20-40
Buildings	30
Improvements	30
Equipment	7
Vehicles	5

Pursuant to GASB Statement Number 34, an extended period of deferral is available before the requirement to record and depreciate infrastructure assets (e.g., roads, bridges, and similar items) acquired before the implementation date becomes effective. Therefore, infrastructure assets acquired prior to October 1, 2001 have not yet been capitalized.

4. Beginning with fiscal year end September 30, 2011, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Non-spendable fund balance – amounts that are not in non-spendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e. City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.
- Assigned fund balance – amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment

of the fund (such as for special incentives). Assigned fund balance is established by the City Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or other purposes).

5. Implementation of new GASB Accounting Standard:

The City has implemented new GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* as well as the early implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Under GASB 63 and 65, amounts previously reported as deferred revenue as a part of total liabilities have been reported in a separate section as deferred inflows of resources.

6. When the City incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.
7. The original budget is adopted by the City Council prior to the beginning of the fiscal year through passage of an ordinance. The budget includes proposed expenditures and the means of financing them.

Budgeted amounts for expenditures from the various funds may not exceed the beginning balances of those funds plus the anticipated revenues for the fiscal year. The final amended budget has been presented in this report. Unencumbered appropriations lapse at the end of each year.

8. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.
9. All regular full-time City employees are eligible to accrue paid vacation leave. After the completion of the first year of employment, vacation leave will be credited to all full-time employees' accounts in the proportion the individual employee's work time bears to a full-time workweek. Vacation leave cannot be taken, nor will it be paid upon separation, during the first year of employment. Any employee terminating their employment with the City in good standing may, upon the recommendation of the Mayor and approval of the City Council receive terminal pay for unused vacation time. Terminal pay for unused vacation leave is limited to the maximum of one year's accrual.

Regular full-time employees, who have completed the probationary period and who work at least forty (40) hours per week are entitled to paid sick leave. All eligible employees accrue sick leave at the rate of 3.08 hours per pay period. Employees do not earn sick leave while on sick leave or while out on unpaid leave of any type for the entire pay period. Temporary employees and part time employees scheduled to work less than 40 hours



per week do not earn sick leave. Unused sick leave is canceled upon termination of employment without compensation to the employee.

10. Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.
11. Other Post-Employment Benefits. GASB 75 requires the recognition of the Total OPEB Liability (TOL), deferred (inflows)/outflows of resources, and total OPEB expense on the face of the employer's financial statements. The TOL is calculated by the System's actuary in accordance with the provisions of GASB 75. The OPEB expense and deferred (inflows)/outflows of resources related to OPEB, which are required to be reported by an employer, primarily result from changes in the components of the TOL. Most changes in the TOL will be included in OPEB expense in the period of the change. The City participates in the Texas Municipal Retirement System Supplemental Death Benefit Fund.
12. The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
13. Future Adoption of Accounting Principles – The GASB has issued the following potentially significant statements which the City has not yet adopted, and which require adoption subsequent to September 30, 2020.

Statement No.	Title	Adoption Required
84	Fiduciary Activities	September 30, 2021
87	Leases	September 30, 2022

## NOTE II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

### A. DEPOSITS AND INVESTMENTS

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

At September 30, 2020, the carrying amount of the City's deposits was \$9,936,063 and the bank balance was \$10,031,290. The City's cash deposits at September 30, 2020 were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name. The City's deposits were secured by pledged securities and FDIC coverage.

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

#### Policies Governing Deposits and Investments

In compliance with the Public Funds Investment Act, the City has adopted a deposit and investment policy. That policy does address the following risks:

**Custodial Credit Risk - Deposits:** This is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City was not exposed to custodial credit risk since its deposits at year-end were covered by depository insurance or by pledged collateral held by the City's agent bank in the City's name.

**Custodial Credit Risk - Investments:** This is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investments (certificates of deposit) were secured by FDIC insurance and pledged securities.

**Other Credit Risk:** There is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2020, the City was not exposed to concentration of credit risk, interest rate risk or foreign currency risk.

#### **B. Property Taxes**

The City levies taxes on real property within the City on October 1 each year which is the lien date and taxes become delinquent the following February 1. On January 1 of each year, a tax lien attaches to the property to secure the payment of all taxes, penalties and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period. The Blanco County Appraisal District appraises and collects taxes for the City. For the 2019 tax roll, the tax rate was \$.3615 per \$100 valuation (M & O \$.1481 and I & S \$.2134) and the property valuation was \$179,820,664.



C. Court Fines and Fees Receivable

With the implementation of GASB Statement Number 34, the City has determined the amount of court fines and fees receivable to be \$172,138. Based on historical collection rates for the various courts, the City has booked an allowance for uncollectible court fines and fees of \$94,676, resulting in a net receivable of \$77,462.

D. Restricted Assets

Restricted assets in the Water and Sewer Fund represent cash that has been set aside for future payment of revenue bonds and capital improvements. A summary of restricted assets at September 30, 2020 appears below:

Special Revenue Fund – COVID-19

Grant Funds	22,574
Total Restricted Assets	<u>\$ 22,574</u>

Water and Sewer Fund

Certificates of Obligation & Refunding Bonds	446,625
Construction	6,564,348
Total Restricted Assets	<u>\$ 7,010,973</u>

E. Property, Plant and Equipment

A summary of changes in property, plant and equipment accounts in the Water and Sewer Fund follows:

	Balance 10/01/19	Additions	Deletions	Balance 09/30/20
Water System	\$ 971,564	\$	\$	\$ 971,564
Sewer System	1,202,185			1,202,185
Dam System	523,883			523,883
General Equipment	531,975			531,975
Irrigation System	102,825			102,825
New Sewer Plant	526,664			526,664
Sewer System Expansion	333,594			333,594
Waste Water Treatment Plant	5,745,677	968		5,746,645
Water System Improvements	5,161,766			5,161,766
Pittsburg Lift Station	17,651			17,651
Land & Improvements	1,158,270			1,158,270
Water Plant	649,668			649,668
City Hall Improvements	35,525			35,525
City Yard Building	115,951			115,951
Construction In Progress	652,358	6,037		658,395
Totals	\$ 17,729,556	\$ 7,005	\$ -	\$ 17,736,561
Accumulated Depreciation	(5,268,332)	(410,052)		(5,678,384)
Fixed Assets, Net	\$ 12,461,224	\$ (403,047)	\$ -	\$ 12,058,177

F. Capital Asset Activity

Capital asset activity for the City for the year ended September 30, 2020, was as follows:

	Primary Government			
	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Land	\$ 140,892	\$	\$	\$ 140,892
Building & Improvements	748,228			748,228
Dorsey Lee Crossing Improvement	24,584			24,584
Office Furniture & Equipment	182,173			182,173
Vehicles & Equipment	970,804			970,804
Street Improvements & Equipment	1,076,923	940,546		2,017,469
Emergency Equipment	80,865			80,865
Brush Chipper	28,656			28,656
Xeriscope, Greenbelt & Park Improvements	254,884			-
Construction in Progress	759,229		(759,229)	-
Totals at Historic Cost	\$ 4,267,238	\$ 940,546	\$ (759,229)	\$ 4,448,555
Less Accumulated Depreciation for:				
Building & Improvements	(267,113)	(21,213)		(288,326)
Dorsey Lee Crossing Improvement	(24,584)			(24,584)
Office Furniture & Equipment	(128,193)	(1,575)		(129,768)
Vehicles & Equipment	(717,012)	(81,981)		(798,993)
Street Improvements & Equipment	(509,663)	(83,936)		(593,599)
Emergency Equipment	(80,865)			(80,865)
Brush Chipper	(28,657)			(28,657)
Xeriscope, Greenbelt & Park Improvements	(148,090)	(10,806)		(158,896)
Total Accumulated Depreciation	\$ (1,904,177)	\$ (199,511)	\$ -	\$ (2,103,688)
Governmental Activities Capital Assets, Net	\$ 2,363,061	\$ 741,035	\$ (759,229)	\$ 2,344,867

G. Changes in Long-Term Debt

A summary of changes in long-term debt appears below:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Governmental Activities:					
Notes Payable - Southside Bank	\$ 115,577	\$	\$ 40,410	\$ 75,167	\$ 42,238
Net Pension Liability	67,242		29,297	37,945	
Net OPEB Liability	32,007	9,137		41,144	
Compensated Absences	11,814	13,272		25,086	
Governmental Activity Long-Term Debt	\$ 226,640	\$ 22,409	\$ 69,707	\$ 179,342	\$ 42,238



	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Business-Type Activities					
Waterworks & Sewer System					
General Obligation					
Refunding Bond Series 2015	\$ 1,830,000	\$ -	\$ 210,000	\$ 1,620,000	\$ 215,000
Texas Combination Tax and Revenue Certificates of Obl, Series 2017A	3,055,000	-	95,000	2,960,000	95,000
Texas Combination Tax and Revenue Certificates of Obl, Series 2017B	3,050,000	-	100,000	2,950,000	100,000
Texas Combination Tax and Revenue Certificates of Obl, Series 2019	2,465,000		65,000	2,400,000	65,000
Texas Combination Tax and Revenue Certificates of Obl, Series 2020		3,400,000		3,400,000	
Discount on Refunding	(33,321)		(4,165)	(29,156)	
Subtotal	\$ 10,366,679	\$ 3,400,000	\$ 465,835	\$ 13,300,844	\$ 475,000
Net Pension Liability	36,207		15,775	20,432	
Net OPEB Liability	17,234	4,921		22,155	
Compensated Absences	8,140			8,140	
Business-Type Activity- Long-Term Debt	\$ 10,428,260	\$ 3,404,921	\$ 481,610	\$ 13,351,571	\$ 475,000

#### H. Certificates of Obligation and Revenue Bonds Payable

The General Obligation Refunding Bonds, Series 2015, were issued to advance refund the outstanding Series 2006 bonds maturing in the year 2016 through 2019, inclusive, and in the years 2021 through 2027, inclusive, in order to lower the overall debt service requirements and to pay the costs associated with the issuance of the bonds. These bonds were called and redeemed on August 17, 2015 by depositing \$2,625,000 into an escrow account. The Series 2006 bonds have been defeased and have been removed as a liability of the City. The financial gain on these refunding bonds is \$279,236 and the economic gain is \$239,781. The obligations are paid by an interest and sinking tax levy.

The Texas Combination Tax and Surplus Revenue Certificates of Obligation, Series 2017A in the amount of \$3,150,000 was issued for the purpose of paying contractual obligations incurred in connection with constructing improvements and extensions to the City's water treatment system. The obligations are secured by a tax levy and a pledge of surplus revenues of the utility system.

The Texas Combination Tax and Surplus Revenue Certificates of Obligation, Series 2017B in the amount of \$3,150,000 was issued for the purpose of paying contractual obligations incurred in connection with constructing improvements and extensions to the City's wastewater treatment system. The obligations are secured by a tax levy and a pledge of surplus revenues of the utility system.

The Texas Combination Tax and Surplus Revenue Certificates of Obligation, Series 2019 in the amount of \$2,550,000 was issued for the purpose of paying contractual obligations incurred in connection with constructing improvements and extensions to the City's wastewater treatment system. The obligations are secured by a tax levy and a pledge of surplus revenues of the utility system.

The Texas Combination Tax and Surplus Revenue Certificates of Obligation, Series 2020 in the amount of \$3,400,000 was issued for the purpose of completion financing for: (1) designing, engineering, constructing, acquiring, purchasing, renovating, enlarging, and improving the City's drinking water system; (2) the purchase of materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes relating to the aforementioned capital improvements; and (3) the payment of professional services related to the design, construction, project management, and financing of the foregoing. The obligations are secured by a tax levy and a pledge of surplus revenues of the utility system.

The annual requirements to amortize the certificates of obligation and bonds outstanding at September 30, 2020 for the next five fiscal years and there after follows:

September 30,	Principal	Interest	Total
2021	\$ 475,000	\$ 187,800	\$ 662,800
2022	495,000	182,094	677,094
2023	510,000	176,145	686,145
2024	515,000	169,787	684,787
2025	525,000	162,958	687,958
2026 – 2030	2,185,000	709,717	2,894,717
2031 – 2035	2,120,000	588,009	2,708,009
2036 - 2040	2,265,000	441,435	2,706,435
2041 - 2045	2,450,000	261,168	2,711,168
2046 – 2050	1,790,000	68,052	1,858,052
Totals	\$ 13,330,000	\$ 2,947,165	\$ 16,277,165

The provisions of the bond resolutions relating to debt service requirements have been met and the cash allocated for these purposes is sufficient to meet upcoming debt service requirements.

#### I. Note Payable

Governmental Fund:

	Balance at 09/30/20	Due Within One Year
On February 12, 2019 the City entered into a finance contract with Southside Bank to finance the purchase of (2) 2019 Chevrolet Tahoes in the amount of \$125,403. The note is due in quarterly payments of \$11,221 beginning July 23, 2019, including interest of 4.45%. The note will be paid in full on April 23, 2022.		
	75,167	42,238
TOTAL	\$ 75,167	\$ 42,238

An estimated maturity schedule for the remaining fiscal years follows:

September 30,	Principal	Interest	Total
2021	42,238	2,647	44,885
2022	32,929	735	33,664
	\$ 75,167	\$ 3,382	\$ 78,549



J. Risk Management

The City of Blanco is exposed to various risks of loss relating to general liability, accidental loss of real and personal property, damage to assets, errors and omissions, acts of God and personnel risks which relate to workers compensation.

The City contracts with the Texas Municipal League (TML) to provide insurance coverage for identified risks. TML is a multi-government group that provides for a combination of modified self-insurance and stop-loss coverage. Contributions are sent annually to TML. Liability by the City is generally limited to the contributed amounts. Contributions for the year ended September 30, 2020 were \$46,844.

K. Defined Benefit Pension Plan

Plan Description

The City of Blanco, Texas participates as one of 880 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmrs.com](http://www.tmrs.com).

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

Benefits Provided

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

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

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. If an individual has become vested in one TMRS city, he or she is immediately vested upon employment with another TMRS city. Similarly, once a member has met the eligibility requirements for retirement in a TMRS city, he or she is eligible in other TMRS cities as well. Plan provisions for the City were as follows:

	Plan Year 2018	Plan Year 2019
Deposit Rate:	5%	7%
Matching Ratio (City to Employee):	1 to1	2 to1
A member is vested after	5 yrs	5 yrs
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	0%	0%
Annuity Increase (to retirees)	0% of CPI	0% of CPI g

***Employees covered by benefit terms.***

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

Inactive employees or beneficiaries currently receiving benefits	8
Inactive employees entitled to but not yet receiving benefits	29
Active employees	23
	<hr/>
	60

**Contributions**

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

Employees for the City of Blanco, Texas were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Blanco, Texas were 6.47% and 6.55% in calendar years 2019 and 2020, respectively. The city's contributions to TMRS for the year ended September 30, 2020, were \$76,526, and were equal to the required contributions.

**Net Pension Liability**

The city's Net Pension Liability (NPL) was measured as of December 31, 2019, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

***Actuarial assumptions:***

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

Inflation 2.5% per year

Overall payroll growth 2.75% per year

Investment Rate of Return 6.75%, net of pension plan investment expense, including inflation

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

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. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The



post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	2.48%
Private Equity	10.0%	7.75%
Total	100.0%	

#### Discount Rate

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

	Total Pension Liability	Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(a)-(b)
Balances as of December 31, 2018	\$ 852,952	\$ 749,503	\$ 103,449
Changes for the year:			
Service cost	140,923		140,923
Interest	60,821		60,821
Changes of Benefit Terms	-		-
Difference between Expected and Actual Experience	13,114		-
Changes in Assumptions	494		494
Contributions - Employer		69,998	(69,998)
Contributions - Employee		75,709	(75,709)
Net investment income		115,392	(115,392)
Benefit Payments, Including Refunds of Employee Contributions	(44,713)	(44,713)	-
Administrative Expense		(655)	655
Other Changes		(20)	20
Net Changes	170,639	215,711	(58,180)
Balances as of December 31, 2019	\$ 1,023,591	\$ 965,214	\$ 58,377

Sensitivity of the net pension liability to changes in the discount rate

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

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
\$ 188,611	\$ 58,377	\$ (49,925)

*Pension Plan Fiduciary Net Position*

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

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

For the year ended September 30, 2020, the City recognized pension expense of \$70,111.

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 20,788	\$ 9,437
Changes of assumptions	-	342
Net difference between projected and actual earnings	26,087	-
Contributions made subsequent to measurement date	-	56,236
	<u>\$ 46,875</u>	<u>\$ 66,015</u>

\$56,236 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 net pension liability for the year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2020	\$ (17,971)
2021	(9,193)
2022	3,029
2023	(12,960)
2024	-
Thereafter	-
Total	<u>\$ (37,095)</u>

L. Defined Other Post Employment Benefit Plan

**Benefit Plan Description.** Texas Municipal Retirement System ("TMRS") administers a defined benefit group-term insurance plan known as the Supplemental Death Benefits Fund ("SDBF"). The plan is a single employer defined benefit group life insurance plan. This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an other postemployment benefit ("OPEB") and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated). The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

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

All eligible employees of the city are required to participate in the SDBF.

The City's contributions to the TMRS SDBF for the year ended 2020, 2019, and 2018 were \$2,201, \$2,472, and \$2,120 respectively, which equaled the required contributions each year.

**Employees covered by benefit terms.**

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

Inactive employees currently receiving benefits	9
Inactive employees entitled to but not yet receiving benefits	2
Active Employees	23
Total	<u>34</u>

**Total OPEB Liability**

The City's Total OPEB Liability (TOL) was measured as of December 31, 2019 and was determined by an actuarial valuation as of that date.

***Actuarial assumptions:***

The TOL in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:



Inflation	2.50%
Salary Increases	3.50% to 11.5% including inflation
Discount Rate*	2.75%
Retirees' share of benefit-related cost	\$0
Administrative Expenses	All administrative expenses are paid through the Pension trust and accounted for under reporting requirements under 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 % 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, 2019.

The TMRS SDBF is treated as unfunded OPEB plan because the SDBF trust covers both actives and retirees and the assets are not segregated for these groups. Under GASB No. 75 (paragraph 155), the discount rate for an unfunded OPEB plan should be based on 20-year tax-exempt AA or higher Municipal Bonds. Therefore, a discount rate 2.75% based on the 20 Year Bond GO Index published by bondbuyer.com is used as of the measurement date of December 31, 2019. At transition, GASB No. 75 also requires that the Total OPEB Liability (TOL) as of the prior fiscal year end be estimated based on the 20 Year Bond GO Index.

#### Changes in the City's Total OPEB Liability:

Covered Payroll	\$ 1,078,219
Total OPEB Liability- Beginning of Year	49,241
Changes for the year	
Service Cost	2,588
Interest on Total OPEB Liability	1,867
Changes of benefit terms	-
Differences between expected and actual experience	(1,083)
Changes in assumptions or other inputs	11,117
Benefit Payments**	(431)
Net Changes	14,058
Total OPEB Liability- End of Year	63,299
Total OPEB Liability as a Percentage of Covered Payroll	5.87%

\*\* 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.

#### Sensitivity of the Total OPEB Liability to changes in the discount rate

The following presents the Total OPEB Liability of the City, calculated using the discount rate of 2.75%, as well as what the City's Total OPEB Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.75%) or 1-percentage-point higher (3.75%) than the current rate:



1% Decrease (1.75%)	Current Discount Rate (2.75%)	1% Increase (3.75%)
\$ 76,200	\$ 63,299	\$ 53,220

OPEB Expense and Deferred Outflows of Resources

For the year ended September 30, 2020, the City recognized OPEB expense of \$8,331.

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred (Inflows) of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 907	\$ 2,227
Changes in assumption and other inputs	2,438	11,154
Contributions made subsequent to measurement date		334
Total	\$ 3,345	\$ 13,715

\$334 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 year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31:		
2020	\$	2,130
2021		2,130
2022		2,130
2023		1,836
2024		1,617
Thereafter		194
Total	\$	10,037

M. Reserve for Operation and Maintenance of the Town Creek Watershed

On June 12, 1970, the City entered into an agreement with the U.S.D.A., Soil Conservation Service which required the City to allot \$200 per year into an Operations and Maintenance Reserve for the floodwater retarding structure, Site No. 1, Town Creek Watershed until a maximum reserve of \$1,000 had been reached. As of September 30, 2020, the total of \$1,000 has been allotted and is reflected as a reserve of the General Fund.

N. Employee Insurance Benefits

All regular full time employees of the city are eligible for coverage under the group hospitalization, medical, dental and life insurance program provided by the city through Humana Health. The city pays the premium for eligible employees and employees, at their option, may authorize payroll withholdings to pay premiums for eligible family members.

O. Cash Flows Statement - Supplemental Disclosure

Since the City is tax exempt, no income tax was paid in 2020 and 2019. The City paid interest in the amount of \$208,621 in 2020 and \$183,603 in 2019 on their outstanding debt.

P. Claims and Contingent Liabilities

Litigation

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

1. Sanitation Services

The City has contracted with Waste Connections for garbage collections services. Fees are billed monthly to the City based upon a fee schedule in the contract. For the year ended September 30, 2020, payments by the City under the contract totaled \$254,796.

2. Water Purchase Agreement – GBRA

The City has contracted with the Guadalupe Blanco River Authority (GBRA) for the purchase of water for municipal uses. Fees are billed monthly to the City based upon a fee schedule included in the contract. For the year ended September 30, 2020, the City paid the GBRA \$90,809 under the contract.

3. Water Purchase Agreement – CLWS

The City has contracted with the Canyon Lake Water Service Company (CLWS) for the purchase of water for municipal uses. Fees are billed monthly to the City based upon a fee schedule included in the contract. For the year ended September 30, 2020, the City paid the CLWS \$43,701 under the contract.

Subsequent to the year ended September 30, 2020 the City received notice from the CLWS regarding an error on the invoicing of major leak repairs. The CLWS has invoiced the City for a total of \$341,692 for repairs dating back to December 2018. The City is in negotiations with the CLWS regarding the payment of these invoices.

Q. Interfund Receivable and Payables

Interfund balances as of September 30, 2020, consisted of the following:

	<u>Receivable</u>	<u>Payable</u>
<u>General Fund</u>		
Special Revenue	\$	\$ 109,741
<u>Special Revenue</u>		
General Fund	109,741	
Total	\$ <u>109,741</u>	\$ <u>109,741</u>

During the year ended September 30, 2020, the City's transfers between funds consisted of:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$	\$ 182,335
Hotel/Motel Fund		12,599
Debt Service Fund		369,714
SRF - COVID-19	12,131	
Enterprise Fund -		
Water and Sewer Fund	552,517	
Total	\$ <u>564,648</u>	\$ <u>564,648</u>

R. Excess of Expenditures over Appropriations

Line item expenditures in the General Fund function Streets and Parks exceeded the budgeted appropriations but not in total.

S. Prior Period Adjustment

A prior period adjustment was made in the Water and Sewer Fund in the amount of \$336,273. The adjustment was necessary to correct the accounts payable and grant funds receivable.

	<u>Water and Sewer Fund</u>
Beginning Net Position	\$ 6,414,785
Prior Period Adjustments:	
Accounts Payable	366,148
Grant Receivable	<u>(29,875)</u>
Restated Beginning Net Position	\$ <u>6,751,058</u>

T. Subsequent Event

The City has evaluated subsequent events through June 3, 2021, the date which the financial statements were available to be issued. The City is not aware of any subsequent events that materially impact the financial statements.

## REQUIRED SUPPLEMENTARY INFORMATION



CITY OF BLANCO, TEXAS  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL - GENERAL FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes:				
Property Taxes	\$ 266,420	\$ 266,420	\$ 271,626	\$ 5,206
General Sales and Use Taxes	600,000	600,000	763,414	163,414
Franchise Tax	105,000	105,000	102,808	(2,192)
Other Taxes	5,000	5,000	8,442	3,442
Licenses and Permits	65,400	65,000	44,312	(20,688)
Intergovernmental Revenue and Grants	-	-	181,317	181,317
Charges for Services	50,000	50,000	50,514	514
Fines	250,000	250,000	152,164	(97,836)
Investment Earnings	300	300	845	545
Other Revenue	46,882	1,700	41,896	40,196
Total Revenues	1,389,002	1,343,420	1,617,338	273,918
<b>EXPENDITURES:</b>				
Current:				
Tax Office:				
City Hall	278,680	301,251	287,493	13,758
Code Compliance	18,656	18,656	18,656	-
Police	959,189	959,189	929,319	29,870
Mayor and Council	14,947	14,947	14,947	-
Municipal Court	109,602	109,602	109,602	-
Street and Parks	322,605	322,605	353,238	(30,633)
Community Aid	23,000	23,000	19,403	3,597
Total Expenditures	1,726,679	1,749,250	1,732,658	16,592
Excess (Deficiency) of Revenues Over (Under) Expenditures	(337,677)	(405,830)	(115,320)	290,510
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers Out (Use)	-	-	(182,335)	(182,335)
Total Other Financing Sources (Uses)	-	-	(182,335)	(182,335)
Net Change	(337,677)	(405,830)	(297,655)	108,175
Fund Balance - October 1 (Beginning)	1,545,504	1,545,504	1,545,504	-
Fund Balance - September 30 (Ending)	\$ 1,207,827	\$ 1,139,674	\$ 1,247,849	\$ 108,175

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

CITY OF BLANCO, TEXAS  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
TEXAS MUNICIPAL RETIREMENT SYSTEM  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
<b>A. Total Pension Liability</b>			
Service Cost	\$ 140,923	\$ 125,817	\$ 51,030
Interest (on the Total Pension Liability)	60,821	55,122	46,454
Changes of Benefit Terms	-	44,234	-
Difference between Expected and Actual Experience	13,114	(50,695)	3,241
Changes of Assumptions	494	-	-
Benefit Payments, Including Refunds of Employee Contributions	(44,713)	(62,009)	(45,877)
Net Change in Total Pension Liability	\$ 170,639	\$ 112,469	\$ 54,848
Total Pension Liability - Beginning	852,952	740,483	685,635
Total Pension Liability - Ending	<u>\$ 1,023,591</u>	<u>\$ 852,952</u>	<u>\$ 740,483</u>
<b>B. Total Fiduciary Net Position</b>			
Contributions - Employer	\$ 69,998	\$ 17,667	\$ 12,558
Contributions - Employee	75,709	52,287	38,484
Net Investment Income	115,392	(22,898)	92,476
Benefit Payments, Including Refunds of Employee Contributions	(44,713)	(62,009)	(45,877)
Administrative Expense	(655)	(443)	(480)
Other	(20)	(23)	(24)
Net Change in Plan Fiduciary Net Position	\$ 215,711	\$ (15,419)	\$ 97,137
Plan Fiduciary Net Position - Beginning	749,503	764,922	667,785
Plan Fiduciary Net Position - Ending	<u>\$ 965,214</u>	<u>\$ 749,503</u>	<u>\$ 764,922</u>
<b>C. Net Pension Liability (Asset)</b>	<u>\$ 58,377</u>	<u>\$ 103,449</u>	<u>\$ (24,439)</u>
<b>D. Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	94.30%	87.87%	103.30%
<b>E. Covered Payroll</b>	\$ 1,078,219	\$ 962,643	\$ 769,685
<b>F. Net Pension Liability (Asset) as a Percentage of Covered Payroll</b>	5.41%	10.75%	(3.18%)

Note: GASB Codification, Vol. 2, P20.146 requires that the data in this schedule be presented for the time period covered by the measurement date rather than the governmental entity's current fiscal year.

As required by GASB 68, this schedule will be built prospectively as the information becomes available until 10 years of information is presented.

FY 2017 Plan Year 2016		FY 2016 Plan Year 2015		FY 2015 Plan Year 2014	
\$	43,816	\$	33,826	\$	32,902
	43,259		41,326		38,715
	-		-		-
	5,705		(358)		3,468
	-		19,462		-
	(52,229)		(45,254)		(31,251)
\$	40,551	\$	49,002	\$	43,834
	645,084		596,082		552,248
\$	685,635	\$	645,084	\$	596,082
\$	9,394	\$	6,253	\$	4,750
	33,407		25,471		25,814
	42,865		956		35,125
	(52,229)		(45,254)		(31,251)
	(485)		(582)		(367)
	(26)		(29)		(30)
\$	32,926	\$	(13,186)	\$	34,041
	634,859		648,045		614,004
\$	667,785	\$	634,859	\$	648,045
\$	17,850	\$	10,223	\$	(51,963)
	97.40%		98.41%		108.72%
\$	654,942	\$	509,427	\$	516,275
	2.73%		2.01%		(10.06%)



CITY OF BLANCO, TEXAS  
SCHEDULE OF CONTRIBUTIONS  
TEXAS MUNICIPAL RETIREMENT SYSTEM  
FOR THE FISCAL YEAR 2020

	2020	2019	2018
Actuarially Determined Contribution	\$ 76,526	\$ 59,019	\$ 17,066
Contributions in Relation to the Actuarially Determined Contributions	(76,526)	(59,019)	(17,066)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Covered Payroll	\$ 1,138,433	\$ 1,062,145	\$ 892,195
Contributions as a Percentage of Covered Payroll	6.70%	5.56%	1.91%

Note: GASB Codification, Vol. 2, P20.146 requires that the data in this schedule be presented as of the governmental entity's respective fiscal years as opposed to the time periods covered by the measurement dates ending December 31 for the respective fiscal years.

As required by GASB 68, this schedule will be built prospectively as the information becomes available until 10 years of information is presented.

2017		2016		2015	
\$	14,201	\$	7,922	\$	6,874
	(14,201)		(7,922)		(6,874)
\$	-	\$	-	\$	-
\$	779,240	\$	606,054	\$	489,557
	1.82%		1.31%		1.40%

CITY OF BLANCO, TEXAS  
NOTES TO THE SCHEDULE OF CONTRIBUTIONS  
SEPTEMBER 30, 2020

**Valuation Date:**

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

**Methods and assumptions used to determine contribution rates:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	26 years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.5%
Salary Increases	3.5% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based tables of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a 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.

**Other Information:**

Notes There were no benefit changes during the year.



CITY OF BLANCO, TEXAS  
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS  
TEXAS MUNICIPAL RETIREMENT SYSTEM  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
<b>Total OPEB Liability</b>			
Service Cost	\$ 2,588	\$ 3,947	\$ 2,848
Interest on the Total OPEB Liability	1,867	1,529	1,442
Changes of Benefit Terms	-	-	-
Difference between Expected and Actual Experience	(1,083)	3,229	-
Changes of Assumptions	11,117	(3,534)	3,465
Benefit Payments*	(431)	(289)	(231)
Net Change in Total OPEB Liability	14,058	4,882	7,524
Total OPEB Liability - Beginning	49,241	44,359	36,835
Total OPEB Liability - Ending	\$ 63,299	\$ 49,241	\$ 44,359
<b>Covered Payroll</b>	\$ 1,078,219	\$ 962,643	\$ 769,685
<b>Total OPEB Liability as a Percentage of Covered Payroll</b>	5.87%	5.12%	5.76%

\*The Supplemental Death Benefit Fund is considered to be an unfunded OPEB plan under GASB 75. Because of this benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Note: GASB Codification, Vol. 2, P52.139 states that the information on this schedule should be determined as of the measurement date of the plan.

As required by GASB 75, this schedule will be built prospectively as the information becomes available until 10 years of information is presented.

CITY OF BLANCO, TEXAS  
NOTES TO THE SCHEDULE OF CHANGES IN THE  
TOTAL OPEB LIABILITY AND RELATED RATIOS  
SEPTEMBER 30, 2020

**Valuation Date:**

**Notes**

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

**Methods and assumptions used to determine contribution rates:**

Inflation	2.5%
Salary increases	Salary increases are assumed to occur once a year, on January 1. Therefore, the pay used for the period year following the valuation date is equal to the reported pay for the prior year, increased by the salary increase assumption. Salaries are assumed to increase by 3.50% to 11.5% including inflation
Actuarial Cost Method:	Entry Age Normal
Valuation of Assets:	For purposes of calculating the Total OPEB Liability, the plan is considered to be unfunded and therefore no assets are accumulated for OPEB.
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under 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% 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.
Discount Rate	Because the Supplemental Death Benefits Fund is considered an unfunded trust under GASB Statement No. 75, the relevant discount rate for calculating the Total OPEB Liability is based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of the measurement date. Discount rate is 2.75%.
Supplemental Death Benefit	The contribution rate for the Supplemental Death Benefit (SDB) is equal to the expected benefit payments during the upcoming year divided by the annualized pay of current active members and is calculated separately for actives and retirees. Due to the significant reserve in the Supplemental Death Fund, the SDB rate for retiree coverage is currently only one-third of the total term cost. Beginning January 2021, the SDB rate for retirees will be based on the full term cost.

**Other Information:**

**Notes**

There were no benefit changes during the year.

CITY OF BLANCO, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2020

	Court Technology Fund	Municipal Court Building Sec	COVID-19
<b>ASSETS</b>			
Due from Other Funds	\$ 62,306	\$ 47,435	\$ -
Restricted Assets:			
Restricted Asset-COVID-19	-	-	22,574
Total Assets	<u>\$ 62,306</u>	<u>\$ 47,435</u>	<u>\$ 22,574</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ -	\$ -	\$ 762
Total Liabilities	<u>-</u>	<u>-</u>	<u>762</u>
<b>FUND BALANCES</b>			
Restricted Fund Balance:			
Restricted for Municipal Court Building Sec	-	47,435	-
Restricted for Court Technology	62,306	-	-
Other Restricted Fund Balance	-	-	21,812
Total Fund Balances	<u>62,306</u>	<u>47,435</u>	<u>21,812</u>
Total Liabilities and Fund Balances	<u>\$ 62,306</u>	<u>\$ 47,435</u>	<u>\$ 22,574</u>

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



Total Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
\$ 109,741	\$ 109,741
22,574	22,574
<u>\$ 132,315</u>	<u>\$ 132,315</u>
\$ 762	\$ 762
<u>762</u>	<u>762</u>
47,435	47,435
62,306	62,306
21,812	21,812
<u>131,553</u>	<u>131,553</u>
<u>\$ 132,315</u>	<u>\$ 132,315</u>

CITY OF BLANCO, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Court Technology Fund	Municipal Court Building Sec	COVID-19
<b>REVENUES:</b>			
Intergovernmental Revenue and Grants	\$ -	\$ -	\$ 22,572
Fines	2,960	2,699	-
Investment Earnings	-	-	2
Total Revenues	<u>2,960</u>	<u>2,699</u>	<u>22,574</u>
<b>EXPENDITURES:</b>			
Community Aid	-	-	12,893
Total Expenditures	<u>-</u>	<u>-</u>	<u>12,893</u>
Excess of Revenues Over Expenditures	<u>2,960</u>	<u>2,699</u>	<u>9,681</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers In	-	-	12,131
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>12,131</u>
Net Change in Fund Balance	2,960	2,699	21,812
Fund Balance - October 1 (Beginning)	<u>59,346</u>	<u>44,736</u>	<u>-</u>
Fund Balance - September 30 (Ending)	<u>\$ 62,306</u>	<u>\$ 47,435</u>	<u>\$ 21,812</u>

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

Total Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
\$ 22,572	\$ 22,572
5,659	5,659
2	2
<u>28,233</u>	<u>28,233</u>
12,893	12,893
<u>12,893</u>	<u>12,893</u>
15,340	15,340
12,131	12,131
<u>12,131</u>	<u>12,131</u>
27,471	27,471
<u>104,082</u>	<u>104,082</u>
<u>\$ 131,553</u>	<u>\$ 131,553</u>





## NEFFENDORF & BLOCKER, P.C.

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Honorable Mayor and Councilmembers  
City of Blanco, Texas  
Blanco, TX 78606

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Blanco, Texas as of and for the year ended September 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered City of Blanco, Texas's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Blanco, Texas's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Blanco, Texas's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies in internal control to be material weaknesses:

**2020-001:**

**Condition:** The City's financial accounting system does not comply with GASB Standards regarding the basis of accounting. Revenues and expenditure/expenses were not maintained on a fund basis.

**Criteria:** For governmental entities to ensure the proper segregation of resources and to maintain proper accountability, an entity's accounting system should be organized and operated on a fund basis. Each fund is a separate fiscal entity and is established to conduct specific activities and objectives in accordance with statutes, laws, regulations, and restrictions or for specific purposes. A fund is defined in GASB Codification Section 1300 as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

**Effect:** A material number of transactions were not segregated by fund. This caused the reports by fund to be materially miss-stated.

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**Cause:** The City did not employ the correct financial system setup to ensure compliance with the GASB Standard regarding the basis of accounting.

**Recommendation:** We recommend the City review and organize the financial system setup by fund to ensure the proper segregation of resources and to maintain proper accountability.

**2020-002:**

**Condition:** Inadequate design of controls over the preparation of the financial statements.

**Criteria:** Employees and management responsible for the accounting and reporting function should have the skills and knowledge to apply generally accepted accounting principles (GAAP) in recording the entity's financial transactions or preparing its financial information.

**Effect:** The financial information was materially miss-stated.

**Cause:** The City employed employees who lacked the qualifications and training to fulfill their assigned functions.

**Recommendation:** We recommend the City employ employees and management with the proper qualifications, education and experience to fulfill their assigned functions.

**2020-003:**

**Condition:** Inadequate design of monitoring controls.

**Criteria:** Monitoring of internal controls is performed through application of both ongoing evaluations and separate evaluations. These evaluations ascertain whether other components of internal control continue to function as designed and intended. In addition, these evaluations facilitate identification of internal control deficiencies and communicate them to appropriate officials responsible for taking corrective action.

**Effect:** The financial information was materially miss-stated.

**Cause:** Lack of monitoring by management and those charged with governance.

**Recommendation:** We recommend ongoing reviews and evaluations be conducted to ensure financial information is complete and controls are functioning as designed and intended.

This communication is intended solely for the information and use of management, the Mayor and City Council, and others within the City of Blanco, Texas, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Neffendorf & Blocker, P.C.*

NEFFENDORF & BLOCKER, P.C.  
Fredericksburg, TX 78624  
June 3, 2021



