

ANNUAL FINANCIAL REPORT  
CITY OF BLOSSOM, TEXAS  
Fiscal Year Ended September 30, 2020

*Mayor*  
*Charlotte Burge*



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**CITY OF BLOSSOM, TEXAS  
 ANNUAL FINANCIAL REPORT  
 FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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**INTRODUCTORY SECTION**

**CITY OF BLOSSOM, TEXAS  
ELECTED OFFICIALS AND ADMINISTRATIVE OFFICERS  
SEPTEMBER 30, 2020**

**City Council**

Charlotte Burge, Mayor  
Brad Sessums, Mayor Pro-tem  
Larry Bridges, Council Member  
Jeff Stover, Council Member  
Debra Burge, Council Member  
Roger Daugherty, Council Member

**City Secretary**

Stacy Prestridge

## FINANCIAL SECTION

## 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

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 ("City") as of and for the year ended September 30, 2020, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents.

#### **Management's Responsibility for the Financial Statements**

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

#### **Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes assessing the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### **Opinion**

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, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof in accordance with accounting principles generally accepted in the United States of America.



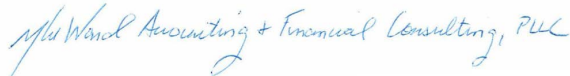
**Other Matters***Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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.

*Other Information*

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The introductory section is presented for purpose of additional analysis and not a required part of the basic financial statements.

Respectfully Submitted,



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

Point, Texas

May 19, 2021

## CITY OF BLOSSOM, TEXAS

### MANAGEMENT DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2020

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, 2020.

#### Financial Highlights

- The assets of the City of Blossom exceeded its liabilities at the close of the fiscal year by \$2,872,220 (net position). Of this amount, \$1,222,813 or 42.6%, (unrestricted net position) may be used to fund the City's ongoing obligations to citizens and creditors. A total of \$1,523,001, or 53.%, is invested in capital assets which does not directly generate revenue and is not available for future spending. Restricted net position totals \$126,406, or 4.4% of total net position and is restricted for debt service and future system expansion.
- The City's total net position increased by \$196,893.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$834,722, an increase of \$131,977 or 19%, in comparison with the prior year. Approximately 91% of this total fund balance, or \$760,871, 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 \$760,871, or 206%, of total General Fund expenditures for the fiscal year.
- The City's long-term debt decreased by (\$79,000), or (9%), 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 46-49) 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, 2020**

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 46-50.

**CITY OF BLOSSOM, TEXAS  
MANAGEMENT DISCUSSION AND ANALYSIS (continued)  
SEPTEMBER 30, 2020**

**Net Position**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Current and other assets	\$ 919,622	\$ 750,747	\$ 602,821	\$ 644,275	\$ 1,522,443	\$ 1,395,022
Capital assets	1,282,094	1,273,991	1,000,907	935,563	2,283,001	2,209,554
Total assets	<u>2,201,716</u>	<u>2,024,738</u>	<u>1,603,728</u>	<u>1,579,838</u>	<u>3,805,444</u>	<u>3,604,576</u>
Deferred outflows - pension	13,271	28,354	69,087	71,377	82,358	99,731
Long-term liabilities	242,328	294,760	562,326	583,295	804,654	878,055
Other liabilities	45,652	19,229	89,461	99,268	135,113	118,497
Total liabilities	<u>287,980</u>	<u>313,989</u>	<u>651,787</u>	<u>682,563</u>	<u>939,767</u>	<u>996,552</u>
Deferred inflows - pension	11,840	9,214	63,975	23,214	75,815	32,428
Net Position:						
Net investment in capital assets	1,052,094	989,991	470,907	380,563	1,523,001	1,370,554
Restricted	70,890	46,132	55,516	54,691	126,406	100,823
Unrestricted	792,183	693,766	430,630	510,184	1,222,813	1,203,950
Total net position	<u>\$ 1,915,167</u>	<u>\$ 1,729,889</u>	<u>\$ 957,053</u>	<u>\$ 945,438</u>	<u>\$ 2,872,220</u>	<u>\$ 2,675,327</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 \$2,872,220, as of September 30, 2020. The City's net position increased by \$196,893 for the fiscal year ended September 30, 2020.

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

A large portion of net position, \$1,523,001 or 53.%, 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 \$126,406, representing 4.4%, 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 \$1,222,813, representing 42.6%, is available to fund the City's programs to citizens and creditors.

**CITY OF BLOSSOM, TEXAS  
MANAGEMENT DISCUSSION AND ANALYSIS (continued)  
SEPTEMBER 30, 2020**

**Changes in Net Position**

	<b>Governmental Activities</b>		<b>Business Activities</b>		<b>Totals</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<b>REVENUE</b>						
Program Revenues:						
Charges for Services	\$ 50	\$ -	\$ 545,038	\$ 544,210	\$ 545,088	\$ 544,210
Operating Grants and Contributions	-	-	-	-	-	-
Capital Grants and Contributions	-	-	93,827	135,661	93,827	135,661
General Revenues:						
Property Taxes	279,094	246,693	-	-	279,094	246,693
Sales Taxes	125,622	108,695	-	-	125,622	108,695
Franchise Taxes	55,863	71,434	-	-	55,863	71,434
Investment Income	3,724	2,966	2,939	4,871	6,663	7,837
Miscellaneous	27,750	3,772	2,036	4,137	29,786	7,909
Total Revenues	<u>492,103</u>	<u>433,560</u>	<u>643,840</u>	<u>688,879</u>	<u>1,135,943</u>	<u>1,122,439</u>
<b>EXPENSES</b>						
Program Expenses:						
General Government	201,730	209,392	-	-	201,730	209,392
Public Safety	38,042	10,284	-	-	38,042	10,284
Public Works	71,812	76,949	-	-	71,812	76,949
Interest on Long-Term Debt	7,924	723	-	-	7,924	723
Debt Issue Costs	-	-	-	-	-	-
Water and Sewer	-	-	619,542	604,140	619,542	604,140
Total Expenses	<u>319,508</u>	<u>297,348</u>	<u>619,542</u>	<u>604,140</u>	<u>939,050</u>	<u>901,488</u>
Increase (decrease) in Net Position before Transfers	172,595	136,212	24,298	84,739	196,893	220,951
Transfers	12,683	(40,283)	(12,683)	40,283	-	-
Increase (decrease) in Net Position	185,278	95,929	11,615	125,022	196,893	220,951
Net Position, Beginning of Year	1,729,889	1,633,960	945,438	820,416	2,675,327	2,454,376
Net Position, End of Year	<u>\$ 1,915,167</u>	<u>\$ 1,729,889</u>	<u>\$ 957,053</u>	<u>\$ 945,438</u>	<u>\$ 2,872,220</u>	<u>\$ 2,675,327</u>

The Governmental activities increased the net position in the current fiscal period by \$185,278. This is a 11% increase in net position.

The Business-type activities increased the net position in the current fiscal period by \$11,615 from the prior fiscal year.

**CITY OF BLOSSOM, TEXAS  
MANAGEMENT DISCUSSION AND ANALYSIS (continued)  
SEPTEMBER 30, 2020**

**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, 2020, the City's governmental funds reported total fund balance of \$834,722, a 19% increase in comparison with the prior year's total ending fund balance. The components of total fund balance are as follows:

- Assigned fund balance of \$2,961, or .35%, of total fund balance to be used for a memorial fund.
- Assigned fund balance of \$2,961, or 0.35% of total fund balance is for dog ordinance and Dan Bolton memorial fund.
- Restricted fund balance of \$70,890 restricted for debt service.
- Unassigned fund balance of \$760,871, or 91.15%, 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 \$760,871, compared to \$679,818 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 206.1% 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 tax revenue, and expenditures were more than budgeted amounts, especially in the area of public works 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 \$430,630. There was \$470,907 invested in capital assets over related debt.

**CITY OF BLOSSOM, TEXAS**  
**MANAGEMENT DISCUSSION AND ANALYSIS (continued)**  
**SEPTEMBER 30, 2020**

**Capital assets** - The City of Blossom's investment in capital assets for its governmental and business-type activities as of September 30, 2020 totals \$2,283,001 (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.
- Utility sewer system projects utilizing grant funding.

**City of Blossom**  
**Capital Assets**  
**As of September 30, 2020**  
**(net of accumulated depreciation)**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Land	\$ 26,880	\$ 26,880	\$ 34,273	\$ 34,273	\$ 61,153	\$ 61,153
Buildings & Improvements	334,812	352,109	-	-	334,812	352,109
Infrastructure	889,220	852,703	666,400	727,081	1,555,620	1,579,784
Machinery & Equipment	31,182	42,299	34,417	38,547	65,599	80,846
Construction in Progress	-	-	265,817	135,662	265,817	135,662
Total	<u>\$ 1,282,094</u>	<u>\$ 1,273,991</u>	<u>\$ 1,000,907</u>	<u>\$ 935,563</u>	<u>\$ 2,283,001</u>	<u>\$ 2,209,554</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, 2020, the City had total long-term debt outstanding of \$760,000. This is a (9%) decrease when compared to the prior year.

**City of Blossom**  
**Outstanding Debt**  
**As of September 30, 2020**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Notes Payable	\$ 230,000	\$ 284,000	\$ -	\$ -	\$ 230,000	\$ 284,000
Certificates of Obligation	-	-	530,000	555,000	530,000	555,000
Total	<u>\$ 230,000</u>	<u>\$ 284,000</u>	<u>\$ 530,000</u>	<u>\$ 555,000</u>	<u>\$ 760,000</u>	<u>\$ 839,000</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, 2020**

**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.



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## BASIC FINANCIAL STATEMENTS

**CITY OF BLOSSOM, TEXAS  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2020**

	<b>Primary Government</b>		<b>Total</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 802,671	\$ 404,483	\$ 1,207,154
Receivables (net of allowance for uncollectible)	35,272	47,335	82,607
Restricted assets:			
Cash and cash equivalents	70,890	91,698	162,588
Net pension asset	10,789	59,305	70,094
Capital assets, not being depreciated:			
Land	26,880	34,273	61,153
Construction in progress	-	265,817	265,817
Capital assets, net of accumulated Depreciation			
Infrastructure	889,220	666,400	1,555,620
Buildings	334,812	-	334,812
Machinery & equipment	31,182	34,417	65,599
<b>Total Assets</b>	<b>2,201,716</b>	<b>1,603,728</b>	<b>3,805,444</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows from pensions	13,271	69,087	82,358
<b>LIABILITIES</b>			
Accounts payable	43,671	47,846	91,517
Customer deposits	-	35,337	35,337
Accrued interest	1,981	6,278	8,259
Noncurrent liabilities:			
Due within one year:			
Compensated absences	1,880	5,460	7,340
Note payable	55,000	-	55,000
Certificate of obligations payable	-	25,000	25,000
Due in more than one year:			
Notes Payable	175,000	-	175,000
Certificates of obligations payable	-	505,000	505,000
Net OPEB liability	10,448	26,866	37,314
<b>Total Liabilities</b>	<b>287,980</b>	<b>651,787</b>	<b>939,767</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows from pensions	11,840	63,975	75,815
<b>NET POSITION</b>			
Net investment in capital assets	1,052,094	470,907	1,523,001
Restricted for:			
Debt service	70,890	-	70,890
Future system expansion	-	55,516	55,516
Unrestricted	792,183	430,630	1,222,813
<b>Total Net Position</b>	<b>\$ 1,915,167</b>	<b>\$ 957,053</b>	<b>\$ 2,872,220</b>

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



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

	<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	\$ 201,730	\$ 50	\$ -	\$ -
Public safety	38,042	-	-	-
Public works	71,812	-	-	-
Interest on long-term debt	7,924	-	-	-
<b>Total governmental activities</b>	<u>319,508</u>	<u>50</u>	<u>-</u>	<u>-</u>
Business-type activities:				
Water and sewer fund	619,542	545,038	-	93,827
<b>Total business-type activities</b>	<u>619,542</u>	<u>545,038</u>	<u>-</u>	<u>93,827</u>
<b>Total primary government</b>	<u>\$ 939,050</u>	<u>\$ 545,088</u>	<u>\$ -</u>	<u>\$ 93,827</u>

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>
\$ (201,680)	\$ -	\$ (201,680)
(38,042)	-	(38,042)
(71,812)	-	(71,812)
(7,924)	-	(7,924)
<u>(319,458)</u>	<u>-</u>	<u>(319,458)</u>
-	19,323	19,323
-	19,323	19,323
<u>\$ (319,458)</u>	<u>\$ 19,323</u>	<u>\$ (300,135)</u>
\$ 279,094	\$ -	\$ 279,094
125,622	-	125,622
55,863	-	55,863
3,724	2,939	6,663
27,750	2,036	29,786
12,683	(12,683)	-
<u>504,736</u>	<u>(7,708)</u>	<u>497,028</u>
185,278	11,615	196,893
1,729,889	945,438	2,675,327
<u>\$ 1,915,167</u>	<u>\$ 957,053</u>	<u>\$ 2,872,220</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, 2020**

	<b>General Fund</b>	<b>Grant Fund</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 802,671	\$ -	\$ 802,671
Receivables (net of allowances for uncollectible)	35,272	-	35,272
Cash and cash equivalents - restricted	70,890	-	70,890
<b>Total Assets</b>	<b>906,877</b>	<b>-</b>	<b>906,877</b>
<b>LIABILITIES</b>			
Accounts payable	41,715	-	41,715
<b>Total Liabilities</b>	<b>41,715</b>	<b>-</b>	<b>41,715</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenues-property taxes	30,440	-	30,440
<b>Total Deferred Inflows of Resources</b>	<b>30,440</b>	<b>-</b>	<b>30,440</b>
<b>FUND BALANCE</b>			
Assigned for:			
Dog ordinance	2,028	-	2,028
Dan Bolton memorial fund	933	-	933
Restricted	70,890		70,890
Unassigned	760,871	-	760,871
<b>Total Fund Balance</b>	<b>834,722</b>	<b>-</b>	<b>834,722</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<b>\$ 906,877</b>	<b>\$ -</b>	<b>\$ 906,877</b>

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, 2020**

**Total fund balance - governmental funds balance sheet** \$ 834,722

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. 1,845,135

Accumulated depreciation has not been included in the governmental fund financial statements (563,042)

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 (230,000)

Deferred inflow/outflow of resources for pension are not reported in the fund 1,431

Accrued liabilities are not reflected in the fund financial statements (3,860)

Net pension asset (overfunded) is not due and payable in the current period 341

Ad valorem taxes reported as deferred revenue in the governmental fund financial statements is recorded as revenue in the government-wide financial statements. 30,440

**Net position of governmental activities - statement of net position** \$ 1,915,167

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, 2020**

	<b>General Fund</b>	<b>Grant Fund</b>	<b>Total</b>
<b>REVENUE</b>			
Property taxes	\$ 275,377	\$ -	\$ 275,377
Franchise taxes	55,863	-	55,863
Sales tax collected	125,622	-	125,622
Charge for services	50	-	50
Franchise fees	-	-	-
Grants	-	-	-
Investment income	3,488	236	3,724
Miscellaneous	27,750	-	27,750
<b>Total Revenues</b>	<b>488,150</b>	<b>236</b>	<b>488,386</b>
<b>EXPENDITURES</b>			
Current:			
General government	168,190	-	168,190
Public safety	33,304	-	33,304
Public works	41,632	-	41,632
Debt service:			
Principal retirement	54,000	-	54,000
Interest and fiscal agent fees	7,924	-	7,924
Capital outlay:			
General government	-	-	-
Public works	64,041	-	64,041
<b>Total Expenditures</b>	<b>369,091</b>	<b>-</b>	<b>369,091</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>119,059</b>	<b>236</b>	<b>119,295</b>
<b>Other Financing Sources (uses)</b>			
Transfers	112,667	(99,985)	12,682
<b>Total Other Financing Sources (uses)</b>	<b>112,667</b>	<b>(99,985)</b>	<b>12,682</b>
<b>Net Changes in Fund Balance</b>	<b>231,726</b>	<b>(99,749)</b>	<b>131,977</b>
<b>Fund Balance/Equity, October 1</b>	<b>602,996</b>	<b>99,749</b>	<b>702,745</b>
<b>Prior Period Adjustments</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balance/Equity, September 30</b>	<b>\$ 834,722</b>	<b>\$ -</b>	<b>\$ 834,722</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, 2020**

**Net change in fund balances - total governmental funds** \$ 131,977

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. 64,041

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. (55,939)

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 54,000

Changes in net pension assets are not shown in the fund financial statements. (12,519)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. 3,718

**Change in net position of governmental activities - statement of activities** \$ 185,278

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, 2020**

	<u>Utility Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 404,483
Receivables (net of allowance for uncollectible)	47,335
Restricted cash and cash equivalents	91,698
Total current assets	<u>543,516</u>
Noncurrent assets:	
Net pension asset	59,305
Capital assets:	
Land	34,273
Machinery and equipment	106,716
Building and improvements	22,800
Infrastructure	3,929,127
Construction in progress	265,817
Less accumulated depreciation	<u>(3,357,826)</u>
Total capital assets, net of accumulated depreciation	<u>1,000,907</u>
Total noncurrent assets	<u>1,060,212</u>
<b>Total Assets</b>	<u><u>1,603,728</u></u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows from pensions	<u>69,087</u>
 <b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	47,846
Payables from restricted assets:	
Accrued interest payable	6,278
Customer deposits	35,337
Certificate of obligation - current portion	25,000
Total current liabilities	<u>114,461</u>
Noncurrent liabilities:	
Net OPEB Liability	26,866
Compensated absences	5,460
Certificates of obligation payable	505,000
Total noncurrent liabilities	<u>537,326</u>
<b>Total Liabilities</b>	<u>651,787</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows from pensions	<u>63,975</u>
 <b>NET POSITION</b>	
Net investment in capital assets	470,907
Restricted for:	
Debt service	55,516
Unrestricted	430,630
<b>Total Net Position</b>	<u><u>\$ 957,053</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, 2020**

	<u>Utility Fund</u>
<b>OPERATING REVENUES:</b>	
Charges for services	\$ 545,038
Miscellaneous	2,036
<b>Total Operating Revenues</b>	<u>547,074</u>
<b>OPERATING EXPENSES:</b>	
Personnel services	154,549
Supplies and materials	20,079
Maintenance and repair	40,660
Water purchases	135,453
Contractual services	170,062
Depreciation	77,541
<b>Total Operating Expenses</b>	<u>598,344</u>
<b>Operating Income (Loss)</b>	<u>(51,270)</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>	
Grant proceeds	93,827
Interest income	2,939
Interest and fiscal agent fees	(21,198)
<b>Total Non-Operating Revenues (Expenses)</b>	<u>75,568</u>
<b>Income (loss) before transfers</b>	24,298
Transfers	(12,683)
<b>Changes in Net Position</b>	11,615
<b>Net Position, Beginning of Year</b>	945,438
<b>Net Position, End of Year</b>	<u>\$ 957,053</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, 2020**

	<b>Utility Fund</b>
<b>Cash Flows from Operating Activities</b>	
Cash received from customers	\$ 646,790
Cash received from other sources	96,302
Cash paid to employees	(156,628)
Cash paid to suppliers	(371,010)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>215,454</u>
<b>Cash Flows from Non-capital Financing Activities</b>	
Transfers	(12,682)
<b>Net Cash Used by Non-capital Financing Activities</b>	<u>(12,682)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Acquisition or construction of capital assets	(142,884)
Interest expense	(21,198)
Principal payments	(25,000)
Proceeds from capital grants	-
<b>Net Cash Provided by Capital &amp; Related Financing Activities</b>	<u>(189,082)</u>
<b>Cash Flows from Investing Activities</b>	
Interest income	2,939
<b>Net Cash Provided by Investing Activities</b>	<u>2,939</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	16,629
<b>Cash and Cash Equivalents, Beginning of Year</b>	479,552
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 496,181</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>	
Operating income (loss)	<u>\$ (51,270)</u>
Adjustment to reconcile operating income to net cash Provided (used) by operating activities:	
Depreciation	77,541
Change in assets and liabilities:	
Decrease (increase) in receivables	199,116
Increase (decrease) in net pension asset	(2,081)
Increase (decrease) in accounts payable	(4,756)
Increase (decrease) in customer deposits	(3,099)
Increase (decrease) in compensated absences	3
Total Adjustments	<u>266,724</u>
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 215,454</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, 2020**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting and reporting policies of the City of Blossom, Texas ("City") relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles ("GAAP") for state and local governments include those principles prescribed by the Governmental Accounting Standards Board ("GASB"), and the American Institute of Certified Public Accountants. The more significant accounting and reporting policies and practices used by the City are described below:

**1. Reporting Entity**

The City is a municipal corporation governed by an elected mayor and five-member council, and has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the City is a financial reporting entity as defined by GASB Statement No. 14, "The Financial Reporting Entity", as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units".

Under GASB Statement No. 14, component units are organizations for which the City is financially accountable and all other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability exists if the City appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the City. The City may be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the City. The financial statements of the component units may be discretely presented in a separate column from the primary government or blended with the financial statements of the primary government. GASB Statement No. 39 added clarification to GASB Statement No. 14 by including entities which meet all three of the following requirements:

1. The economic resources received or held by the separate organization are held for the direct benefit of the primary government, its component units, or its constituents.
2. The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to access, are significant to the primary government.

Based upon these requirements, the City does not have any discretely or blended component units, nor is the City a component unit of any other entity for this fiscal year.

In addition, GASB Statement No. 61 considers an organization that does not meet the financial accountability criteria to be a component unit if management determines it to be necessary and misleading if omitted. This evaluation includes consideration of whether a financial benefit or burden exists in the relationship between the entities. Management has not identified any organizations that fit this criteria.

**2. Basis of Presentation**

The basic financial statements are prepared in conformity with GAAP which require the government-wide financial statements to be prepared using the accrual basis of accounting and an economic resources measurement focus. Government-wide financial statements do not provide information by fund, but distinguishes between the City's governmental activities and business-type activities on the statement of net position and statement of activities. Significantly, the City's statement of net position includes both noncurrent assets and noncurrent liabilities. In addition, the government-wide statement of activities reflects depreciation on the City's capital assets, including infrastructure.

In addition to the government-wide financial statements, the City has prepared fund financial statements which use the modified accrual basis of accounting and the current financial resources measurement focus for the governmental funds. The accrual basis of accounting is utilized by proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Management's Discussion and Analysis includes an analytical overview of the City's financial activities. In addition, a budgetary comparison schedule is presented that compares the original adopted and final amended General Fund budget with actual results.

The basic financial statements, which include all accounts of all City operations, include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are separated from business-type activities.

**CITY OF BLOSSOM, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**2. Basis of Presentation (continued)**

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (Administration, Public Works, etc.) or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: a) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or program, b) grants and contributions that are restricted to meeting the operational requirements of a particular function or program, and c) grants and contributions that are restricted to meeting the capital requirements of a particular function or program. Taxes and other items not included among program revenues are reported instead as general revenues. The net cost (by function or business-type activity) is normally covered by general revenue (property, sales, and franchise taxes, and interest income).

Separate fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. The major governmental funds are the General Fund and the Grant Fund. The major proprietary fund is the Utility Fund. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of any fund category for the governmental and proprietary combined) for major fund determination.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to the rule are franchise fees and other charges between the City's water and wastewater function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and proprietary categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

**3. Measurement Focus and Basis of Accounting**

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. The economic resources measurement focus means all assets and liabilities (whether current or noncurrent) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time a liability is incurred.

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, in other words, as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the obligation has matured and is due and payable shortly after year end as required by GASB Interpretation No. 6.

Ad valorem, franchise and sales tax revenues recorded in the General Fund are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fines and forfeitures, contributions, and miscellaneous revenues are recognized as revenues when received in cash, as the resulting receivable is not measurable. Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the various individual programs are used as guidance. Intergovernmental grant revenues are recognized when all grant eligibility requirements have been met.



**CITY OF BLOSSOM, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**3. Measurement Focus and Basis of Accounting (continued)**

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first and then unrestricted resources as needed.

Governmental funds are those funds which most governmental functions of the City are financed. The acquisition, use, and balances of the City's expendable financial resources, and related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is based on determination of changes in financial position, rather than upon net income determination. The following is a description of the major governmental funds of the City:

The **General Fund** is the primary operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. All general tax revenues and other receipts that are not restricted by law, or contractual agreement to some other fund, are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs, not paid through other funds, are paid from this fund.

The **Grant Fund** accounts for financial resources received from grantors to be used for the acquisition or construction of major capital projects.

Proprietary Funds are accounted for using an economic resources measurement focus. The accounting objective is determination of net income, financial position, and changes in cash flows. All assets and liabilities associated with a proprietary fund's activities are included on its Statement of Net Position.

The proprietary funds are financed and operated in a manner similar to private business enterprises. The costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges. Periodic determination of revenues earned, expenses incurred, or net income is adequate for capital maintenance, public policy, management control, accountability or other purposes.

The **Utility Fund** is used to account for water and sewer operations that are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided the periodic determination of revenues earned, expenses incurred, or net income is adequate for capital maintenance, public policy, management control, accountability, or other purposes.

**4. Financial Statement Amounts**

**a. 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.

**b. 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.

**c. 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.

**d. 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.

**CITY OF BLOSSOM, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**d. Capital Assets (Continued)**

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

**e. 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 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 is not restricted or committed, which indicates that resources are, at a minimum, intended to be used for the purpose of that fund.
- **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.

**f. 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.

**CITY OF BLOSSOM, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**f. Deferred Outflows/Inflows of Resources (continued)**

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.

**g. 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.

**h. 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 \$0.6600.

**i. 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.

**j. 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.

**k. 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.

**l. Federal and State Grants**

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

**CITY OF BLOSSOM, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**m. 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, 2019. 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.

**n. 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.

**o. 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.

**p. Use of Estimates**

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

**q. Program Revenues**

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

**r. Program Expenses**

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

**B. COMPLIANCE AND ACCOUNTABILITY**

**1. 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

**CITY OF BLOSSOM, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**B. COMPLIANCE AND ACCOUNTABILITY (continued)  
2. 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:

Fund Name	Deficit Amount
None reported	N/A

**3. 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. Prio 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. Op Open meetings are conducted to obtain taxpayer comments.
3. The 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. Forr 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.

**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, 2020, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$1,369,742 and the bank balance was \$1,478,736. The City's cash deposits at September 30, 2020 and during the year ended September 30, 2020, were entirely covered by FDIC or pledged securities.

Cash and investments as of September 30, 2020 consist of and are classified in the financial statements as follows:

**Statement of net position:**

Primary Government:	
Cash and Cash Equivalents	\$ 1,207,154
Restricted Cash and Cash Equivalents	162,588
Total Cash and Cash Equivalents	<u>\$ 1,369,742</u>
Governmental Restricted Cash	
Debt Service	\$ 70,890
Total Governmental Restricted Cash and Cash Equivalents	<u>\$ 70,890</u>
Business-type Restricted Cash	
Customer Deposits	\$ 36,083
Future Expansion	55,615
Total Business-type Restricted Cash and Cash Equivalents	<u>\$ 91,698</u>
Total Restricted Cash and Cash Equivalents	<u>\$ 162,588</u>

**CITY OF BLOSSOM, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**C. DEPOSITS AND INVESTMENTS (Continued)**

**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.

**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	\$ 48,970	\$ -	\$ 48,970
Fees and charges	-	52,511	52,511
Gross Receivables	48,970	52,511	101,481
Less: allowance for uncollectibles	(13,698)	(5,176)	(18,874)
Net Receivables	<u>\$ 35,272</u>	<u>\$ 47,335</u>	<u>\$ 82,607</u>

**E. CAPITAL ASSETS**

Capital asset activity for the period ended September 30, 2020 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	995,917	-	64,041	-	1,059,958
Machinery & Equipment	207,398	-	-	-	207,398
Total capital assets being depreciated:	<u>1,754,213</u>	<u>-</u>	<u>64,041</u>	<u>-</u>	<u>1,818,254</u>
Less accumulated depreciation for:					
Buildings & Improvements	(198,789)	-	(17,297)	-	(216,086)
Infrastructure	(143,213)	-	(27,525)	-	(170,738)
Machinery & Equipment	(165,100)	-	(11,116)	-	(176,216)
Total accumulated depreciation	<u>(507,102)</u>	<u>-</u>	<u>(55,938)</u>	<u>-</u>	<u>(563,040)</u>
Total capital assets being depreciated, net	<u>1,247,111</u>	<u>-</u>	<u>8,103</u>	<u>-</u>	<u>1,255,214</u>
Governmental activities capital assets, net	<u>\$ 1,273,991</u>	<u>\$ -</u>	<u>\$ 8,103</u>	<u>\$ -</u>	<u>\$ 1,282,094</u>

**CITY OF BLOSSOM, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**E. CAPITAL ASSETS** (continued)

	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	135,662	-	130,155	-	265,817
Total capital assets, not depreciated:	<u>169,935</u>	<u>-</u>	<u>130,155</u>	<u>-</u>	<u>300,090</u>
Capital assets, being depreciated:					
Buildings & Improvements	22,800	-	-	-	22,800
Infrastructure	3,916,397	-	12,729	-	3,929,126
Machinery & Equipment	106,716	-	-	-	106,716
Total capital assets being depreciated:	<u>4,045,913</u>	<u>-</u>	<u>12,729</u>	<u>-</u>	<u>4,058,642</u>
Less accumulated depreciation for:					
Buildings & Improvements	(22,800)	-	-	-	(22,800)
Infrastructure	(3,189,316)	-	(73,410)	-	(3,262,726)
Machinery & Equipment	(68,169)	-	(4,130)	-	(72,299)
Total accumulated depreciation	<u>(3,280,285)</u>	<u>-</u>	<u>(77,540)</u>	<u>-</u>	<u>(3,357,825)</u>
Total capital assets, being depreciated, net	<u>765,628</u>	<u>-</u>	<u>(64,811)</u>	<u>-</u>	<u>700,817</u>
Business-type activities capital assets, net	<u>\$ 935,563</u>	<u>\$ -</u>	<u>\$ 65,344</u>	<u>\$ -</u>	<u>\$ 1,000,907</u>

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

Governmental activities:	
General Government	\$ 33,540
Public Safety	4,737
Public Works	17,661
Total depreciation expense - governmental activities	<u>\$ 55,938</u>
Business-type activities:	
Water and Sewer	\$ 77,540
Total depreciation expense - business-type activities	<u>\$ 77,540</u>

**CITY OF BLOSSOM, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**F. LONG-TERM OBLIGATIONS**

A summary of long-term debt transactions, including the current portion, for the year ended September 30, 2020 is as follows:

	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Compensated Absences	\$ 1,880	\$ 3,210	\$ (3,210)	\$ 1,880	\$ -
Limited Tax Notes	284,000	-	(54,000)	230,000	55,000
Governmental Activity Long-term Obligations	<u>\$ 285,880</u>	<u>\$ 3,210</u>	<u>\$ (57,210)</u>	<u>\$ 231,880</u>	<u>\$ 55,000</u>
<b>Business-type Activities</b>					
Certificates of Obligation	\$ 555,000	\$ -	\$ (25,000)	\$ 530,000	\$ 25,000
Compensated Absences	5,463	3,824	(3,827)	5,460	-
Business-type Activity Long-term Obligations	<u>\$ 560,463</u>	<u>\$ 3,824</u>	<u>\$ (28,827)</u>	<u>\$ 535,460</u>	<u>\$ 25,000</u>

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

Interest Rate Payable	Original Issue	Amounts Outstanding 2019	Issued	Retired	Amounts Outstanding 2020	Due Within One Year
2018 Tax Notes 2.79%	\$ 333,000	\$ 284,000	\$ -	\$ (54,000)	\$ 230,000	\$ 55,000
Total Notes Payable	333,000	284,000	-	(54,000)	230,000	55,000
<b>Total Long-Term Debt</b>	<b>\$ 333,000</b>	<b>\$ 284,000</b>	<b>\$ -</b>	<b>\$ (54,000)</b>	<b>\$ 230,000</b>	<b>\$ 55,000</b>

Debt service requirements are as follows:

Year Ending September 30:	Principal	Interest	Total Requirements
2021	55,000	6,417	61,417
2022	57,000	4,883	61,883
2023	58,000	3,292	61,292
2024	60,000	1,674	61,674
<b>Totals</b>	<b>\$ 230,000</b>	<b>\$ 16,266</b>	<b>\$ 246,266</b>

\$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 2019	Issued	Retired	Amounts Outstanding 2020	Due Within One Year
2010 CO 4-4.05%	\$ 600,000	\$ 555,000	\$ -	\$ (25,000)	\$ 530,000	\$ 25,000
Total Bonds Payable	600,000	555,000	-	(25,000)	530,000	25,000
<b>Total Long-Term Debt</b>	<b>\$ 600,000</b>	<b>\$ 555,000</b>	<b>\$ -</b>	<b>\$ (25,000)</b>	<b>\$ 530,000</b>	<b>\$ 25,000</b>

Debt service requirements are as follows:

Year Ending September 30:	Principal	Interest	Total Requirements
2021	25,000	19,629	44,629
2022	25,000	18,823	43,823
2023	25,000	17,985	42,985
2024	25,000	17,129	42,129
2025	25,000	16,260	41,260
2026-2030	125,000	67,731	192,731
2031-2035	140,000	42,958	182,958
2036-2039	140,000	11,340	151,340
<b>Totals</b>	<b>\$ 530,000</b>	<b>\$ 211,855</b>	<b>\$ 741,855</b>



**CITY OF BLOSSOM, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**F. LONG-TERM OBLIGATIONS**

***Changes in Business-type Long-Term Debt (Continued)***

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

***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. OPERATING LEASES**

The City leases a copier from Advantage Copy Systems to provide equipment for the printing, copying, faxing, and scanning needs of the City during daily operations.

Year Ending September 30	Advantage	Canon	Total
2021	\$ 426	\$ 584	\$ 1,010
Total	<u>\$ 426</u>	<u>\$ 584</u>	<u>\$ 1,010</u>

**H. PENSION PLAN**

**1. 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.

**2. 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 exceed 75% of the member's deposits and interest.

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

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

	Plan Year	
	2018	2019
Inactive employees or beneficiaries currently receiving benefits	4	4
Inactive employees entitled to, but not yet receiving benefits	1	1
Active employees	4	4
	<u>9</u>	<u>9</u>

**CITY OF BLOSSOM, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**H. PENSION PLAN (continued)**

**3. 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 3.72% and 4.11% in calendar years 2019 and 2020, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2020 were \$14,531.

**4. Net Pension Liability**

The City's Net Pension Liability ("NPL") was measured as of December 31, 2019, 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, 2019 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	6.8%

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

The long-term expected rate of return 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:

CITY OF BLOSSOM, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

H. PENSION PLAN

4. Net Pension Liability (continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global equity	30.0%	5.30%
Core fixed income	10.0%	1.25%
Non-core fixed income	20.0%	4.14%
Real return	10.0%	3.85%
Real estate	10.0%	4.00%
Absolute return	10.0%	3.48%
Private equity	10.0%	7.75%
<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 12/31/2018	\$ 761,123	\$ 775,296	\$ (14,173)
Changes for the year:			
Service cost	21,013	-	21,013
Interest	50,965	-	50,965
Change of benefit terms	-	-	-
Difference between expected and actual experience	12,456	-	12,456
Changes of assumption	2,968	-	2,968
Contributions - employer	-	14,531	(14,531)
Contributions - employee	-	9,719	(9,719)
Net investment income	-	119,770	(119,770)
Benefit payments, including refunds of employee contributions	(33,190)	(33,190)	-
Administrative expense	-	(677)	677
Other	-	(20)	20
Net changes	\$ 54,212	\$ 110,133	\$ (55,921)
Balance at 12/31/2019	\$ 815,335	\$ 885,429	\$ (70,094)

**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 Assumption		
	1% Decrease 5.75%	6.75%	1% Increase 7.75%
	\$ 31,110	\$ (70,094)	\$ (154,325)

**CITY OF BLOSSOM, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**H. PENSION PLAN (Continued)**

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

For the year ended September 30, 2020, the City recognized pension expense of \$26,055.

At September 30, 2020, 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	\$ 15,724	\$ -
Changes in actuarial assumptions	2,181	-
Difference between projected and actual investment earnings	-	(27,103)
Contributions subsequent to the measurement date of December 31, 2019	11,540	-
	<u>\$ 29,445</u>	<u>\$ (27,103)</u>

\$11,540 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, 2020. 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	
2020	\$ 480
2021	(1,639)
2022	5,447
2023	(13,486)
2024	-
Thereafter	-
	<u>\$ (9,198)</u>

**6. 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 2020 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, 2020**

**7. Total OPEB Liability**

The City of Blossom TMRS supplemental death total OPEB liability of \$37,314 was measured as of December 31, 2019, and was determined by an actuarial valuation as of that date.

The TMRS supplemental death total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	3.5% to 11.5% including inflation
Discount Rate	2.75%
Retiree's share of related costs	\$ -
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, 2019.

**Membership**

Number of:	2018	2019
-Inactive employees currently receiving benefits	5	5
-Inactive employees entitled to but not yet receiving benefits	1	1
-Active employees	4	4

	Total OPEB Liability
Changes in the Total OPEB Liability:	Liability
Total OPEB Liability - beginning of year	\$ 31,715
Changes for the year:	
Service costs	719
Interest on Total OPEB Liability	1,182
Changes in benefit terms	-
Differences between expected and actual experience	(540)
Changes in assumptions or other inputs	4,685
Benefit payments	(447)
<b>Total OPEB Liability - end of year</b>	<b>\$ 37,314</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 (2.75 percent) or 1-percentage-point higher (3.75%) than the current discount rate.

	1% Decrease (1.75%)	Current Discount (2.75)	1% Increase (3.75%)
<b>Total OPEB Liability</b>	<b>\$ 43,185</b>	<b>\$ 37,314</b>	<b>\$ 32,563</b>

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

For the year ended September 30, 2020, the City recognized OPEB expense of \$3,049. At September 30, 2020, 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, 2020**

**7. Total OPEB Liability (Continued)**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (635)
Changes in assumptions and other inputs	2,838	-
Contributions made subsequent to measurement date	1,158	-
<b>Total</b>	<b><u>\$ 3,996</u></b>	<b><u>\$ (635)</u></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
2020	\$ 792
2021	935
2022	476
2023	-
2024	-
Thereafter	-
<b>Total</b>	<b><u>\$ 2,203</u></b>

**I. HEALTH CARE COVERAGE**

During the year ended September 30, 2020, employees of the City were covered by a health insurance plan. The City contributed approximately \$973 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.

**J. 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, 2019, the unfunded claim benefit obligation included no reported claims that were unpaid and no estimated claims incurred, but not reported.

**K. 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, 2020**

**L. 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.

**M. TRANSFERS**

	<u>Transfers Out</u>	<u>Transfers In</u>
Governmental Funds	\$ -	\$ 12,683
Business-Type Funds	<u>(12,683)</u>	<u>-</u>
	<u>\$ (12,683)</u>	<u>\$ 12,683</u>

Transfers are used for debt service payments.

**N. RELATED PARTY TRANSACTIONS**

Council members and the Mayor receive a discount for water services; the water is provided at cost. The City purchases services from Sessums Station, which is owned by council member Brad Sessums. Management has determined that the City's purchasing policies were followed.

**O. SUBSEQUENT EVENTS**

Management has evaluated all events or transactions that occurred after September 30, 2020 up through May 19, 2021, 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, 2020**

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

	2014	2015	2016	2017	2018	2019
Actuarially determined contribution	\$ 4,881	\$ 5,163	\$ 6,055	\$ 6,747	\$ 7,112	\$ 8,157
Contributions in relation to the actuarially determined contribution	\$ 4,881	\$ 5,163	\$ 6,055	\$ 6,747	\$ 7,112	\$ 8,157
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 157,455	\$ 166,551	\$ 168,201	\$ 176,634	\$ 185,397	\$ 194,386
Contributions as a percentage of covered employee payroll	3.10%	3.10%	3.60%	3.82%	3.84%	4.20%

**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.

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

**CITY OF BLOSSOM, TEXAS  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**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
<b>Total Pension Liability</b>						
Service cost	\$ 16,037	\$ 18,038	\$ 18,166	\$ 19,076	\$ 20,060	\$ 21,013
Interest (on the Total Pension Liability)	44,848	44,222	42,817	45,208	47,874	50,965
Changes of benefit terms	-	-	-	-	-	-
Difference between expected and actual experience	(3,043)	(2,647)	7,179	7,900	10,574	12,456
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)
<b>Net Change in Total Pension Liability</b>	41,494	(40,497)	34,972	38,994	45,318	54,212
<b>Total Pension Liability - Beginning</b>	640,842	682,336	641,839	676,811	715,805	761,123
<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>Plan Fiduciary Net Position</b>						
Contribution - employer	\$ 11,809	\$ 12,725	\$ 12,396	\$ 13,545	\$ 13,939	\$ 14,531
Contribution - employee	7,873	8,328	8,410	8,579	9,270	9,719
Net investment income	42,369	1,160	46,477	99,964	(24,248)	119,770
Benefit payments, including refunds of employee contributions	(16,348)	(119,214)	(33,190)	(33,190)	(33,190)	(33,190)
Administrative expense	(442)	(706)	(525)	(518)	(469)	(677)
Other	(36)	(35)	(28)	(26)	(24)	(20)
<b>Net Change in Plan Fiduciary Net Position</b>	45,225	(97,742)	33,540	88,354	(34,722)	110,133
<b>Plan Fiduciary Net Position - Beginning</b>	740,641	785,866	688,124	721,664	810,018	775,296
<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>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>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	115.17%	107.21%	106.63%	113.16%	101.86%	108.60%
Covered employee payroll	\$ 157,455	\$ 166,551	\$ 168,201	\$ 176,634	\$ 185,397	\$ 194,386
Net Pension Liability as a percentage of covered employee payroll	-65.75%	-27.79%	-26.67%	-53.34%	-7.64%	-36.06%

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, 2020**

	<u>12/31/2017</u>	<u>12/31/2018</u>	<u>12/31/2019</u>
<b>Total OPEB Liability</b>			
Service cost	\$ 636	\$ 760	\$ 719
Interest (on the Total OPEB liability)	1,106	1,085	1,182
Changes of benefit terms	-	-	-
Difference between expected and actual experience	-	(614)	(540)
Change of assumptions	2,100	(1,741)	4,685
Benefit payments, including refunds of employee contributions	(389)	(371)	(447)
<b>Net Change in Total Pension Liability</b>	<u>3,453</u>	<u>(881)</u>	<u>5,599</u>
<b>Total OPEB Liability - Beginning</b>	<u>29,143</u>	<u>32,596</u>	<u>31,715</u>
<b>Total OPEB Liability - Ending</b>	<u><u>\$ 32,596</u></u>	<u><u>\$ 31,715</u></u>	<u><u>\$ 37,314</u></u>
Covered employee payroll	\$ 176,634	\$ 185,397	\$ 194,386
Total OPEB liability as a percentage of covered employee payroll	18.45%	17.11%	19.20%

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, 2020**

	Budgeted Amounts		Actual	Variance With Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUE</b>				
Property Taxes	\$ 187,750	\$ 187,750	\$ 275,377	\$ 87,627
Franchise Taxes	67,600	67,600	55,863	(11,737)
Sales Tax Collected	101,000	101,000	125,622	24,622
Interest Income	2,071	2,071	3,488	1,417
Miscellaneous	885	885	27,750	26,865
<b>Total Revenues</b>	<u>359,306</u>	<u>359,306</u>	<u>488,150</u>	<u>128,844</u>
<b>EXPENDITURES</b>				
Current:				
General Government	182,187	182,187	168,190	13,997
Public Safety	6,000	6,000	33,304	(27,304)
Public Works	106,119	106,119	41,632	64,487
Debt Service:				
Principal Retirement	-	-	54,000	(54,000)
Interest and Fiscal Agent Fees	-	-	7,924	(7,924)
Capital Outlay:				
Public Works	65,000	65,000	64,041	959
<b>Total Expenditures</b>	<u>359,306</u>	<u>359,306</u>	<u>369,091</u>	<u>(9,785)</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	-	-	119,059	119,059
<b>Other Financing Sources (uses)</b>				
Transfers	-	-	112,667	112,667
<b>Total Other Financing Sources (uses)</b>	<u>-</u>	<u>-</u>	<u>112,667</u>	<u>112,667</u>
<b>Net change in fund balance</b>	-	-	231,726	231,726
<b>Fund Balance, Beginning of Year</b>	602,996	602,996	602,996	
<b>Fund Balance, End of Year</b>	<u>\$ 602,996</u>	<u>\$ 602,996</u>	<u>\$ 834,722</u>	

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