

**ANNUAL FINANCIAL REPORT**  
**CITY OF BLOSSOM, TEXAS**  
Fiscal Year Ended September 30, 2023



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**CITY OF BLOSSOM, TEXAS  
 ANNUAL FINANCIAL REPORT  
 FOR THE YEAR ENDED SEPTEMBER 30, 2023**

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## INTRODUCTORY SECTION

**CITY OF BLOSSOM, TEXAS  
ELECTED OFFICIALS AND ADMINISTRATIVE OFFICERS  
SEPTEMBER 30, 2023**

**City Council**

Jeff Stover, Mayor  
Brad Sessums, Mayor Pro-tem  
Charlotte Burge, Council Member  
Crystal Carter, Council Member  
Charles Jones, Council Member  
Elizabeth May, Council Member

**City Secretary**

Stacy Prestridge

## FINANCIAL SECTION

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## Mike Ward Accounting & Financial Consulting, PLLC

Mike Ward, CPA  
266 RCR 1397  
Point, Texas 75472

(903) 269-6211  
[mward@mikewardcpa.com](mailto:mward@mikewardcpa.com)

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### INDEPENDENT AUDITOR'S REPORT

Mayor and City Council  
City of Blossom, Texas  
1240 West Front Street  
Blossom, Texas 75416

Members of the City Council:

#### **Opinions**

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Blossom, Texas as of September 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis of Opinions**

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the City of Blossom, Texas, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements related to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance but not absolute assurance and therefore is not a guarantee

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

In performing an audit in accordance with generally accepted auditing standards, I:

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

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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement that basis financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary Information**

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

**Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and my auditor's report thereon. My opinions on the basic financial statements do not cover the other information, and I do not express an opinion or any form of assurance thereon.

Respectfully Submitted,

*Mike Ward Accounting & Financial Consulting, PLLC*

**Mike Ward Accounting & Financial Consulting, PLLC**

Point, Texas  
May 16, 2024

## CITY OF BLOSSOM, TEXAS

### MANAGEMENT DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2023

As management of the City of Blossom ("City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2023.

#### Financial Highlights

- The assets of the City of Blossom exceeded its liabilities at the close of the fiscal year by \$3,262,992 (net position). Of this amount, \$996,935 or 30.6%, (unrestricted net position) may be used to fund the City's ongoing obligations to citizens and creditors. A total of \$1,931,241, or 59.2%, is invested in capital assets which does not directly generate revenue and is not available for future spending. Restricted net position totals \$334,816, or 10.3% of total net position and is restricted for debt service and future system expansion.
- The City's total net position increased by \$43,927.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$997,629, a decrease of (\$24,419) or -2%, in comparison with the prior year. Approximately 68% of this total fund balance, or \$679,850, is available for spending at the City's discretion.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$679,850, or 116%, of total General Fund expenditures for the fiscal year.
- The City's long-term debt decreased by (\$83,000), or (14%), during the current fiscal year.

#### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City of Blossom.

## **Basic Financial Statements**

The first two statements (pages 17-20) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the City's financial status.

The next statements (pages 21-27) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the Governmental Fund financial statements and 2) the Proprietary Fund financial statements.

The next section of the basic financial statements is the **notes**, beginning on page 28. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **required supplemental information** (pages 47-50) are provided to show details about the City's pension plan.

## **Government-wide Financial Statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The Statement of Net Position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Both the statement of net position and the statement of activities are prepared utilizing the accrual basis of accounting.

The government-wide statements are divided into two categories: 1) governmental activities and 2) business-type activities. The governmental activities include most of the City's basic services such as public safety, public works, and general administration. Property taxes, sales taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer system are reported as business-type activities.

The government-wide financial statements are on pages 17-20 of this report.

## **Fund Financial Statements**

The fund financial statements provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Blossom, like all other governmental entities in Texas, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of the City of Blossom can be divided into two categories: governmental funds and proprietary funds.

*Governmental Funds* – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and

**CITY OF BLOSSOM, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)  
SEPTEMBER 30, 2023**

what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs.

The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is part of the fund financial statements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Blossom adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the Council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) original budget; 2) the final budget as amended by the council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. Budgetary information required by the General Statutes can also be found in this part of the statements. The Governmental Fund financial statements can be found on pages 21 - 24 of this report.

*Proprietary Funds* – The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way all activities are reported in the Statement of Net Position and the Statement of Activities. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 25 - 27 of this report.

**Notes to the Financial Statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 28 of this report.

**Required Supplementary Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Blossom's progress in funding its obligation to provide pension benefits to its employees. This information can be found on page 47-50.

**CITY OF BLOSSOM, TEXAS  
MANAGEMENT DISCUSSION AND ANALYSIS (continued)  
SEPTEMBER 30, 2023**

**Net Position**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Current and other assets	\$ 1,432,947	\$ 1,547,468	\$ 463,958	\$ 525,543	\$ 1,896,905	\$ 2,073,011
Capital assets	1,542,769	1,430,009	903,472	921,229	2,446,241	2,351,238
Total assets	<u>2,975,716</u>	<u>2,977,477</u>	<u>1,367,430</u>	<u>1,446,772</u>	<u>4,343,146</u>	<u>4,424,249</u>
Deferred outflows - pension	115,033	40,867	31,355	12,361	146,388	53,228
Long-term liabilities	80,507	141,557	476,052	508,024	556,559	649,581
Other liabilities	418,938	411,374	182,569	118,294	601,507	529,668
Total liabilities	<u>499,445</u>	<u>552,931</u>	<u>658,621</u>	<u>626,318</u>	<u>1,158,066</u>	<u>1,179,249</u>
Deferred inflows - pension	50,860	62,644	17,616	16,519	68,476	79,163
Net Position:						
Net investment in capital assets	1,482,769	1,312,009	448,472	441,229	1,931,241	1,753,238
Restricted	316,686	207,175	18,130	18,130	334,816	225,305
Unrestricted	740,989	883,585	255,946	356,937	996,935	1,240,522
Total net position	<u>\$ 2,540,444</u>	<u>\$ 2,402,769</u>	<u>\$ 722,548</u>	<u>\$ 816,296</u>	<u>\$ 3,262,992</u>	<u>\$ 3,219,065</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial condition. The net position of the City exceeded liabilities by \$3,262,992, as of September 30, 2023. The City's net position increased by \$43,927 for the fiscal year ended September 30, 2023.

***Net investment in capital assets:***

A large portion of net position, \$1,931,241 or 59.2%, reflects the City's net investment in capital assets (i.e., land, buildings, machinery and equipment) less any related debt still outstanding that was issued to acquire those items. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

***Restricted net position:***

Restricted net position of \$334,816, representing 10.3%, is subject to external restrictions on how it may be used, or by enabling legislation. The restricted net position is for debt reserves and future system expansion.

***Unrestricted net position:***

Unrestricted net position in the amount of \$996,935, representing 30.6%, is available to fund the City's programs to citizens and creditors.

**CITY OF BLOSSOM, TEXAS  
MANAGEMENT DISCUSSION AND ANALYSIS (continued)  
SEPTEMBER 30, 2023**

**Changes in Net Position**

	<b>Governmental Activities</b>		<b>Business Activities</b>		<b>Totals</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>REVENUE</b>						
Program Revenues:						
Charges for Services	\$ -	\$ -	\$ 608,214	\$ 583,529	\$ 608,214	\$ 583,529
Capital Grants and Contributions	-	-	-	-	-	-
General Revenues:						
Property Taxes	328,991	317,949	-	-	328,991	317,949
Sales Taxes	157,298	146,582	-	-	157,298	146,582
Franchise Taxes	45,120	49,359	-	-	45,120	49,359
Investment Income	15,326	7,814	4,850	2,457	20,176	10,271
Miscellaneous	15,920	23,346	1,630	2,518	17,550	25,864
Total Revenues	<u>562,655</u>	<u>545,050</u>	<u>614,694</u>	<u>588,504</u>	<u>1,177,349</u>	<u>1,133,554</u>
<b>EXPENSES</b>						
Program Expenses:						
General Government	191,177	186,803	-	-	191,177	186,803
Public Safety	23,164	24,818	-	-	23,164	24,818
Public Works	206,901	96,739	-	-	206,901	96,739
Interest on Long-Term Debt	4,098	4,883	-	-	4,098	4,883
Water and Sewer	-	-	708,082	690,342	708,082	690,342
Total Expenses	<u>425,340</u>	<u>313,243</u>	<u>708,082</u>	<u>690,342</u>	<u>1,133,422</u>	<u>1,003,585</u>
Increase (decrease) in Net Position before Transfers	137,315	231,807	(93,388)	(101,838)	43,927	129,969
Transfers	359	(44,629)	(359)	44,629	-	-
Increase (decrease) in Net Position	137,674	187,178	(93,747)	(57,209)	43,927	129,969
Net Position, Beginning of Year	2,402,769	2,215,591	816,296	873,505	3,219,065	3,089,096
Net Position, End of Year	<u>\$2,540,443</u>	<u>\$2,402,769</u>	<u>\$ 722,549</u>	<u>\$ 816,296</u>	<u>\$3,262,992</u>	<u>\$ 3,219,065</u>

The Governmental activities increased the net position in the current fiscal period by \$137,674. This is a 6% increase in net position.

The Business-type activities decreased the net position in the current fiscal period by (\$93,747) from the prior fiscal year.

### Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds** - The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

At September 30, 2023, the City's governmental funds reported total fund balance of \$997,629, a -2% decrease in comparison with the prior year's total ending fund balance. The components of total fund balance are as follows:

- Assigned fund balance of \$1,093, or 0.11% of total fund balance is for a dog ordinance fund.
- Restricted fund balance of \$316,686 restricted for debt service.
- Unassigned fund balance of \$679,850, or 68.15%, of total fund balance represents residual fund balances that have not been restricted, committed, or assigned by management, City Council, or otherwise.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$679,850, compared to \$836,356 at the end of the prior year. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. Unassigned fund balance represents 116.% of total Fund expenditures.

**General Fund Budgetary Highlights:** During the fiscal year, the City made no revision to the budget. Generally, budget amendments fall into one of three categories: (1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; (2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and (3) increases in appropriations that become necessary to maintain services.

Revenues were more than budgeted overall, especially in the area of property and sales tax revenue, and expenditures were slightly more than budgeted amounts, especially in the area of public works and general government capital asset purchases.

**Proprietary Funds** - The proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Unrestricted net position of the Utility Fund at the end of the fiscal year amounted to \$255,946. There was \$448,472 invested in capital assets over related debt.

**CITY OF BLOSSOM, TEXAS**  
**MANAGEMENT DISCUSSION AND ANALYSIS (continued)**  
**SEPTEMBER 30, 2023**

**Capital assets** - The City of Blossom's investment in capital assets for its governmental and business-type activities as of September 30, 2023 totals \$2,446,241 (net of accumulated depreciation). This investment in capital assets includes buildings, infrastructure, and machinery and equipment.

Major capital asset transactions during the year include the following:

- Street improvements.
- Work truck

**City of Blossom**  
**Capital Assets**  
**As of September 30, 2023**  
**(net of accumulated depreciation)**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Land	\$ 26,880	\$ 26,880	\$ 34,273	\$ 34,273	\$ 61,153	\$ 61,153
Buildings & Improvements	284,124	300,218	-	-	284,124	300,218
Infrastructure	1,141,102	1,009,523	779,224	817,159	1,920,326	1,826,682
Machinery & Equipment	90,663	93,388	89,975	69,797	180,638	163,185
Construction in Progress	-	-	-	-	-	-
Total	<u>\$ 1,542,769</u>	<u>\$ 1,430,009</u>	<u>\$ 903,472</u>	<u>\$ 921,229</u>	<u>\$ 2,446,241</u>	<u>\$ 2,351,238</u>

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

**Long-term debt** - As of September 30, 2023, the City had total long-term debt outstanding of \$515,000. This is a (12%) decrease when compared to the prior year.

**City of Blossom**  
**Outstanding Debt**  
**As of September 30, 2023**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Notes Payable	\$ 60,000	\$ 118,000	\$ -	\$ -	\$ 60,000	\$ 118,000
Certificates of Obligation	-	-	455,000	480,000	455,000	480,000
Total	<u>\$ 60,000</u>	<u>\$ 118,000</u>	<u>\$ 455,000</u>	<u>\$ 480,000</u>	<u>\$ 515,000</u>	<u>\$ 598,000</u>

More detailed information about the City's long-term obligations is presented in Note F to the financial statements.

**CITY OF BLOSSOM, TEXAS  
MANAGEMENT DISCUSSION AND ANALYSIS (continued)  
SEPTEMBER 30, 2023**

**Requests for Information**

This report is designed to provide a general overview of the City's finances for those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Blossom, P.O. Box 297, Blossom, Texas 75416.

## BASIC FINANCIAL STATEMENTS

**CITY OF BLOSSOM, TEXAS  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2023**

	<b>Primary Government</b>		<b>Total</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,070,366	\$ 318,908	\$ 1,389,274
Receivables (net of allowance for uncollectible)	45,896	51,613	97,509
Restricted assets:			
Cash and cash equivalents	316,685	93,437	410,122
Capital assets, not being depreciated:			
Land	26,880	34,273	61,153
Capital assets, net of accumulated Depreciation			
Infrastructure	1,141,102	779,224	1,920,326
Buildings	284,124	-	284,124
Machinery & equipment	90,663	89,975	180,638
<b>Total Assets</b>	<b>2,975,716</b>	<b>1,367,430</b>	<b>4,343,146</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows from pensions	115,033	31,355	146,388
<b>LIABILITIES</b>			
Accounts payable	27,414	137,773	165,187
Customer deposits	-	38,518	38,518
Accrued interest	1,980	6,278	8,258
Deferred grant proceeds	389,544	-	389,544
Noncurrent liabilities:			
Due within one year:			
Compensated absences	1,880	5,463	7,343
Note payable	60,000	-	60,000
Certificate of obligations payable	-	25,000	25,000
Due in more than one year:			
Certificates of obligations payable	-	430,000	430,000
Net pension liability	4,876	1,277	6,153
Net OPEB liability	13,751	14,312	28,063
<b>Total Liabilities</b>	<b>499,445</b>	<b>658,621</b>	<b>1,158,066</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows from pensions	50,860	17,616	68,476
<b>NET POSITION</b>			
Net investment in capital assets	1,482,769	448,472	1,931,241
Restricted for:			
Debt service	316,686	-	316,686
Future system expansion	-	18,130	18,130
Unrestricted	740,989	255,946	996,935
<b>Total Net Position</b>	<b>\$ 2,540,444</b>	<b>\$ 722,548</b>	<b>\$ 3,262,992</b>

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



**CITY OF BLOSSOM, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	<b>Program Revenues</b>			
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Function/Program Activities</b>				
<b>Primary Government</b>				
Governmental activities:				
General government	\$ 191,177	\$ -	\$ -	\$ -
Public safety	23,164	-	-	-
Public works	206,901	-	-	-
Interest on long-term debt	4,098	-	-	-
<b>Total governmental activities</b>	<b>425,340</b>	<b>-</b>	<b>-</b>	<b>-</b>
Business-type activities:				
Water and sewer fund	708,082	608,214	-	-
<b>Total business-type activities</b>	<b>708,082</b>	<b>608,214</b>	<b>-</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 1,133,422</b>	<b>\$ 608,214</b>	<b>\$ -</b>	<b>\$ -</b>

General revenues:  
Property taxes  
Sales taxes  
Franchise taxes  
Investment income  
Miscellaneous  
Transfers  
Total general revenues  
Change in net position  
Net position - beginning  
Net position - ending

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

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

<b>Governmental Activities</b>	<b>Business Activities</b>	<b>Total</b>
\$ (191,177)	\$ -	\$ (191,177)
(23,164)	-	(23,164)
(206,901)	-	(206,901)
(4,098)	-	(4,098)
<u>(425,340)</u>	<u>-</u>	<u>(425,340)</u>
-	(99,868)	(99,868)
-	(99,868)	(99,868)
<u>\$ (425,340)</u>	<u>\$ (99,868)</u>	<u>\$ (525,208)</u>
\$ 328,991	\$ -	\$ 328,991
157,298	-	157,298
45,120	-	45,120
15,326	4,850	20,176
15,920	1,630	17,550
359	(359)	-
<u>563,014</u>	<u>6,121</u>	<u>569,135</u>
137,674	(93,747)	43,927
2,402,770	816,295	3,219,065
<u>\$ 2,540,444</u>	<u>\$ 722,548</u>	<u>\$ 3,262,992</u>

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

**CITY OF BLOSSOM, TEXAS  
BALANCE SHEET - GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2023**

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,070,366	\$ -	\$ 1,070,366
Receivables (net of allowances for uncollectible)	45,896	-	45,896
Cash and cash equivalents - restricted	-	316,686	316,686
<b>Total Assets</b>	<u>1,116,262</u>	<u>316,686</u>	<u>1,432,948</u>
<b>LIABILITIES</b>			
Accounts payable	27,415	-	27,415
<b>Total Liabilities</b>	<u>27,415</u>	<u>-</u>	<u>27,415</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenues-property taxes	18,360	-	18,360
Deferred ARPA funding	389,544	-	389,544
<b>Total Deferred Inflows of Resources</b>	<u>407,904</u>	<u>-</u>	<u>407,904</u>
<b>FUND BALANCE</b>			
Restricted for:			
Debt service	-	316,686	316,686
Assigned for:			
Dog ordinance	1,093	-	1,093
Unassigned	679,850	-	679,850
<b>Total Fund Balance</b>	<u>680,943</u>	<u>316,686</u>	<u>997,629</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<u>\$ 1,116,262</u>	<u>\$ 316,686</u>	<u>\$ 1,432,948</u>

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

**CITY OF BLOSSOM, TEXAS  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2023**

<b>Total fund balance - governmental funds balance sheet</b>	<b>\$ 997,629</b>
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,305,156
Accumulated depreciation has not been included in the governmental fund financial statements	(762,387)
Issuance or payment of debt has been included in the governmental fund financial statements as an other financing source, or use, and a long-term within the government-wide financial statements	(60,000)
Deferred inflow/outflow of resources for pension are not reported in the fund	64,173
Accrued liabilities are not reflected in the fund financial statements	(3,859)
Net pension asset (overfunded) is not due and payable in the current period	(18,627)
Ad valorem taxes reported as deferred revenue in the governmental fund financial statements is recorded as revenue in the government-wide financial statements.	18,359
<b>Net position of governmental activities - statement of net position</b>	<b><u><u>\$ 2,540,444</u></u></b>

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

**CITY OF BLOSSOM, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Total</b>
<b>REVENUE</b>			
Property taxes	\$ 220,134	\$ 108,376	\$ 328,510
Franchise taxes	45,120	-	45,120
Sales tax collected	157,298	-	157,298
Investment income	13,743	1,582	15,325
Miscellaneous	15,920	-	15,920
<b>Total Revenues</b>	<b>452,215</b>	<b>109,958</b>	<b>562,173</b>
<b>EXPENDITURES</b>			
Current:			
General government	187,615	-	187,615
Public safety	18,426	-	18,426
Public works	129,272	-	129,272
Debt service:			
Principal retirement	58,000	-	58,000
Interest and fiscal agent fees	3,292	806	4,098
Capital outlay:			
General government	-	-	-
Public works	189,540	-	189,540
<b>Total Expenditures</b>	<b>586,145</b>	<b>806</b>	<b>586,951</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(133,930)</b>	<b>109,152</b>	<b>(24,778)</b>
<b>Other Financing Sources (uses)</b>			
Transfers	-	359	359
<b>Total Other Financing Sources (uses)</b>	<b>-</b>	<b>359</b>	<b>-</b>
<b>Net Changes in Fund Balance</b>	<b>(133,930)</b>	<b>109,511</b>	<b>(24,419)</b>
<b>Fund Balance/Equity, October 1</b>	<b>814,873</b>	<b>207,175</b>	<b>1,022,048</b>
<b>Fund Balance/Equity, September 30</b>	<b>\$ 680,943</b>	<b>\$ 316,686</b>	<b>\$ 997,629</b>

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

**CITY OF BLOSSOM, TEXAS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**Net change in fund balances - total governmental funds** \$ (24,419)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital outlays. 189,540

Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The effect of recording the current year's depreciation is to decrease net position. (76,780)

Current year debt principal payments on contractual obligations and capital lease are expenditures in the fund financial statements but are shown as reductions in long-term debt in the government-wide financial statements 58,000

Changes in net pension assets are not shown in the fund financial statements. (9,149)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. 482

**Change in net position of governmental activities - statement of activities** \$ 137,674

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

**CITY OF BLOSSOM, TEXAS  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
SEPTEMBER 30, 2023**

	<b>Utility Fund</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 318,908
Receivables (net of allowance for uncollectible)	51,613
Restricted cash and cash equivalents	93,437
Total current assets	<u>463,958</u>
Noncurrent assets:	
Capital assets:	
Land	34,273
Machinery and equipment	190,768
Building and improvements	22,800
Infrastructure	4,264,573
Less accumulated depreciation	<u>(3,608,943)</u>
Total capital assets, net of accumulated depreciation	<u>903,471</u>
Total noncurrent assets	<u>903,471</u>
<b>Total Assets</b>	<u><u>1,367,429</u></u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows from pensions	<u>31,355</u>
 <b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	137,772
Payables from restricted assets:	
Accrued interest payable	6,278
Customer deposits	38,518
Certificate of obligation - current portion	25,000
Total current liabilities	<u>207,568</u>
Noncurrent liabilities:	
Net pension liability	1,277
Net OPEB Liability	14,312
Compensated absences	5,463
Certificates of obligation payable	430,000
Total noncurrent liabilities	<u>451,052</u>
<b>Total Liabilities</b>	<u>658,620</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows from pensions	<u>17,616</u>
 <b>NET POSITION</b>	
Net investment in capital assets	448,472
Restricted for:	
Future system expansion	18,130
Unrestricted	255,946
<b>Total Net Position</b>	<u><u>\$ 722,548</u></u>

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

**CITY OF BLOSSOM, TEXAS  
STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND NET POSITION - PROPRIETARY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	<u>Utility Fund</u>
<b>OPERATING REVENUES:</b>	
Charges for services	608,214
Miscellaneous	1,630
<b>Total Operating Revenues</b>	<u>609,844</u>
<b>OPERATING EXPENSES:</b>	
Personnel services	214,249
Supplies and materials	37,100
Maintenance and repair	80,178
Water purchases	129,862
Contractual services	156,605
Depreciation	71,718
<b>Total Operating Expenses</b>	<u>689,712</u>
<b>Operating Income (Loss)</b>	<u>(79,868)</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>	
Interest income	4,850
Interest and fiscal agent fees	(18,369)
<b>Total Non-Operating Revenues (Expenses)</b>	<u>(13,519)</u>
<b>Income (loss) before transfers</b>	(93,387)
Transfers	(359)
<b>Changes in Net Position</b>	(93,746)
<b>Net Position, Beginning of Year</b>	816,294
<b>Net Position, End of Year</b>	<u>\$ 722,548</u>

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

**CITY OF BLOSSOM, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	<b>Utility Fund</b>
<b>Cash Flows from Operating Activities</b>	
Cash received from customers	\$ 599,559
Cash received from other sources	1,630
Cash paid to employees	(213,422)
Cash paid to suppliers	(341,599)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>46,168</u>
<b>Cash Flows from Non-capital Financing Activities</b>	
Transfers	(358)
<b>Net Cash Used by Non-capital Financing Activities</b>	<u>(358)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Acquisition or construction of capital assets	(53,961)
Interest expense	(18,370)
Principal payments	(25,000)
Proceeds from capital grants	-
<b>Net Cash Provided by Capital &amp; Related Financing Activities</b>	<u>(97,331)</u>
<b>Cash Flows from Investing Activities</b>	
Interest income	4,850
<b>Net Cash Provided by Investing Activities</b>	<u>4,850</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(46,671)
<b>Cash and Cash Equivalents, Beginning of Year</b>	459,016
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 412,345</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>	
Operating income (loss)	<u>\$ (79,868)</u>
Adjustment to reconcile operating income to net cash Provided (used) by operating activities:	
Depreciation	71,719
Change in assets and liabilities:	
Decrease (increase) in receivables	(10,781)
Increase (decrease) in net pension asset	824
Increase (decrease) in accounts payable	62,146
Increase (decrease) in customer deposits	2,126
Increase (decrease) in compensated absences	2
Total Adjustments	<u>126,036</u>
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 46,168</u>

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

**CITY OF BLOSSOM, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Financial Reporting Entity**

As defined by accounting principles generally accepted in the United States of America (GAAP) that were established by the Government Accounting Standards Board (GASB), the financial reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as appointment of a voting majority of the component units board, and either a) the ability to impose its will by the primary government, or, b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

The accompanying financial statements present the City of Blossom, Texas (City), as the primary government. As of the end of the fiscal year, the City has no reportable component units.

**Basic Financial Statements**

In accordance with GASB Statement No. 34 - *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the basic financial statements include both government-wide financial statements and fund financial statements.

The government-wide financial statements (Statement of Net Assets and Statement of Activities) report on the City and its component units as a whole, excluding fiduciary funds. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All activities, both governmental and business-type, are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables as well as long-term debt and obligations. The government-wide financial statements focus more on the sustainability of the City as an entity and the change in aggregate financial position resulting from activities of the fiscal period.

Generally, the effect of interfund activity has been removed from the government-wide financial statements. Net interfund activity and balances between governmental activities and business-type activities are shown in the government-wide financial statements.

The government-wide Statement of Net Position reports all financial and capital resources to the City (excluding fiduciary funds). It is displayed in a format of assets less liabilities equal net position, with the assets and liabilities shown in order of their relative liquidity. Net position is required to be displayed in three components: 1) invested in capital assets net of related debt, 2) restricted, and 3) unrestricted. Invested in capital assets, net of related debt is capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvements of those assets. Restricted net position has constraints placed on its use by either: 1) external imposition by creditors, or 2) imposition by law through constitutional provisions or enabling legislation. All net assets not otherwise classified as restricted are shown as unrestricted. Generally, the City would first apply restricted when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

The government-wide Statement of Activities demonstrates the degree to which both direct and indirect expenses of the various functions and programs of the City are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function and activity using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between different governments. Also included as a direct expenses is, 1) Interest on general long-term debt that is not allocated to the benefit from goods, services provided by a particular function or program, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes, unrestricted investment income, and other revenues not identifiable with particular functions or programs are included as general revenues. The general revenues support the net costs of the functions and programs not covered by program revenues.

Also, part of the basic financial statements are fund financial statements for governmental funds and proprietary funds. The focus of the fund financial statements is on major funds, as defined by GASB Statement No 34. Although this reporting model sets forth minimum criteria for determination of major funds (a percentage of assets, liabilities, revenues or expenditures/expenses of fund category and of the governmental and enterprise funds combined), it also gives governments the option of displaying other funds as major funds. Other non-major funds are combined in a single column on the fund financial statements.

The City reports the following major governmental funds:

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

The Debt Service Fund - The fund used to account for resources that are restricted or otherwise limited to pay the debt service on all debt of the City.

The City reports the following major enterprise funds:

The *Water/Wastewater Utility Fund* accounts for the operation of the City's water and wastewater utility, a self-supporting activity, which renders services on a user charge basis to residents and businesses located in and outside of the City.

**CITY OF BLOSSOM, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**Measurement Focus and Basis of Accounting**

The governmental fund financial statements are prepared on a current financial resources measurement focus and modified accrual basis of accounting. To conform to the modified accrual basis of accounting, certain modifications must be made to the accrual method. These modifications are outlined below:

1. Revenue is recorded when it becomes both measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenue considered susceptible to accrual includes: property taxes, sales and use taxes, licenses, fees and permits, intergovernmental revenues, charges for services, fines, forfeitures, penalties, and interest.
2. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt is recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.
3. Disbursements for the purchase of capital assets providing future benefits are considered expenditures. Bond proceeds are reported as another financing source.

With the current financial resources measurement focus, operating statements present increases and decreases in net current assets and unreserved fund balance as a measure of available spendable resources.

This is the traditional basis of accounting for governmental funds and is also the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to 1) demonstrate legal and covenant compliance, 2) demonstrate the sources and uses of liquid resources, and 3) demonstrate how the City's actual revenues and expenditures conform to the annual budget. Since the governmental funds financial statements are presented on a different basis than the governmental activities column of the government-wide financial statements, a reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

The proprietary funds financial statements are prepared on the same basis (economic resources measurement focus and accrual basis of accounting) as the government-wide financial statements. Therefore, most lines for the total enterprise funds on the proprietary funds financial statements will directly reconcile to the business-type activities column on the government-wide financial statements. Because the enterprise funds are combined into a single business-type activities column on the government-wide financial statements, certain interfund activities between these funds are eliminated in the consolidation for the government-wide financial statements, but are included in the fund columns in the proprietary financial statements.

Proprietary funds account for operations of the City where the intent is to provide goods and services to the general public on a continuing basis and to finance or recover the associated costs primarily through user charges. Under GASB Statement No. 34, proprietary funds are also required, for any activity whose principal revenue sources meet any of the following criteria: 1) any activity that has issued debt backed solely by the fees and charges of the activity, 2) is the cost of providing services for an activity, including capital costs such as depreciation or debt service, and must legally be recovered through fees or charges, or 3) it is the policy of the City to establish activity fees or charges to recover the costs of providing services, including capital costs.

On the proprietary funds financial statements, operating revenues are those that flow directly from the operations of the activity, i.e. charges to customers or users who purchase or use the goods or services of that activity. Operating expenses are those that are incurred to provide those goods or services. Non-operating revenues and expenses are items such as investment income and interest expense that are not a result of the direct operations of the activity.

**Cash and Cash Equivalents**

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

**Receivables and Payables**

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/due from".

All trade and property tax receivables are shown net of an allowance for uncollectible accounts.

**CITY OF BLOSSOM, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature of normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of the other governments, or are imposed by law through constitutional provisions or enabling legislation. Certain resources set aside for repayment of debt are classified as restricted assets on the balance sheet based on their use being limited by applicable bond covenants. Additionally, customer deposits received for water and wastewater services are classified as restricted assets.

**Capital Assets**

Capital assets, which include land, buildings, equipment, and infrastructure, purchased or acquired, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and proprietary fund types. The City defines capital assets with an initial individual cost of more than \$3,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if historical cost is not available. Contributed assets are recorded at fair market value as of the date donated. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed.

Management elected not to retroactively report infrastructure assets within the scope of GASB 34.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Net interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. There was no capitalized interest during the current year.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives.

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30-45 years
Buildings	45 years
Building Improvements	15-20 years
Equipment	5-10 years

**Fund Equity**

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned, or unassigned based primarily on the extent to which the City is bound to honor constraints on how specific amounts can be spent.

- ***Nonspendable fund balance*** - includes the portion of net resources that cannot be spent because of their form (i.e., inventory, long-term loans, or prepaid) or because they must remain in-tact such as the principal of an endowment.
- ***Restricted fund balance*** - includes the portion of net resources on which limitations are imposed by creditors, grantors, contributors, or by laws or regulations of other governments (i.e., externally imposed limitations). Amounts can be spent only for the specific purposes stipulated by external resource providers or as allowed by law through constitutional provisions or enabling legislation such as grant awards and bond proceeds.
- ***Committed fund balance*** - includes the portion of net resources upon which the City Council has imposed limitations on its use. Amounts that can be used only for the specific purposes determined by a resolution of the City Council. Commitments may be changed or lifted only by the City Council taking the same formal action that originally imposed the constraint. Resolutions must be approved before the end of the fiscal year in which the commitment will be reflected on the financial statements.
- ***Assigned fund balance*** - includes the portion of net resources for which an *intended* use has been established by the City Council or the City Secretary, if authorized to do so by the City Council. Assignments of fund balances are much less formal than commitments and do not require formal action for their imposition or removal. In governmental funds, other than the General Fund, assigned fund balance represents the amount that are not restricted or committed, which indicates that resources are, at a minimum, intended to be used for the purpose of that fund.

**CITY OF BLOSSOM, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

- **Unassigned fund balance** - includes the amount in the General Fund in excess of what can properly be classified in one of the other four categories of fund balance. It is the residual classification of the General Fund and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose. Negative residual amounts for all other governmental funds are reported in this classification.

The City's goal is to maintain an unassigned fund balance in the General Fund of 16.67% of expenditures. The City is in compliance with this goal as the end of the current fiscal period.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditures/expenses) until then. The City has only one type of deferred outflow, deferred outflows related to pension, which arise only under the accrual basis of accounting. It is reported only in the government-wide Statement of Net Position. This amount is deferred and amortized over the actuarial recognition period.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one type of deferred inflow, deferred inflows related to pensions which arise only under the accrual basis of accounting. It is reported only in the government-wide Statement of Net Position. The amount is deferred and amortized over the actuarial determined recognition period.

**Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused vacation benefits. The maximum accrual is limited to one year's accumulation. Vacation is payable upon leave of the employee, but sick pay is not.

**Property Taxes**

Property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the City. Assessed value represents the appraisal value less, applicable exemptions authorized by the City Council. The Appraisal Board of Review establishes appraised values at 100% for estimated market value. A tax lien attaches to the property on January 1 of each year to secure the payment of all taxes, penalties and interest ultimately imposed for the year on that property, whether or not the taxes are imposed in the year the lien attaches.

Taxes are due October 1, immediately following the levy date, and are delinquent after the following January 31st. Revenues are recognized as the related ad valorem taxes are collected. Delinquent property taxes estimated to be collectable within 60 days following the close of the fiscal year have been recognized as revenue at the fund level.

The City's tax rate for this reported fiscal year was \$0.462841.

**Long-term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. The City has compared this method to the effective interest method and found the difference between the two methods to be immaterial. Bond issuance costs are expensed in the current period.

In the fund financial statements governmental fund types recognize bond premiums and discounts 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 debt proceeds received, are expensed in the current period.

**CITY OF BLOSSOM, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**Net Position Flow Assumption**

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

**Fund Balance Flow Assumption**

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

**Grants**

Grants and shared revenue are generally accounted for within the fund financed. Most grants are from various federal and state agencies.

**Pension Plan**

In government-wide financial statements, retirement plans (pension) are required to be recognized and disclosed using the accrual basis of accounting regardless of the amounts recognized as pension expenditures on the governmental fund statements, which use the modified accrual basis of accounting.

In general, the City recognized a net pension asset, which represents the City's proportionate share of the excess of the fiduciary net position over total pension liability reflected in the actuarial report provided by the Texas Municipal Retirement System ("TMRS"). The net pension liability is measured as of December 31, 2022. Changes in the net pension liability are recorded as pension expense or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change. The changes in net pension liability that are recorded as deferred inflow of resources or deferred outflows of resources (that arise from changes in actuarial assumptions of other inputs and differences between expected or actual experience) will be amortized over the weighted average remaining service life of all participants and are recorded as a component of pension expense beginning with the period in which they are incurred.

For purposes of measuring the net pension liability and deferred inflows/outflows of resources relating to pension expense, information about the fiduciary net position have been determined on the same basis as they are reported by TMRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Projected earning on pension investments are recognized as components of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflow of resources and will be amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred. Each subsequent year will incorporate an additional closed five-year period of recognition.

**Comparative Data/Reclassification**

Comparative total data for the current year to budget have been presented in the financial statements in order to provide an understanding of budgeted to actual results. Also, certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

**CITY OF BLOSSOM, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**Interfund Activity**

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

**Use of Estimates**

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

**Program Revenues**

Certain revenues such as charges for services are included in program revenues.

**Program Expenses**

Certain indirect costs, such as administrative costs, are included as program expenses reported for individual functional activities.

**B. COMPLIANCE AND ACCOUNTABILITY**

**Finance-Related Legal and Contractual Provisions**

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address any violations:

<u>Violation</u>	<u>Action</u>
None	N/A

**Deficit Fund Balance or Fund Net Position of Individual Funds**

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>
None reported	N/A

**Budgets and Budgetary Accounting**

Annual budgets are adopted on a modified accrual basis. An annual appropriated budget is legally adopted for the General Fund. All annual appropriations lapse at fiscal year end.

The City follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to September 1, the City Secretary prepares a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Open meetings are conducted to obtain taxpayer comments.
3. The budget is legally enacted by the City Council by approval prior to the beginning of the fiscal year to which it applies, which can be amended by the Council.
4. Formal budgetary integration, using the modified accrual basis, is employed as a management control device during the year for the General Fund.

The level of control (the level at which expenditures may not exceed the budget) is the fund level. The City Mayor is authorized to approve a transfer of budgeted amounts within departments; however, any revisions that alter the total of any fund must be approved by the City Council.

**CITY OF BLOSSOM, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**C. DEPOSITS AND INVESTMENTS**

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

***Cash Deposits:***

At September 30, 2023, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$1,799,396 and the bank balance was \$1,805,200. The City's cash deposits at September 30, 2023 and during the year ended September 30, 2023, were entirely covered by FDIC or pledged securities.

Cash and investments as of September 30, 2023 consist of and are classified in the financial statements as follows:

**Statement of net position:**

Primary Government:	
Cash and Cash Equivalents	\$ 1,389,274
Restricted Cash and Cash Equivalents	410,122
Total Cash and Cash Equivalents	<u>\$ 1,799,396</u>
Governmental Restricted Cash	
Debt Service	<u>\$ 316,684</u>
Total Governmental Restricted Cash and Cash Equivalents	<u>\$ 316,684</u>
Business-type Restricted Cash	
Customer Deposits	\$ 37,575
Debt Service	37,610
Future Expansion	18,253
Total Business-type Restricted Cash and Cash Equivalents	<u>\$ 93,438</u>
Total Restricted Cash and Cash Equivalents	<u>\$ 410,122</u>

**Cash Deposits**

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general purpose financial statements disclosed that in the areas of investment practices management reports, and establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that in the event of the failure of the counterparty to a transaction a government will not be able to recover the value of its investments or collateral securities that are in the possession of another party. The Public Funds Act does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provisions for deposits. The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law, unless so waived by the governmental unit. The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance at all times. As of fiscal year end, the City's deposits were entirely covered by FDIC or pledged securities.

**CITY OF BLOSSOM, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**D. RECEIVABLES**

Receivables as of year end for the government's individual major funds, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Governmental</u>	<u>Proprietary</u>	<u>Total</u>
Receivables:			
Taxes	\$ 60,917	\$ -	\$ 60,917
Fees and charges	-	57,408	57,408
Gross Receivables	<u>60,917</u>	<u>57,408</u>	<u>118,325</u>
Less: allowance for uncollectibles	(15,021)	(5,795)	(20,816)
Net Receivables	<u>\$ 45,896</u>	<u>\$ 51,613</u>	<u>\$ 97,509</u>

**E. CAPITAL ASSETS**

Capital asset activity for the period ended September 30, 2023 was as follows:

	<u>Beginning Balances</u>	<u>Transfers</u>	<u>Additions</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Governmental Activities</b>					
Capital assets, not being depreciated:					
Land	\$ 26,880	\$ -	\$ -	\$ -	\$ 26,880
Construction in Progress	-	-	-	-	-
Total capital assets, not depreciated:	<u>26,880</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,880</u>
Capital assets, being depreciated:					
Buildings & Improvements	550,898	-	-	-	550,898
Infrastructure	1,243,700	-	168,499	-	1,412,199
Machinery & Equipment	294,137	-	21,041	-	315,178
Total capital assets being depreciated:	<u>2,088,735</u>	<u>-</u>	<u>189,540</u>	<u>-</u>	<u>2,278,275</u>
Less accumulated depreciation for:					
Buildings & Improvements	(250,680)	-	(16,094)	-	(266,774)
Infrastructure	(234,177)	-	(36,920)	-	(271,097)
Machinery & Equipment	(200,749)	-	(23,766)	-	(224,515)
Total accumulated depreciation	<u>(685,606)</u>	<u>-</u>	<u>(76,780)</u>	<u>-</u>	<u>(762,386)</u>
Total capital assets being depreciated, net	<u>1,403,129</u>	<u>-</u>	<u>112,760</u>	<u>-</u>	<u>1,515,889</u>
Governmental activities capital assets, net	<u>\$ 1,430,009</u>	<u>\$ -</u>	<u>\$ 112,760</u>	<u>\$ -</u>	<u>\$ 1,542,769</u>

**CITY OF BLOSSOM, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	Beginning Balances	Transfers	Additions	Decreases	Ending Balances
<b>Business-type Activities</b>					
Capital assets, not being depreciated:					
Land	\$ 34,273	\$ -	\$ -	\$ -	\$ 34,273
Construction in Progress	-	-	-	-	-
Total capital assets, not depreciated:	<u>34,273</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,273</u>
Capital assets, being depreciated:					
Buildings & Improvements	22,800	-	-	-	22,800
Infrastructure	4,241,766	-	22,806	-	4,264,572
Machinery & Equipment	159,613	-	31,155	-	190,768
Total capital assets being depreciated:	<u>4,424,179</u>	<u>-</u>	<u>53,961</u>	<u>-</u>	<u>4,478,140</u>
Less accumulated depreciation for:					
Buildings & Improvements	(22,800)	-	-	-	(22,800)
Infrastructure	(3,424,607)	-	(60,741)	-	(3,485,348)
Machinery & Equipment	(89,816)	-	(10,977)	-	(100,793)
Total accumulated depreciation	<u>(3,537,223)</u>	<u>-</u>	<u>(71,718)</u>	<u>-</u>	<u>(3,608,941)</u>
Total capital assets, being depreciated, net	<u>886,956</u>	<u>-</u>	<u>(17,757)</u>	<u>-</u>	<u>869,199</u>
Business-type activities capital assets, net	<u>\$ 921,229</u>	<u>\$ -</u>	<u>\$ (17,757)</u>	<u>\$ -</u>	<u>\$ 903,472</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General Government	\$ 24,603
Public Safety	4,737
Public Works	47,440
Total depreciation expense - governmental activities	<u>\$ 76,780</u>
Business-type activities:	
Water and Sewer	\$ 71,718
Total depreciation expense - business-type activities	<u>\$ 71,718</u>

**CITY OF BLOSSOM, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**F. LONG-TERM OBLIGATIONS**

A summary of long-term debt transactions, including the current portion, for the year ended September 30, 2023 is as follows:

	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Compensated Absences	\$ 1,880	\$ -	\$ -	\$ 1,880	\$ 1,880
Limited Tax Notes	118,000	-	(58,000)	60,000	60,000
Governmental Activity Long-term Obligations	<u>\$ 119,880</u>	<u>\$ -</u>	<u>\$ (58,000)</u>	<u>\$ 61,880</u>	<u>\$ 61,880</u>
<b>Business-type Activities</b>					
Certificates of Obligation	\$ 480,000	\$ -	\$ (25,000)	\$ 455,000	\$ 25,000
Compensated Absences	5,460	3,827	(3,824)	5,463	5,463
Business-type Activity Long-term Obligations	<u>\$ 485,460</u>	<u>\$ 3,827</u>	<u>\$ (28,824)</u>	<u>\$ 460,463</u>	<u>\$ 30,463</u>

**Changes in Governmental Long-Term Debt:**

	Interest Rate Payable	Original Issue	Amounts Outstanding		Amounts Outstanding		Due Within One Year
			2022	Issued	Retired	2023	
2018 Tax Notes	2.79%	\$ 333,000	\$ 118,000	\$ -	\$ (58,000)	\$ 60,000	\$ 60,000
Total Notes Payable		333,000	118,000	-	(58,000)	60,000	60,000
<b>Total Long-Term Debt</b>		<u>\$ 333,000</u>	<u>\$ 118,000</u>	<u>\$ -</u>	<u>\$ (58,000)</u>	<u>\$ 60,000</u>	<u>\$ 60,000</u>

Debt service requirements are as follows:

Year Ending September 30:	Total Requirements		
	Principal	Interest	
2024	60,000	1,674	61,674
<b>Totals</b>	<u>\$ 60,000</u>	<u>\$ 1,674</u>	<u>\$ 61,674</u>

\$333,000 Series 2018, Limited Tax Notes, issued to finance construction of a new City Hall.

**Changes in Business-type Long-Term Debt:**

	Interest Rate Payable	Original Issue	Amounts Outstanding		Amounts Outstanding		Due Within One Year
			2022	Issued	Retired	2023	
2010 CO	.4-4.05%	\$ 600,000	\$ 480,000	\$ -	\$ (25,000)	\$ 455,000	\$ 25,000
Total Bonds Payable		600,000	480,000	-	(25,000)	455,000	25,000
<b>Total Long-Term Debt</b>		<u>\$ 600,000</u>	<u>\$ 480,000</u>	<u>\$ -</u>	<u>\$ (25,000)</u>	<u>\$ 455,000</u>	<u>\$ 25,000</u>

Debt service requirements are as follows:

Year Ending September 30:	Total Requirements		
	Principal	Interest	
2024	25,000	17,129	42,129
2025	25,000	16,260	41,260
2026	25,000	14,479	39,479
2027	25,000	15,379	40,379
2028	25,000	13,560	38,560
2029 to 2033	130,000	53,501	183,501
2034 to 2038	165,000	24,401	189,401
2039	35,000	709	35,709
<b>Totals</b>	<u>\$ 455,000</u>	<u>\$ 155,418</u>	<u>\$ 610,418</u>

\$600,000 Series 2010, certificate of obligation, issued to finance the costs of constructing, acquiring, purchasing, renovating, enlarging, equipping and improving the water system.

**CITY OF BLOSSOM, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2023**

***Compensated Absences***

Compensated absences represent the estimated liability for employees' accrued vacation leave for which employees are entitled to be paid upon termination. The retirement of this liability is typically paid from the General Fund or Proprietary Fund, based on the assignment of an employee at date of termination.

**G. PENSION PLAN**

**Plan Description**

The City provides pension benefits for all its eligible employees through a non-traditional, joint contributory, hybrid defined benefit 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 ("TMRS Act") as an agent multiple-employer retirement system for municipal employees in the State of Texas. The 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' 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. Benefits provisions are adopted by the City Council, within the options available in the 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 payment options. Members may 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 exceeds 75% of the member's deposits and interest.

***Employees covered by benefit terms:***

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

	Plan Year	
	2021	2022
Inactive employees or beneficiaries currently receiving benefits	4	3
Inactive employees entitled to, but not yet receiving benefits	1	1
Active employees	4	5
	<u>9</u>	<u>9</u>

**CITY OF BLOSSOM, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
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**Contributions**

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employees gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the City Council. 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 were required to contribute 5.00% of their gross earnings during the fiscal year. Contributions rates for the City were 4.81% and 4.89% in calendar years 2021 and 2022, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2023 were \$19,825.

**Net Pension Liability**

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

*Actuarial assumptions:*

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

Inflation	2.5% per year
Overall Payroll Growth	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB (10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries were based on the gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees 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 primary 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 (APR's) is based on the Mortality Experience Study covering 2014-2018 and dated December 31, 2018. 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 in 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 assets 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, the actuary focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates for real rates of return for each major asset class are summarized in the following table:

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global equity	35.0%	7.70%
Core fixed income	6.0%	4.90%
Non-core fixed income	20.0%	8.70%
Other public and private markets	12.0%	8.10%
Real estate	12.0%	5.80%
Hedge funds	5.0%	6.90%
Private equity	10.0%	11.80%
<b>Total</b>	<b>100.0%</b>	

**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.

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2021	\$ 936,276	\$ 1,060,120	\$ (123,844)
Changes for the year:			
Service cost	23,288	-	23,288
Interest	62,908	-	62,908
Change of benefit terms	-	-	-
Difference between expected and actual experience	(7,391)	-	(7,391)
Changes of assumption	-	-	-
Contributions - employer	-	15,043	(15,043)
Contributions - employee	-	10,964	(10,964)
Net investment income	-	(77,330)	77,330
Benefit payments, including refunds of employee contributions	(31,887)	(31,887)	-
Administrative expense	-	(670)	670
Other	-	801	(801)
Net changes	\$ 46,918	\$ (83,079)	\$ 129,997
Balance at 12/31/2022	\$ 983,194	\$ 977,041	\$ 6,153

**Sensitivity of the net position liability to change 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:

	Current Single Rate		
	1% Decrease 5.75%	Assumption 6.75%	1% Increase 7.75%
	\$ 123,115	\$ 6,153	\$ (92,069)

**CITY OF BLOSSOM, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

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

For the year ended September 30, 2023, the City recognized pension expense of \$31,805.

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

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual economic experience	\$ 8,648	\$ (5,184)
Changes in actuarial assumptions	-	-
Difference between projected and actual investment earnings	-	42,865
Contributions subsequent to the measurement date of December 31, 2022	15,385	-
	<u>\$ 24,033</u>	<u>\$ 37,681</u>

\$15,385 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date. This amount will be recognized as a reduction of the net pension liability for the fiscal year ending September 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pension will be recognized in pension expense as follows:

Net deferred outflows (inflows) of resources:	
December 31	
2023	\$ 7,343
2024	16,281
2025	17,149
2026	29,776
2027	-
Thereafter	-
	<u>\$ 70,549</u>

**Group-term Life Insurance**

The City participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by TMRS known as the Supplemental Death Benefits Fund ("SDBF"). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage or discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

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

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

The City's contributions to the TMRS SDBF for the fiscal year 2023 were \$1,158, which equaled the required contribution for the year.

**CITY OF BLOSSOM, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**Total OPEB Liability**

The City of Blossom TMRS supplemental death total OPEB liability of \$28,063 was measured as of December 31, 2022, and was determined by an actuarial valuation as of that date.

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

Inflation	2.50%
Salary Increases	3.5% to 11.5% including inflation
Discount Rate	4.05%
Retiree's share of related costs	\$0.00
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement 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 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, 2020.

**Membership**

Number of:	2021	2022
-Inactive employees currently receiving benefits	5	4
-Inactive employees entitled to but not yet receiving benefits	1	1
-Active employees	4	5

	Total OPEB Liability
Changes in the Total OPEB Liability:	
Total OPEB Liability - beginning of year	\$ 44,238
Changes for the year:	
Service costs	1,425
Interest on Total OPEB Liability	813
Changes in benefit terms	-
Differences between expected and actual experience	(6,568)
Changes in assumptions or other inputs	(10,266)
Benefit payments	(1,579)
<b>Total OPEB Liability - end of year</b>	<b><u>\$ 28,063</u></b>

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

The following presents the Total OPEB Liability of the City, as well as what the City's Total OPEB Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.05 percent) or 1-percentage-point higher (5.05%) than the current discount rate.

	1% Decrease (3.05%)	Current Discount (4.05)	1% Increase (5.05%)
<b>Total OPEB Liability</b>	<b>\$ 32,156</b>	<b>\$ 28,063</b>	<b>\$ 24,704</b>

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

For the year ended September 30, 2023, the City recognized OPEB expense of (\$1,381). At September 30, 2023, the City reported deferred outflows and inflows of resources related to OPEB from the following resources:

**CITY OF BLOSSOM, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (4,360)
Changes in assumptions and other inputs	-	(6,336)
Contributions made subsequent to measurement date	2,673	-
<b>Total</b>	<b>\$ 2,673</b>	<b>\$ (10,696)</b>

Amounts reported as deferred outflows of resources and deferred inflow of resources related to OPEB will be recognized in OPEB expense as follows:

	Net Deferred Outflows (Inflows) of Resources
2023	\$ (5,080)
2024	(5,564)
2025	(52)
2026	-
2027	-
Thereafter	-
<b>Total</b>	<b>\$ (10,696)</b>

**H. HEALTH CARE COVERAGE**

During the year ended September 30, 2023, employees of the City were covered by a health insurance plan. The City contributed approximately \$1,000 per month per employee. All contributions were paid to Texas Municipal League Intergovernmental Employee Benefits Pool. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

**I. INSURANCE COVERAGE**

In accordance with state statute, the City was protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage carried through Texas Municipal League, a commercial insurer licensed or eligible to do business in Texas in accordance with the Texas Insurance Code. Stop-loss coverage was in effect for individual claims exceeding \$125,000 and for aggregate loss. According to the latest actuarial opinion dated October 1, 2020, the unfunded claim benefit obligation included no reported claims that were unpaid and no estimated claims incurred, but not reported.

**J. RISK MANAGEMENT**

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

**CITY OF BLOSSOM, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**K. LITIGATION**

The City is subject to certain legal proceedings in the normal course of operations. In the opinion of management, any aggregate liability with respect to potential legal actions will not materially adversely affect the City's financial position, results of operations, or cash flows.

**L. TRANSFERS**

	<u>Transfers Out</u>	<u>Transfers In</u>
Governmental Funds	\$ 359	\$ -
Business-Type Funds	-	(359)
	<u>\$ 359</u>	<u>\$ (359)</u>

Transfers are used for debt service payments.

**M. SUBSEQUENT EVENTS**

Management has evaluated all events or transactions that occurred after September 30, 2023 up through May 16, 2024, the date the financial statements were available to be issued. During this period, management was unaware of subsequent events requiring disclosure.



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## REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF BLOSSOM, TEXAS  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**SCHEDULE OF CONTRIBUTIONS  
LAST SIX FISCAL YEARS (UNAUDITED)**

	2014	2015	2016	2017	2018	2019	2020	2021	2022
Actuarially determined contribution	\$ 4,881	\$ 5,163	\$ 6,055	\$ 6,747	\$ 7,112	\$ 8,157	\$ 16,617	\$ 17,538	\$ 19,825
Contributions in relation to the actuarially determined contribution	\$ 4,881	\$ 5,163	\$ 6,055	\$ 6,747	\$ 7,112	\$ 8,157	\$ 16,617	\$ 17,538	\$ 19,825
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 157,455	\$ 166,551	\$ 168,201	\$ 176,634	\$ 185,397	\$ 194,386	\$ 207,714	\$ 216,719	\$ 252,742
Contributions as a percentage of covered employee payroll	3.10%	3.10%	3.60%	3.82%	3.84%	4.20%	8.00%	8.09%	7.84%

**NOTES TO SCHEDULE OF CONTRIBUTIONS**

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January, thirteen 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	N/A
Asset Valuation Method	10-year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a 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 BLOSSOM, TEXAS  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY  
AND RELATED RATIOS-TMRS**

	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022
<b>Total Pension Liability</b>									
Service cost	\$ 16,037	\$ 18,038	\$ 18,166	\$ 19,076	\$ 20,060	\$ 21,013	\$ 21,921	\$ 22,613	\$ 23,288
Interest (on the Total Pension Liability)	44,848	44,222	42,817	45,208	47,874	50,965	54,655	58,503	62,908
Changes of benefit terms	-	-	-	-	-	-	-	-	-
Difference between expected and actual experience	(3,043)	(2,647)	7,179	7,900	10,574	12,456	13,276	16,353	(7,391)
Change of assumptions	-	19,104	-	-	-	2,968	-	-	-
Benefit payments, including refunds of employee contributions	(16,348)	(119,214)	(33,190)	(33,190)	(33,190)	(33,190)	(33,190)	(33,190)	(31,887)
<b>Net Change in Total Pension Liability</b>	<b>41,494</b>	<b>(40,497)</b>	<b>34,972</b>	<b>38,994</b>	<b>45,318</b>	<b>54,212</b>	<b>56,662</b>	<b>64,279</b>	<b>46,918</b>
<b>Total Pension Liability - Beginning</b>	<b>640,842</b>	<b>682,336</b>	<b>641,839</b>	<b>676,811</b>	<b>715,805</b>	<b>761,123</b>	<b>815,335</b>	<b>871,997</b>	<b>936,276</b>
<b>Total Pension Liability - Ending</b>	<b>\$ 682,336</b>	<b>\$ 641,839</b>	<b>\$ 676,811</b>	<b>\$ 715,805</b>	<b>\$ 761,123</b>	<b>\$ 815,335</b>	<b>\$ 871,997</b>	<b>\$ 936,276</b>	<b>\$ 983,194</b>
<b>Plan Fiduciary Net Position</b>									
Contribution - employer	\$ 11,809	\$ 12,725	\$ 12,396	\$ 13,545	\$ 13,939	\$ 14,531	\$ 15,321	\$ 15,354	\$ 15,043
Contribution - employee	7,873	8,328	8,410	8,579	9,270	9,719	10,330	10,858	10,964
Net investment income	42,369	1,160	46,477	99,964	(24,248)	119,770	67,160	123,067	(77,330)
Benefit payments, including refunds of employee contributions	(16,348)	(119,214)	(33,190)	(33,190)	(33,190)	(33,190)	(33,190)	(33,190)	(31,887)
Administrative expense	(442)	(706)	(525)	(518)	(469)	(677)	(435)	(570)	(670)
Other	(36)	(35)	(28)	(26)	(24)	(20)	(17)	3	801
<b>Net Change in Plan Fiduciary Net Position</b>	<b>45,225</b>	<b>(97,742)</b>	<b>33,540</b>	<b>88,354</b>	<b>(34,722)</b>	<b>110,133</b>	<b>59,169</b>	<b>115,522</b>	<b>(83,079)</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>740,641</b>	<b>785,866</b>	<b>688,124</b>	<b>721,664</b>	<b>810,018</b>	<b>775,296</b>	<b>885,429</b>	<b>944,598</b>	<b>1,060,120</b>
<b>Plan Fiduciary Net Position - Ending</b>	<b>\$ 785,866</b>	<b>\$ 688,124</b>	<b>\$ 721,664</b>	<b>\$ 810,018</b>	<b>\$ 775,296</b>	<b>\$ 885,429</b>	<b>\$ 944,598</b>	<b>\$1,060,120</b>	<b>\$ 977,041</b>
<b>Net Pension Liability - Ending</b>	<b>\$ (103,530)</b>	<b>\$ (46,285)</b>	<b>\$ (44,853)</b>	<b>\$ (94,213)</b>	<b>\$ (14,173)</b>	<b>\$ (70,094)</b>	<b>\$ (72,601)</b>	<b>\$ (123,844)</b>	<b>\$ 6,153</b>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	115.17%	107.21%	106.63%	113.16%	101.86%	108.60%	108.33%	113.23%	99.37%
Covered employee payroll	\$ 157,455	\$ 166,551	\$ 168,201	\$ 176,634	\$ 185,397	\$ 194,386	\$ 206,610	\$ 213,134	\$ 219,285
Net Pension Liability as a percentage of covered employee payroll	-65.75%	-27.79%	-26.67%	-53.34%	-7.64%	-36.06%	-35.14%	-58.11%	2.81%

Note: Years will be added until there are 10 years of comparison

**CITY OF BLOSSOM, TEXAS**  
**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY**  
**AND RELATED RATIOS-TMRS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	<u>12/31/2017</u>	<u>12/31/2018</u>	<u>12/31/2019</u>	<u>12/31/2020</u>	<u>12/31/2021</u>	<u>12/31/2022</u>
<b>Total OPEB Liability</b>						
Service cost	\$ 636	\$ 760	\$ 719	\$ 1,054	\$ 1,321	\$ 1,425
Interest (on the Total OPEB liability)	1,106	1,085	1,182	1,034	847	813
Changes of benefit terms	-	-	-	-	-	-
Difference between expected and actual experience	-	(614)	(540)	(684)	150	(6,568)
Change of assumptions	2,100	(1,741)	4,685	4,239	972	(10,266)
Benefit payments, including refunds of employee contributions	(389)	(371)	(447)	(496)	(1,513)	(1,579)
<b>Net Change in Total Pension Liability</b>	<u>3,453</u>	<u>(881)</u>	<u>5,599</u>	<u>5,147</u>	<u>1,777</u>	<u>(16,175)</u>
<b>Total OPEB Liability - Beginning</b>	<u>29,143</u>	<u>32,596</u>	<u>31,715</u>	<u>37,314</u>	<u>42,461</u>	<u>44,238</u>
<b>Total OPEB Liability - Ending</b>	<u>\$ 32,596</u>	<u>\$ 31,715</u>	<u>\$ 37,314</u>	<u>\$ 42,461</u>	<u>\$ 44,238</u>	<u>\$ 28,063</u>
Covered employee payroll	\$ 176,634	\$ 185,397	\$ 194,386	\$ 206,610	\$ 213,134	\$ 219,285
Total OPEB liability as a percentage of covered employee payroll	18.45%	17.11%	19.20%	20.55%	20.76%	12.80%

See accompanying notes to these financial statements for more detail.

Note: Years will continue to be added until there are 10 years for comparison

**CITY OF BLOSSOM, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - BUDGET TO ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	Budgeted Amounts		Actual	Variance With Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUE</b>				
Property Taxes	\$ 201,250	\$ 201,250	\$ 220,134	\$ 18,884
Franchise Taxes	67,600	67,600	45,120	(22,480)
Sales Tax Collected	121,000	121,000	157,298	36,298
Interest Income	2,500	2,500	13,743	11,243
Miscellaneous	32,995	32,995	15,920	(17,075)
<b>Total Revenues</b>	<u>425,345</u>	<u>425,345</u>	<u>452,215</u>	<u>26,870</u>
<b>EXPENDITURES</b>				
Current:				
General Government	152,632	152,632	187,615	(34,983)
Public Safety	5,500	5,500	18,426	(12,926)
Public Works	96,167	96,167	129,272	(33,105)
Debt Service:				
Principal Retirement	82,000	82,000	58,000	24,000
Interest and Fiscal Agent Fees	24,046	24,046	3,292	20,754
Capital Outlay:				
General Government	-	-	-	-
Public Works	65,000	65,000	189,540	(124,540)
<b>Total Expenditures</b>	<u>425,345</u>	<u>425,345</u>	<u>586,145</u>	<u>(160,800)</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	-	-	(133,930)	(133,930)
<b>Net change in fund balance</b>	-	-	(133,930)	(133,930)
<b>Fund Balance, Beginning of Year</b>	814,873	814,873	814,873	
<b>Fund Balance, End of Year</b>	<u>\$ 814,873</u>	<u>\$ 814,873</u>	<u>\$ 680,943</u>	

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