

TOWN OF RANSOM CANYON, TEXAS

ANNUAL FINANCIAL REPORT

YEAR ENDED SEPTEMBER 30, 2023

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FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

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Ransom Canyon, Texas

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For the Year Ended September 30, 2023

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INTRODUCTORY SECTION

TOWN OF RANSOM CANYON
Ransom Canyon, Texas

September 30, 2023

CITY COUNCIL

Jana Trew

Mayor

Val Meixner

Mayor Pro-tem

John Hand

Alderman

Terry Waldren

Alderman

Corey Evans

Alderman

Ron McWilliams

Alderman

ADMINISTRATIVE STAFF

Elena Quintanilla
Leslie Randolph

City Administrator
City Secretary

FINANCIAL SECTION

Terry & King, CPAs, P.C.

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Independent Auditors' Report on Financial Statements

Honorable Mayor and City Council
Town of Ransom Canyon, Texas
24 Lee Kitchens Dr.
Ransom Canyon, TX 79366-2200

Report on the Audit of the Financial Statements

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

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Ransom Canyon, Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension schedules, and OPEB schedules, identified as required supplementary information, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

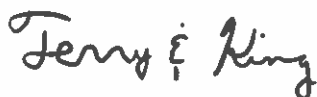
Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2023, on our consideration of the Town of Ransom Canyon, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Ransom Canyon, Texas' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Ransom Canyon, Texas' internal control over financial reporting and compliance.

Respectfully submitted,



Terry & King, CPAs, P.C.
Lubbock, Texas
November 14, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Town of Ransom Canyon's financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2023. Please read this in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The City's net position increased as a result of this year's operations. While the net position of our business-type activities increased by \$770,605 or 22%, net position of our governmental activities increased by \$980,463 or 111%.
- During the year, the City had expenses that were \$536,458 less than the \$2,290,936 generated in tax and other revenues for governmental programs before transfers. The City received capital contribution of land, streets and infrastructure valued at \$1,214,208.
- In the City's business type activities, revenues increased \$800,978 to \$2,338,949 (or 52%). Charges for services decreased \$55,883 (4%), property taxes increased \$73,790 (78%), and interest income increased \$202,067 (782%). The City received a capital contribution of water & sewer infrastructure valued at \$372,074. Operating expenses increased \$48,006 to \$1,124,339.
- The General Fund reported a deficit this year of \$426,601 prior to inter-fund transfers in of \$444,005.
- The resources available for appropriation were \$81,158 more than budgeted for the General Fund. Expenditures for the General Fund were less than the budgeted amounts by \$214,052.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 14. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant

funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the City as a Whole -- The Statement of Net Position and the Statement of Activities

Our analysis of the City as a whole begins on page 6. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's *net position* and the changes to its position. You can think of the City's net position—the differences between assets and liabilities—as one way to measure the City's financial health. Over time, *increases or decreases* in the City's net position are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the *overall health* of the City.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

- **Governmental activities** – Most of the City's basic services are reported here, including the ambulance, fire, public works, and parks departments, and general administration. Property taxes, franchise taxes, and state and federal grants finance most of these activities.
- **Business-type activities** – The City charges a fee to customers to help it cover the cost of certain services it provides. The City's water, gas, sewer and garbage services are reported here.

Reporting the City's Most Significant Funds – Fund Financial Statements

Our analysis of the City's major funds begins on page 10. The fund financial statements begin on page 14 and provide detailed information about the most significant funds—not the City as a whole. Some funds are required to be established by State law and by bond covenants. At times a city council may establish other funds to help it control and manage money for particular purposes, such as special projects or to show that it is meeting legal responsibilities for using certain Federal or State grants. Currently the City's governmental funds consist of the General Fund and a special revenue fund to account for grant funds. The City's two kinds of funds – *governmental* and *proprietary* – use different accounting approaches.

- *Governmental funds*—Most of the City’s basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The Governmental fund statements provide a detailed *short-term view* of the City’s general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* in reconciliation on Exhibits C-1R and C-3.
- *Proprietary funds*—When the City charges customers for the services it provides—whether to outside customers or to other units of the City—these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City’s enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

THE CITY AS A WHOLE

The City’s combined net position was \$6,137,703. Our following analysis focuses on the net assets (Table 1) and changes in net assets (Table 2) of the City’s government and business-type activities.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position. The City's combined net position was \$6,137,703 at September 30, 2023. (See Table A-1).

Table A-1
Town of Ransom Canyon's Net Position

	Governmental Activities			Business-type Activities			Total		
	2023	2022	Percentage Change	2023	2022	Percentage Change	2023	2022	Percentage Change
Current assets:									
Cash in Bank	167,016	141,585	18%	983,012	1,833,950	-40%	1,150,028	1,775,535	-35%
Temporary Investments - Restricted	-	-	0%	4,525,500	4,085,824	11%	4,525,500	4,085,824	11%
Receivables	13,789	32,835	-58%	122,694	132,734	-8%	136,483	165,569	-18%
Total current assets	180,805	174,420	4%	5,631,206	5,852,508	-4%	5,812,011	6,026,928	-4%
Noncurrent assets:									
Land	144,215	46,230	212%	25,551	25,551	0%	169,766	71,781	137%
Construction in Progress	-	-	0%	628,430	457,249	37%	628,430	457,249	37%
Depreciable Assets	7,025,129	5,776,396	22%	6,599,893	5,973,809	10%	13,625,022	11,750,205	16%
Less accumulated depreciation	(4,783,506)	(4,647,172)	3%	(3,701,932)	(3,553,846)	4%	(8,485,438)	(8,201,018)	3%
Right-to-Use Equipment, net	346,341	346,341	0%	-	-	0%	346,341	346,341	0%
Less accumulated amortization	(66,703)	(29,280)	128%	-	-	0%	(66,703)	(29,280)	128%
Total noncurrent assets	2,665,476	1,492,515	79%	3,551,942	2,902,763	22%	6,217,418	4,395,278	41%
Total Assets	2,846,281	1,666,935	71%	9,183,148	8,755,271	5%	12,029,429	10,422,206	15%
Total Deferred Outflows of Resources	220,325	65,092	238%	52,976	16,331	224%	273,301	81,423	236%
Current liabilities:									
Accounts Payable	35,747	50,017	-29%	73,978	110,086	-33%	109,725	160,103	-31%
Interest Payable	4,589	5,040	-9%	12,253	12,472	-2%	16,842	17,512	-4%
Total current liabilities	40,336	55,057	-27%	86,231	122,558	-30%	126,567	177,615	-29%
Noncurrent liabilities:									
Compensated Absences	5,680	6,957	-18%	1,210	1,084	12%	6,890	8,041	-14%
Due to Others	-	-	0%	46,890	45,390	3%	46,890	45,390	3%
Net Pension Liability	97,163	283,362	-66%	19,818	65,597	-70%	116,981	348,959	-66%
Total OPEB Liability	20,545	33,953	-39%	4,363	7,687	-43%	24,908	41,640	-40%
Due within one year	31,527	30,734	3%	130,000	130,000	0%	161,527	160,734	0%
Due in more than one year	244,197	275,723	-11%	4,445,000	4,575,000	-3%	4,689,197	4,850,723	-3%
Total noncurrent liabilities	399,112	630,729	-37%	4,647,281	4,824,758	-4%	5,046,393	5,455,487	-7%
Deferred Inflows of Resources									
Deferred Inflows - Grant Funds	-	-	0%	39,364	279,062	-86%	39,364	279,062	-86%
Deferred Inflows - Pension & OPEB	766,963	166,509	381%	185,740	38,321	385%	952,703	204,830	365%
Total Deferred Inflows of Resources	766,963	166,509	381%	225,104	317,383	-29%	992,067	483,892	105%
Net Position:									
Net investment in capital assets	2,389,752	1,186,058	101%	3,294,594	2,368,155	39%	5,684,346	3,554,213	60%
Restricted for debt service	-	-	0%	195,596	133,183	47%	195,596	133,183	47%
Unrestricted	(529,557)	(306,326)	73%	787,318	1,005,565	-22%	257,761	699,239	-63%
Total Net Position	1,860,195	879,732	111%	4,277,508	3,506,903	22%	6,137,703	4,386,635	40%

The net position of the City's governmental activities increased 111% (\$879,732 compared to \$1,860,195). Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - changed from \$(306,326) at September 30, 2022 to \$(529,557) at the end of this year. The net position of the City's business-type activities increased 22%, from \$3,506,903 to \$4,277,508.

Table A-2
Changes in the Town of Ransom Canyon's Net Position

	Governmental Activities			Business-type Activities			Total		
	2023	2022	Percentage Change	2023	2022	Percentage Change	2023	2022	Percentage Change
Program Revenues:									
Charges for Services	11,466	23,664	-52%	1,330,282	1,386,165	-4%	1,341,748	1,409,829	-5%
Grants & Contributions	1,268,445	63,072	1911%	611,773	-	100%	1,880,218	63,072	2881%
General Revenues:									
Property Taxes	898,574	863,028	4%	168,996	95,206	78%	1,065,570	958,234	11%
Nonproperty Taxes	71,509	64,039	12%	-	-	0%	71,509	64,039	12%
Investment Earnings	-	-	0%	227,898	25,831	782%	227,898	25,831	782%
RV Storage	11,660	15,590	-25%	-	-	0%	11,660	15,590	-25%
Other	31,282	58,223	-46%	-	30,769	-100%	31,282	88,992	-65%
Total Revenues	2,290,936	1,087,616	111%	2,338,949	1,537,971	52%	4,629,885	2,625,587	76%
Expenses:									
General government	585,978	414,677	41%	-	-	0%	585,978	414,677	41%
Operations	238,697	165,667	44%	-	-	0%	238,697	165,667	44%
City Court	3,335	4,778	-30%	-	-	0%	3,335	4,778	-30%
Police	501,943	358,767	40%	-	-	0%	501,943	358,767	40%
Fire	143,732	104,958	37%	-	-	0%	143,732	104,958	37%
Streets	229,857	202,227	14%	-	-	0%	229,857	202,227	14%
Library	37,022	36,409	2%	-	-	0%	37,022	36,409	2%
Emergency operations	6,799	6,785	0%	-	-	0%	6,799	6,785	0%
Interest on Long-Term Debt	7,115	5,642	26%	-	-	0%	7,115	5,642	26%
Water and Sewer	-	-	0%	1,124,339	1,076,333	4%	1,124,339	1,076,333	4%
Total Expenses	1,754,478	1,299,910	35%	1,124,339	1,076,333	4%	2,878,817	2,376,243	21%
Excess (Deficiency) Before Other Resources, Uses & Transfers	536,458	(212,294)	-353%	1,214,610	461,638	163%	1,751,068	249,344	602%
Transfers In (Out)	444,005	248,062	79%	(444,005)	(248,062)	79%	-	-	0%
Increase (Decrease) in Net Position	980,463	35,768	-2641%	770,605	213,576	261%	1,751,068	249,344	602%
Net Position - Beginning	879,732	843,964	4%	3,506,903	3,293,327	6%	4,386,635	4,137,291	6%
Net Position - Ending	1,860,195	879,732	111%	4,277,508	3,506,903	22%	6,137,703	4,386,635	40%

The City's total revenues were \$4,629,885. A significant portion, 51%, of the City's total revenue comes from the water and sewer operations. Revenues available to fund governmental activities consist of property taxes (39%), non-property taxes (3%), charges for services (1%), grants and contributions (55%) and other (2%).

The total cost of all programs and services was \$2,878,817; 39% of these costs were for utilities production and administration expenses. Expenses for governmental activities consisted of costs for general administration (33%), operations (14%), courts and police (29%), streets and services (13%), fire department (8%), and library (2%).

Governmental Activities

Revenues for the City's governmental activities remained approximately the same, while total expenses also remained approximately the same.

- Property tax rates remained the same at \$0.610090 per \$100. The ad valorem tax levy for the previous fiscal year was \$952,956, compared to \$1,064,910 for the current year. Total tax collections increased 10%, from \$958,981 in the prior year to \$1,058,253 in the current year.
- The City received capital contributions of land, streets, and infrastructure valued at \$1,214,985.
- The cost of all *governmental* activities this year was \$1,754,478. As shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through tax collections was \$896,574 because some of the costs were paid by those who directly benefited from the programs (\$11,466) and by nonproperty taxes (\$71,509).

Business-type Activities

Revenues of the City's business-type activities (see table A-2) increase by 52% (\$1,537,971 to \$2,338,949) and expenses increased by 4% (\$1,076,333 to \$1,124,339).

The City expended grant revenues amounting to \$239,698 for the replacement of water meters. The City also received a capital contribution for water and sewer infrastructure valued at \$372,074.

THE CITY'S FUNDS

As the City completed the fiscal year, its governmental funds (as presented in the balance sheet on Exhibit C-1) reported a *combined* fund balance of \$140,445, which is an increase from the prior year's total of \$123,041. The following items effecting fund balance should be noted:

- In the prior year, revenues were less than expenditures by \$230,552 prior to transfers. In the current year, revenues were less than expenditures by \$426,601 prior to transfers. The general fund received \$444,005 as a transfer from the enterprise funds in the current year.
- The revenues in the general fund increased approximately 111% from the prior period and expenses for the general fund increased approximately 62% from the prior period. The increase in revenues was largely due to the capital contributions received for \$1,214,208.

General Fund Budgetary Highlights

Over the course of the year, the City Council revised the City's budget several times. Even with these adjustments, actual revenues were \$81,158 more than budgeted amounts and expenditures were \$214,052 less than final budget amounts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2023, the City had \$14,769,559 invested in a broad range of capital assets, including fire equipment, buildings, furniture and equipment, and utilities facilities (see Table A-3). This amount represents a net increase (including additions and deductions) of \$2,143,983 from last year.

Table A-3
Fixed Assets

Governmental Activities:	Balance 10-1-22	Additions	Deletions/ Reclassifications	Balance 9-30-23
Land	\$ 46,230	97,985	-	144,215
Buildings	634,277	-	-	634,277
Streets & Infrastructure Improvements	3,139,503 744,884	1,164,456 -	- -	4,303,959 744,884
Furniture & Equipment	1,257,732	84,277	-	1,342,009
Right to Use Equipment	346,341	-	-	346,341
Accumulated Depreciation	(4,676,452)	(173,758)	-	(4,850,210)
Net Capital Assets	\$ 1,492,515	\$1,172,960	\$ -	\$ 2,665,475

Business-Type Activities:	Balance 10-1-22	Additions	Deletions/ Reclassifications	Balance 9-30-23
Land	\$ 25,550	\$ -	\$ -	\$ 25,550
Construction in Progress	457,249	171,182	-	628,431
Buildings & Improvements	\$ 318,428	-	-	318,428
Water & Sewer System	5,575,954	626,083	-	6,202,037
Furniture & Equipment	79,428	-	-	79,428
Accumulated Depreciation	(3,553,846)	(148,086)	-	(3,701,932)
Net Capital Assets	<u>\$ 2,902,763</u>	<u>\$ 649,179</u>	<u>\$ -</u>	<u>\$ 3,551,942</u>

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

Debt

A municipal government can finance activities such as capital improvements and acquisitions through general tax bonds or revenue bonds. Additionally, a government may purchase items through the use of leases. Short-term financing is available in the form of time warrants with a financial institution.

Changes in long-term obligations for the year ended September 30, 2023 are as follows:

Governmental Activities:	Beginning Balance	Increases	Decrease	Ending Balance	Due Within One Year
Leases	\$ 306,457	\$ -	\$ 30,734	\$ 275,723	\$ 31,527
Compensated Absences	6,957	-	1,277	5,680	-
Net Pension Liability	283,362	-	186,199	97,163	-
Net OPEB Liability	33,953	-	13,408	20,545	-
Total governmental activities	<u>\$ 630,729</u>	<u>\$ -</u>	<u>\$ 231,618</u>	<u>\$ 399,111</u>	<u>\$ 31,527</u>

Business-Type Activities:	Beginning Balance	Increases	Decrease	Ending Balance	Due Within One Year
Certificates of Obligation	\$ 4,705,000	\$ -	\$ 130,000	\$ 4,575,000	\$ 130,000
Compensated Absences	1,084	126	-	1,210	-
Net Pension Liability	65,597	-	45,779	19,818	-
Net OPEB Liability	7,687	-	3,324	4,363	-
Total governmental activities	<u>\$ 4,779,368</u>	<u>\$ 126</u>	<u>\$ 179,103</u>	<u>\$ 4,600,391</u>	<u>\$ 130,000</u>

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected officials considered many factors when setting the fiscal year 2024 budget, tax rates, and fees. Factors considered include the current economy, property tax values and the needs of the City in the coming year. The Council has adopted tax rates, budgets and set fees accordingly.

If these estimates are realized, the City's budgetary general fund fund balance is expected to increase slightly by the close of 2024.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENT

TOWN OF RANSOM CANYON
Ransom Canyon, Texas

STATEMENT OF NET POSITION
September 30, 2023

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash in Bank	\$ 167,016	\$ 983,012	\$ 1,150,028
Cash in Bank - restricted	-	4,525,500	4,525,500
Accounts Receivable-Utilities, net	-	122,694	122,694
Other Receivables	9,176	-	9,176
Due from Other Governments	-	-	-
Taxes Receivable, Net	4,613	-	4,613
Noncurrent Assets:			
Land	144,215	25,550	169,765
Construction in Progress	-	628,431	628,431
Streets and Infrastructure	1,684,560	-	1,684,560
Buildings & Improvements, net	405,955	270,664	676,619
Utility Systems & Equipment, net	-	2,577,804	2,577,804
Furniture & Equipment, net	151,108	49,493	200,601
Right to Use Equipment	279,638	-	279,638
TOTAL ASSETS	\$ 2,846,281	\$ 9,183,148	\$ 12,029,429
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred Outflows - Pension	\$ 212,613	\$ 51,290	\$ 263,903
Deferred Outflows - OPEB	7,712	1,686	9,398
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 220,325	\$ 52,976	\$ 273,301
LIABILITIES:			
Current Liabilities:			
Accounts Payable	\$ 35,747	\$ 73,978	\$ 109,725
Accrued Interest Payable	4,589	12,253	16,842
Noncurrent Liabilities:			
Accrued Compensated Absences	5,680	1,210	6,890
Customer Deposits	-	46,890	46,890
Net Pension Liability	97,163	19,818	116,981
Net OPEB Liability	20,545	4,363	24,908
Due within one year	31,527	130,000	161,527
Due in more than one year	244,197	4,445,000	4,689,197
Total Liabilities	439,448	4,733,512	5,172,960
DEFERRED INFLOWS OF RESOURCES:			
Deferred Grant Funds	-	39,364	39,364
Deferred Inflows - Pension	750,940	181,927	932,867
Deferred Inflows - OPEB	16,023	3,813	19,836
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 766,963	\$ 225,104	\$ 992,067
NET POSITION			
Net Investment in capital assets	2,389,752	3,294,594	5,684,346
Restricted for debt service	-	195,596	195,596
Unrestricted	(529,557)	787,318	257,761
Total Net Position	\$ 1,860,195	\$ 4,277,508	\$ 6,137,703

The accompanying notes are an integral part of this statement.

TOWN OF RANSOM CANYON
Ransom Canyon, Texas

STATEMENT OF ACTIVITIES
Year Ended September 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Government Activities:							
General Government	\$ 585,978	\$ 10,018	\$ -	\$ 97,985	\$ (477,975)	-	(477,975)
Operations	238,697	-	-	-	(238,697)	-	(238,697)
City Court	3,335	1,448	-	-	(1,887)	-	(1,887)
Public Safety - Police Department	501,943	-	-	-	(501,943)	-	(501,943)
Public Safety - Fire Department	143,732	-	29,779	21,978	(91,975)	-	(91,975)
Public Works - Street Department	229,857	-	-	1,116,223	886,366	-	886,366
Library	37,022	-	2,480	-	(34,542)	-	(34,542)
Emergency Operations	6,799	-	-	-	(6,799)	-	(6,799)
Interest on Long-Term Debt	7,115	-	-	-	(7,115)	-	(7,115)
Total Government Activities	1,754,478	11,466	32,259	1,236,186	(474,567)	-	(474,567)
Business-type Activities							
Water, Sewer, and Sanitation	1,124,339	1,330,282	-	611,773	-	817,716	817,716
Total Business-type Activities	1,124,339	1,330,282	-	611,773	-	817,716	817,716
Total Primary Government	2,878,817	1,341,748	32,259	1,847,959	(474,567)	817,716	343,149
General Revenues							
Property Taxes, Levied for General Purpose					896,574	-	896,574
Property Taxes, Levied for Debt Service					-	168,996	168,996
Nonproperty Tax:					71,509	-	71,509
RV Storage					11,660	-	11,660
Investment Earnings					-	227,898	227,898
Miscellaneous					31,282	-	31,282
Transfers					444,005	(444,005)	-
Total General Revenue					1,455,030	(47,111)	1,407,919
Change in Net Assets					980,463	770,605	1,751,068
Net Position -- Beginning					879,732	3,506,903	4,386,635
Net Position -- Ending					\$ 1,860,195	\$ 4,277,508	\$ 6,137,703

The accompanying notes are an integral part of this statement.

TOWN OF RANSOM CANYON
Ransom Canyon, Texas

BALANCE SHEET -- GOVERNMENTAL FUNDS
September 30, 2023

	General Fund	Total Governmental Funds
ASSETS		
Cash	\$ 167,016	\$ 167,016
Taxes Receivable, net	4,613	4,613
Other Receivables	9,176	9,176
Due from Other Governments	-	-
	<u> </u>	<u> </u>
<u>TOTAL ASSETS</u>	<u>\$ 180,805</u>	<u>\$ 180,805</u>
 LIABILITIES		
Current Liabilities		
Accounts Payable	<u>35,747</u>	<u>35,747</u>
<u>Total Liabilities</u>	<u>35,747</u>	<u>35,747</u>
 DEFERRED INFLOWS OF RESOURCES:		
Unavailable Revenue - Property Taxes	<u>4,613</u>	<u>4,613</u>
<u>Total Deferred Inflows of Resources</u>	<u>4,613</u>	<u>4,613</u>
 FUND BALANCES		
Unassigned	<u>140,445</u>	<u>140,445</u>
<u>Total Fund Balances</u>	<u>140,445</u>	<u>140,445</u>
 <u>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>		
	<u>\$ 180,805</u>	<u>\$ 180,805</u>

The accompanying notes are an integral part of this statement.

TOWN OF RANSOM CANYON
Ransom Canyon, Texas

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

Total Fund Balances -- Governmental Funds Balance Sheet	\$ 140,445
Amounts reported for governmental activities in the statement of net assets (A-1) are different because:	
Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable in the funds	4,613
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	2,665,476
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities consist of:	
Accrued vacation payable	(5,680)
Accrued interest payable	(4,589)
Leases Payable	<u>(275,724)</u>
	(285,993)
Included in the items related to noncurrent assets is the recognition of the City's proportionate share of the net pension liability required by GASB 68 in the amount of \$97,163, a deferred resource outflow related to pension in the amount of \$212,613, and a deferred resource inflow of \$750,940. This resulted in a decrease in net position by \$635,490.	(635,490)
Included in the items related to noncurrent liabilities is the recognition of the City's proportionate share of the net OPEB liability required by GASB 75 in the amount of \$20,545, a deferred resource outflow related to OPEB in the amount of \$7,712, and a deferred resource inflow related to OPEB in the amount of \$16,023. This resulted in a decrease in net position by \$28,856.	<u>(28,856)</u>
Net Position of Governmental Activities -- Statement of Net Position	<u>\$ 1,860,195</u>

The accompanying notes are an integral part of this statement.

TOWN OF RANSOM CANYON
Ransom Canyon, Texas

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

For the Year Ended September 30, 2023

	General Fund	Total Governmental Funds
REVENUES:		
Property Taxes (Including Penalty & Interest)	\$ 893,323	\$ 893,323
Franchise Taxes	45,129	45,129
Sales Tax	26,380	26,380
Library Revenue	2,480	2,480
RV Storage	11,660	11,660
Municipal Court	1,448	1,448
Permits	10,018	10,018
Capital Contribution	1,214,208	1,214,208
Grant Revenues	51,757	51,757
Miscellaneous	31,283	31,283
<u>Total Revenues</u>	2,287,686	2,287,686
EXPENDITURES		
Current		
General Government	470,366	470,366
Operations	216,513	216,513
City Court	3,335	3,335
Public Safety - Police Department	457,778	457,778
Public Safety - Fire Department	119,112	119,112
Public Works - Street Department	153,487	153,487
Library	36,292	36,292
Emergency Operations	4,897	4,897
Principal on Long-Term Debt	30,733	30,733
Interest on Long-Term Debt	7,566	7,566
Capital Outlay	1,214,208	1,214,208
<u>Total Expenditures</u>	2,714,287	2,714,287
Excess of Revenues Over (Under) Expenditures	(426,601)	(426,601)
OTHER FINANCING SOURCES (USES)		
Transfers In	444,005	444,005
<u>Total Other Financing Sources (Uses)</u>	444,005	444,005
Net Change in Fund Balance	17,404	17,404
Fund Balance--Beginning of Year	123,041	123,041
<u>Fund Balance--End of Year</u>	\$ 140,445	\$ 140,445

The accompanying notes are an integral part of this statement.

TOWN OF RANSOM CANYON
Ransom Canyon, Texas

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

Net Change in Fund Balances -- Total Governmental Funds	\$	17,404
Amounts reported for governmental activities in the statement of activities ("SOA") 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 useful lives as depreciation expense. This is the amount of capital outlays during the current period.		1,346,718
The depreciation of capital assets is not reported in the funds. This is the amount of current depreciation on these assets.		(173,757)
Certain property tax revenues are unavailable in the funds. These are the amounts that have not been collected and are therefore do not provide current financial resources. This is the amount that these accounts have changed during the current period.		3,251
Right to use lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position		-
Repayment of debt principal is an expenditure in the governmental funds, but is a reduction of long-term debt in the statement of net position. This amount is the total debt principal repaid for bonded indebtedness:		30,733
Some expenses reported in the statement of activities do not require current financial resources and therefore are not reported as expenditures in governmental funds.		
Change in accrued interest expense	451	
Change in pension expense	(245,486)	
Change in OPEB expense	(128)	
Change in accrued vacation payable	1,277	
	<u> </u>	<u>(243,886)</u>
Change in Net Position -- Statement of Activities	\$	<u><u>980,463</u></u>

The accompanying notes are an integral part of this statement.

TOWN OF RANSOM CANYON
Ransom Canyon, Texas

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
September 30, 2023

	Business-Type Activities	
	Enterprise Funds	
	Water, Sewer, and Sanitation Fund	Total
ASSETS		
<u>Current Assets:</u>		
Cash in Bank	\$ 983,012	\$ 983,012
Cash in Bank - Restricted	4,525,500	4,525,500
Accounts Receivable, net of allowance for uncollectable (\$16,658)	122,694	122,694
<u>Total Current Assets</u>	<u>5,631,206</u>	<u>5,631,206</u>
<u>Noncurrent Assets:</u>		
Land	25,550	25,550
Construction in Progress	628,431	628,431
Buildings and Improvements, net	270,664	270,664
Water & Sewer System, net	2,577,804	2,577,804
Vehicles, Machinery, Furniture & Fixtures, net	49,493	49,493
<u>Total Noncurrent Assets</u>	<u>3,551,942</u>	<u>3,551,942</u>
 <u>TOTAL ASSETS</u>	 <u>\$ 9,183,148</u>	 <u>\$ 9,183,148</u>
 DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows - Pension	51,290	51,290
Deferred Outflows - OPEB	1,686	1,686
<u>TOTAL DEFERRED OUTFLOWS OF RESOURCES</u>	<u>\$ 52,976</u>	<u>\$ 52,976</u>
 LIABILITIES & NET POSITION		
<u>Current Liabilities</u>		
Accounts Payable	\$ 73,978	\$ 73,978
Accrued Interest Payable	12,253	12,253
<u>Noncurrent Liabilities</u>		
Accrued Compensation Payable	1,210	1,210
Customer Deposits	46,890	46,890
Net Pension Liability	19,818	19,818
Net OPEB Liability	4,363	4,363
Due within one year	130,000	130,000
Due in more than one year	4,445,000	4,445,000
<u>TOTAL LIABILITIES</u>	<u>4,733,512</u>	<u>4,733,512</u>
 DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows - Grant Funds	39,364	39,364
Deferred Inflows - Pension	181,927	181,927
Deferred Inflows - OPEB	3,813	3,813
<u>TOTAL DEFERRED INFLOWS OF RESOURCES</u>	<u>\$ 225,104</u>	<u>\$ 225,104</u>
 NET POSITION		
Net investment in capital assets	3,294,594	3,294,594
Restricted for debt service	195,596	195,596
Unrestricted	787,318	787,318
<u>TOTAL NET POSITION</u>	<u>\$ 4,277,508</u>	<u>\$ 4,277,508</u>

The accompanying notes are an integral part of this statement.

TOWN OF RANSOM CANYON
Ransom Canyon, Texas

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION--
PROPRIETARY FUNDS

For the Year Ended September 30, 2023

	Business-Type Activities Enterprise Funds	
	Water, Sewer, and Sanitation Fund	Total
<u>Operating Revenues</u>		
Water Revenue	\$ 697,524	\$ 697,524
Sewer Revenue	448,855	448,855
Sanitation Revenue	169,742	169,742
Reconnect and Late Fees	14,161	14,161
<u>Total Operating Revenues</u>	<u>1,330,282</u>	<u>1,330,282</u>
<u>Operating Expenses</u>		
Water Purchases	398,288	398,288
Solid Waste Collection Contract	117,563	117,563
Employee Expense	250,797	250,797
Utilities	54,417	54,417
Chemicals	5,847	5,847
Supplies, Repairs and Maintenance	22,492	22,492
Fees, Permits, Inspections	3,475	3,475
Depreciation	148,086	148,086
Lab Charges	5,895	5,895
Mosquito Spraying	18,200	18,200
<u>Total Operating Expenses</u>	<u>1,025,060</u>	<u>1,025,060</u>
<u>Operating Income (Loss) Before</u>		
<u>Operating Transfers</u>	305,222	305,222
<u>Non-Operating Revenues (Expenses)</u>		
Ad Valorem Tax Receipts	168,996	168,996
Interest Income	227,898	227,898
Interest Expense	(98,679)	(98,679)
Bond Issuance Costs and Fees	(600)	(600)
<u>Total Non-Operating Revenues (Expenses)</u>	<u>297,615</u>	<u>297,615</u>
<u>Transfers and Capital Contributions:</u>		
Capital Contribution	611,773	611,773
Transfers In (Out)	(444,005)	(444,005)
<u>Total Transfers and Capital Contributions</u>	<u>167,768</u>	<u>167,768</u>
Net Income (Loss)	770,605	770,605
NET POSITION		
Net Position, Beginning of Year	<u>3,506,903</u>	<u>3,506,903</u>
Net Position, End of Year	<u>4,277,508</u>	<u>4,277,508</u>

The accompanying notes are an integral part of this statement.

TOWN OF RANSOM CANYON
Ransom Canyon, Texas

STATEMENT OF CASH FLOWS--
PROPRIETARY FUNDS
For the Year Ended September 30, 2023

	Business-Type Activities Enterprise Funds	
	Water, Sewer, and Sanitation Fund	Total
<u>Cash Flows from Operating Activities:</u>		
Receipts from Customers	\$ 1,341,822	\$ 1,341,822
Payments to Suppliers	(662,285)	(662,285)
Payments to Employees	(189,000)	(189,000)
<u>Net Cash Provided (Used) by Operating Activities</u>	<u>490,537</u>	<u>490,537</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>		
Operating Transfers	(444,005)	(444,005)
<u>Net Cash Provided (Used) by Non-Capital Financing Activities</u>	<u>(444,005)</u>	<u>(444,005)</u>
<u>Cash Flows from Capital & Related Financing Activities:</u>		
Ad Valorem Tax Receipts	168,996	168,996
Acquisition of Fixed Assets	(797,265)	(797,265)
Capital Contributions	372,075	372,075
Cost of Debt Issuance	(600)	(600)
Principal Payments on Debt Acquired for Fixed Assets	(130,000)	(130,000)
Interest Paid on Long-Term Debt	(98,898)	(98,898)
<u>Net Cash Provided (Used) by Capital & Related Financing Activities</u>	<u>(485,692)</u>	<u>(485,692)</u>
<u>Cash Flows from Investing Activities:</u>		
Interest Income	227,898	227,898
<u>Net Cash Provided by Investing Activities</u>	<u>227,898</u>	<u>227,898</u>
Net Increase (Decrease) in Cash & Cash Equivalents	(211,262)	(211,262)
Cash & Cash Equivalents--Beginning of Year	5,719,774	5,719,774
<u>Cash & Cash Equivalents--End of Year</u>	<u>5,508,512</u>	<u>5,508,512</u>
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:		
Operating Income (Loss)	305,222	305,222
Adjustments to Reconcile to Net Cash Provided (Used) by Operating Activities:		
Depreciation	148,086	148,086
(Increase) Decrease in Net Pension Asset/Liability	(45,779)	(45,779)
(Increase) Decrease in Deferred Inflows/Outflows Pensions	107,406	107,406
(Increase) Decrease in Net OPEB Asset/Liability	(3,324)	(3,324)
(Increase) Decrease in Deferred Inflows/Outflows OPEB	3,368	3,368
(Increase) Decrease in Receivables	10,040	10,040
Increase (Decrease) in Liabilities	(34,482)	(34,482)
<u>Net Cash Provided (Used) by Operating Activities</u>	<u>490,537</u>	<u>490,537</u>

The accompanying notes are an integral part of this statement.

TOWN OF RANSOM CANYON
Ransom Canyon, Texas

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
September 30, 2023

	<u>457(b) Deferred Compensation Plan</u>
ASSETS:	
Current Investments	\$ 63,830
TOTAL ASSETS	<u>\$ 63,830</u>
LIABILITIES:	
None	\$ -
TOTAL LIABILITIES	<u>-</u>
NET POSITION:	
Restricted for:	
Pension Benefits	\$ 63,830
TOTAL NET POSITION	<u>\$ 63,830</u>

The accompanying notes are an integral part of this statement.

TOWN OF RANSOM CANYON
Ransom Canyon, Texas

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended September 30, 2023

	<u>457(b) Deferred Compensation Plan</u>
ADDITIONS:	
Net Increase (Decrease) in Fair Value of Investments	\$ 11,736
Contributions	<u>-</u>
Total Additions	<u>11,736</u>
DEDUCTIONS:	
Benefits	-
Administrative Expenses	<u>-</u>
Total Deductions	<u>-</u>
Net Increase (Decrease) in Fiduciary Net Position	11,736
Net Position - Beginning, as restated	<u>52,094</u>
Net Position - Ending	<u>\$ 63,830</u>

The accompanying notes are an integral part of this statement.

TOWN OF RANSOM CANYON
Ransom Canyon, Texas

NOTES TO FINANCIAL STATEMENTS
September 30, 2023

Note A: Summary of Significant Accounting Policies

The Town of Ransom Canyon, Texas operates under a Council-Manager form of government and provides the following services: public safety (police and fire protection), streets, sanitation, public improvements (water and sewer systems), library, planning and zoning, and general administrative services. Volunteers staff the fire and ambulance services.

The basic financial statements of the Town of Ransom Canyon have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") applicable to governmental units. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board ("GASB") and the American Institute of Certified Public Accountants (AICPA) in the publication entitled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board (when applicable). GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

1. The Reporting Entity

The Town of Ransom Canyon is a general law type-A municipality governed by an elected mayor and a five-member City Council who appoints a City Manager. The accompanying basic financial statements comply with the provisions of GASB Statement No. 14, "The Financial Reporting Entity" (as amended by GASB Statement No. 39) in that the financial statements include all organizations, activities, functions and component units for which the City is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the City's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the City.

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government. Eliminations have been made to minimize the over-reporting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

TOWN OF RANSOM CANYON
Ransom Canyon, Texas

NOTES TO FINANCIAL STATEMENTS, Page 2
September 30, 2023

Note A: Summary of Significant Accounting Policies (Continued)

3. Basis of Presentation, Basis of Accounting

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The City does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all of taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

General Fund: This is the primary operating fund of the City. It accounts for all financial resources of the City except those required to be accounted for in another fund.

In addition, the City reports the following fund types:

Fiduciary Funds:

Pension (and Other Employee Benefit) Trust Funds: These funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other postemployment benefit plans, or other employee benefit plans. The City uses this fund type to report its 457(b) Deferred Compensation Plan, a defined contribution pension plan for its employees.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or custodial capacity and are therefore not available to support the City's programs, these funds are not included in the government-wide statements.

Enterprise Funds: Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund.

TOWN OF RANSOM CANYON
Ransom Canyon, Texas

NOTES TO FINANCIAL STATEMENTS, Page 3
September 30, 2023

Note A: Summary of Significant Accounting Policies--Continued

Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

b. Measurement Focus, Basis of Accounting

Government-wide Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims, and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

The Proprietary Fund Types are accounted for on a flow of economic resources measurement focus utilizing the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The fund equity is segregated into net investment in capital assets, restricted net position, and unrestricted net position.

TOWN OF RANSOM CANYON
Ransom Canyon, Texas

NOTES TO FINANCIAL STATEMENTS, Page 4
September 30, 2023

Note A: Summary of Significant Accounting Policies (continued)

c. Fund Balance Classification

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The City currently has \$195,596 restricted for debt service.

Unassigned: This classification includes the residual fund balance for the General Fund.

When the City incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the City's policy to use restricted resources first, then unrestricted resources.

4. Financial Statement Amounts

a. Deposits and Investments

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

For purposes of the statement of cash flows, the City considers all highly liquid investments purchased with maturity of three months or less to be cash equivalents.

Investments for the City are reported at fair value.

b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1st for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1st of the year following the year in which imposed. On January 1st of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables within the General Fund are based upon historical experience in collecting property taxes. As of September 30, 2023, the amount deemed uncollectible by this estimate was \$1,086. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

TOWN OF RANSOM CANYON
Ransom Canyon, Texas

NOTES TO FINANCIAL STATEMENTS, Page 5
September 30, 2023

Note A: Summary of Significant Accounting Policies (continued)

c. Inventories and Prepaid Items

The City records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory.

Certain payments to vendors reflect costs applicable to future periods and are recorded as prepaid items.

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair market value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	5-15
Office Equipment and Furniture	3-15
Computer Equipment	3

e. Receivable and Payable Balances

The City believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of the period end.

f. Compensated Absences

Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. The City's policy allows full time, permanent employees to accumulate a limited amount of earned but unused vacation leave. Full time, permanent employees are allowed to accrue up to twenty days of sick leave. It is the City's policy to not pay employees for unused sick leave upon separation of service from the City. For the year ended September 30, 2023 compensated absences relating to vacation time amounted to \$6,890.

TOWN OF RANSOM CANYON
Ransom Canyon, Texas

NOTES TO FINANCIAL STATEMENTS, Page 6
September 30, 2023

Note A: Summary of Significant Accounting Policies (continued)

g. 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.

h. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

i. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Items reported as deferred outflows of resources are as follows:

Deferred charges related to TMRS retirement	\$ 263,903
Deferred charges related to TMRS OPEB	\$ 9,398

In addition to liabilities, the statement of financial 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 District currently has one type of item which arises only under the modified accrual basis of accounting that qualifies for reporting in this category. Uncollected property taxes which are assumed collectible are reported in this category on the balance sheet for governmental funds. Items reported as deferred inflows of resources are as follows:

Deferred property tax revenues	\$ 4,613
Deferred Grant Funds	\$ 39,364
Deferred charges related to TMRS retirement	\$ 932,867
Deferred charges related to TMRS OPEB	\$ 19,836

TOWN OF RANSOM CANYON
Ransom Canyon, Texas

NOTES TO FINANCIAL STATEMENTS, Page 7
September 30, 2023

Note A: Summary of Significant Accounting Policies (continued)

j. Pensions

For purposes of measuring the net pension liability/asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

k. Other Post Employment Benefits

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note B: Compliance and Accountability

1. Fair Value Measurements

The City implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access.

Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.

Level 3 inputs are observable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

TOWN OF RANSOM CANYON
Ransom Canyon, Texas

NOTES TO FINANCIAL STATEMENTS, Page 8
September 30, 2023

Note B: Compliance and Accountability (continued)

1. Fair Value Measurements

There are three general valuation techniques that may be used to measure fair value:

Market approach – uses prices generated by market transactions involving identical or comparable assets or liabilities.

Cost approach – uses the amount that currently would be required to replace the service capacity of an asset (replacement cost).

Income approach – uses valuation techniques to convert future amounts to present amounts based on current market expectations.

Note C: Deposits and Investments

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

Cash Deposits

At September 30, 2023, the carrying amount of the City's deposits (cash, certificates of deposit, and interest bearing saving accounts included in temporary investments) was \$1,602,591 and the bank balance was \$1,662,037. The City's cash deposits at September 30 and throughout the year were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

Investments

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize and investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

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 an 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.

TOWN OF RANSOM CANYON
Ransom Canyon, Texas

NOTES TO FINANCIAL STATEMENTS, Page 9
September 30, 2023

Note C: Deposits and Investments (continued)

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, (1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) securities lending program, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) commercial paper.

At September 30, 2023, the City held \$4,072,937 in Morgan Stanley Treasury Securities Portfolio (MSILF). These funds are restricted for the construction of the new sewer waste water treatment plant and water improvements. MSILF is rated AAAM by S&P and has a weighted average maturity of less than 60 days.

At September 30, 2023, the City held \$63,830 in Nationwide's Large Cap Growth Fund. The City is the fiduciary of these funds held for employees in the 457b defined contribution retirement plan. This mutual fund is valued at fair value using Level 2 inputs.

Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the City was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized agencies are designed to give an indication of credit risk. At year end, the City was not significantly exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name.

At year end, the City was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the City was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the City was not exposed to interest rate risk.

TOWN OF RANSOM CANYON
Ransom Canyon, Texas

NOTES TO FINANCIAL STATEMENTS, Page 10
September 30, 2023

Note C: Deposits and Investments (continued)

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the City was not exposed to foreign currency risk.

Investment Accounting Policy

The City's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Note D: Capital Assets

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

Governmental Activities:	Balance <u>10-1-22</u>	<u>Additions</u>	Deletions/ <u>Reclassifications</u>	Balance <u>9-30-23</u>
Land	\$ 46,230	97,985	-	\$ 144,215
Buildings	634,277	-	-	634,277
Streets & Infrastructure Improvements	3,139,503	1,164,456	-	4,303,959
Furniture & Equipment	744,884	-	-	744,884
Right to Use Equipment	1,257,732	84,277	-	1,342,009
Total Capital Assets	<u>\$ 6,168,967</u>	<u>\$1,346,718</u>	<u>\$ -</u>	<u>\$ 7,515,685</u>
 <u>Less Accumulated Depreciation:</u>				
Buildings	\$ 217,453	\$ 13,316	\$ -	\$ 230,769
Streets & Infrastructure Improvements	2,547,845	71,555	-	2,619,400
Furniture & Equipment	714,581	27,856	-	742,437
Right to Use Equipment	1,167,293	23,608	-	1,190,901
Total Accumulated Depreciation	<u>29,280</u>	<u>37,423</u>	<u>-</u>	<u>66,703</u>
	<u>\$ 4,676,452</u>	<u>\$ 173,758</u>	<u>\$ -</u>	<u>\$ 4,850,210</u>
Net Capital Assets	<u>\$ 1,492,515</u>	<u>\$1,172,960</u>	<u>\$ -</u>	<u>\$ 2,665,475</u>

TOWN OF RANSOM CANYON
Ransom Canyon, Texas

NOTES TO FINANCIAL STATEMENTS, Page 11
September 30, 2023

Note D: Capital Assets (continued)

Business-Type Activities:	Balance <u>10-1-22</u>	<u>Additions</u>	Deletions/ <u>Reclassifications</u>	Balance <u>9-30-23</u>
Land	\$ 25,550	\$ -	\$ -	\$ 25,550
Construction in Progress	457,249	171,182	-	628,431
Buildings & Improvements	318,428	-	-	318,428
Water & Sewer System	5,575,954	626,083	-	6,202,037
Furniture & Equipment	<u>79,428</u>	<u>-</u>	<u>-</u>	<u>79,428</u>
Total Capital Assets	<u>\$ 6,456,609</u>	<u>\$ 797,265</u>	<u>\$ -</u>	<u>\$ 7,253,874</u>
 <u>Less Accumulated</u>				
<u>Depreciation:</u>				
Buildings & Improvements	\$ 39,803	\$ 7,961	-	\$ 47,764
Water & Sewer System	3,494,468	129,765	-	3,624,233
Furniture & Equipment	<u>19,575</u>	<u>10,360</u>	<u>-</u>	<u>29,935</u>
Total Accumulated Depreciation	<u>\$ 3,553,846</u>	<u>\$ 148,086</u>	<u>\$ -</u>	<u>\$ 3,701,932</u>
Net Capital Assets	<u>\$ 2,902,763</u>	<u>\$ 649,179</u>	<u>\$ -</u>	<u>\$ 3,551,942</u>

Depreciation was charged to functions as follows:

General Government	\$ 16,834
Public Safety - Police	5,091
Public Safety - Fire	46,599
Public Works - Streets	102,602
Emergency Operations	1,902
Library	730
Water, Sewer and Sanitation	<u>148,086</u>
	<u>\$ 321,844</u>

Note E: Long-Term Obligations

Short term loans are accounted for through the applicable fund. General Fund proceeds from loans (except those issued and retired during the current year) are shown in the financial statements as Other Resources and principal payments as Other Uses. Enterprise fund loans are shown in the appropriate fund.

TOWN OF RANSOM CANYON
Ransom Canyon, Texas

NOTES TO FINANCIAL STATEMENTS, Page 12
September 30, 2023

Note E: Long-Term Obligations (continued)

At September 30, 2023 debt outstanding consisted of the following individual issues:

Combination Tax and Surplus Revenue Certificates of Obligation, Series 2020 issued for \$4,835,000 with interest rates ranging from 1.34% to 2.51%. Principal and interest payments are due on February 15 and August 15 each year with the first payment due August 15, 2021 and the last payment due February 15, 2050.

The Certificates of Obligation are direct obligations issued on a pledge of the general taxing power and the revenues of the Enterprise Fund for the payment of the debt obligations of the City. These Bonds require the City to compute, at the time other taxes are levied, the rate of tax required to provide (in each year certificates of obligation are outstanding) funds to pay interest and principal at maturity for any amounts not paid from the revenues of the Enterprise Fund. These Bonds are secured both by a pledge of ad valorem taxes levied on all taxable property within the City and by a lien on and pledge of revenues to be generated by the Enterprise Fund.

For the year ended September 30, 2023 the City paid interest in the amount of \$98,898 with the accrual basis interest expense being \$98,679 on the Certificates of Obligation.

1. Changes in long-term obligations for the year ended September 30, 2023 are as follows:

Governmental Activities:	Beginning Balance	Increases	Decrease	Ending Balance	Due Within One Year
Leases	\$ 306,457	\$ -	\$ 30,734	\$ 275,723	\$ 31,527
Compensated Absences	6,957	-	1,277	5,680	-
Net Pension Liability	283,362	-	186,199	97,163	-
Net OPEB Liability	33,953	-	13,408	20,545	-
Total governmental activities	<u>\$ 630,729</u>	<u>\$ -</u>	<u>\$ 231,618</u>	<u>\$ 399,111</u>	<u>\$ 31,527</u>

Business-Type Activities:	Beginning Balance	Increases	Decrease	Ending Balance	Due Within One Year
Certificates of Obligation	\$ 4,705,000	\$ -	\$ 130,000	\$ 4,575,000	\$ 130,000
Compensated Absences	1,084	126	-	1,210	-
Net Pension Liability	65,597	-	45,779	19,818	-
Net OPEB Liability	7,687	-	3,324	4,363	-
Total governmental activities	<u>\$ 4,779,368</u>	<u>\$ 126</u>	<u>\$ 179,103</u>	<u>\$ 4,600,391</u>	<u>\$ 130,000</u>

TOWN OF RANSOM CANYON
Ransom Canyon, Texas

NOTES TO FINANCIAL STATEMENTS, Page 13
September 30, 2023

Note E: Long-Term Obligations (continued)

2. Debt service requirements on Certificates of Obligation at September 30, 2023, are as follows:

<u>Year Ending September 30,</u>	<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 130,000	\$ 97,130	\$ 227,130
2025	135,000	95,288	230,288
2026	135,000	93,357	228,357
2027	135,000	91,339	226,339
2028	140,000	89,173	229,173
2029-2033	725,000	407,854	1,132,854
2034-2038	810,000	331,075	1,141,075
2039-2043	905,000	236,380	1,141,380
2044-2048	1,015,000	120,630	1,135,630
2049-2050	445,000	11,232	456,232
	<u>\$ 4,575,000</u>	<u>\$ 1,573,458</u>	<u>\$ 6,148,458</u>

3. Leases

The City entered into a lease contract on a copier in September 2021. This is a 51 month lease with required payments of \$433 per month.

The City entered into a lease-purchase agreement on a fire truck in fiscal year 2022. This is a 10 year lease with an effective interest rate of 2.45%.

The future payments required for leases at September 30, 2023 are as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 31,527	\$ 6,773	\$ 38,300
2025	32,341	5,959	38,300
2026	29,234	5,166	34,400
2027	28,625	4,474	33,099
2028	29,326	3,773	33,099
2029-2032	124,670	7,728	132,398
	<u>\$ 275,723</u>	<u>\$ 33,873</u>	<u>\$ 309,596</u>

Note F: Agreement with Other Government

The Town of Ransom Canyon has an agreement with Lubbock County Water Control and Improvement District No. 1 (a neighboring local government). The Town of Ransom Canyon has issued debt and is constructing a new sewer plant which is also used by LCWCID No. 1. The agreement defines the terms by which LCWCID No. 1 is paying its pro rata share, based on monthly usage, of the operating cost, construction costs, financing cost, equipment, interest, permits and inspections, and upgrades to the existing plant. LCWCID No. 1 paid \$185,146 for its usage of sewer facilities in the year ended September 30, 2023.

TOWN OF RANSOM CANYON
Ransom Canyon, Texas

NOTES TO FINANCIAL STATEMENTS, Page 14
September 30, 2023

Note G: TMRS-Pension Plan

Plan Description

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

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

Benefits Provided

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

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

The City adopted an ordinance making the following changes effective November 1, 2022.

	<u>November 1, 2022 -</u> <u>September 30, 2023</u>	<u>January 1, 2022 -</u> <u>October 31, 2022</u>
Employee deposit rate	7.0%	6.0%
Matching ratio (City to employee)	2 to 1	1.5 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100%	100%
Annuity Increase (to retirees)	0% of CPI	0% of CPI

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	6
Inactive employees entitled to but not yet receiving benefits	10
Active employees	<u>12</u>
Total	28

TOWN OF RANSOM CANYON
Ransom Canyon, Texas

NOTES TO FINANCIAL STATEMENTS, Page 15
September 30, 2023

Note H: TMRS-Pension Plan (continued)

Contributions

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

Employees for the Town of Ransom Canyon were required to contribute 6% of their annual compensation in October 2022 and 7% during the period of November 2022 through September 2023. The Town of Ransom Canyon contributed at the following rates: 14.29% (October 2022), 18.53% (November and December 2022) and 23.83% (January through September 2023). The City's contributions to TMRS for the year ended September 30, 2023 were \$139,819, and were equal to the required contributions.

Net Pension Liability

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

Actuarial assumptions:

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

Inflation	2.5% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment Rate of Return	6.75% net of pension plan investment expense, including inflation

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

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

TOWN OF RANSOM CANYON
Ransom Canyon, Texas

NOTES TO FINANCIAL STATEMENTS, Page 16
September 30, 2023

Note H: TMRS-Pension Plan (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2023 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global Equity	35.00%	7.70%
Core Fixed Income	6.00%	4.90%
Non-Core Fixed Income	20.00%	8.70%
Other Public and Private	12.00%	8.10%
Real Estate	12.00%	5.80%
Hedge Funds	5.00%	6.90%
Private Equity	<u>10.00%</u>	11.80%
Total	100.00%	

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 member 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 Members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

TOWN OF RANSOM CANYON
Ransom Canyon, Texas

NOTES TO FINANCIAL STATEMENTS, Page 17
September 30, 2023

Note H: TMRS-Pension Plan (continued)

Change in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/21	\$ 2,554,405	\$ 2,205,446	\$ 348,959
Changes for the year:			
Service cost	92,094		92,094
Interest	204,708		204,708
Change of benefit terms	513,805		513,805
Difference between expected and actual experience	(1,080,299)		(1,080,299)
Changes of assumptions			-
Contributions - employer		87,681	(87,681)
Contributions - employee		35,940	(35,940)
Net investment income		(161,605)	161,605
Benefit payments, including refunds of employee contributions	(163,096)	(163,096)	-
Administrative expense		(1,393)	1,393
Other changes		1,663	(1,663)
Net changes	<u>(432,788)</u>	<u>(200,810)</u>	<u>(231,978)</u>
Balance at 12/31/22	<u>\$ 2,121,617</u>	<u>\$ 2,004,636</u>	<u>\$ 116,981</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability/(asset)	\$ 431,312	\$ 116,981	\$ (142,298)

Pension Plan Fiduciary Net Position

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

TOWN OF RANSOM CANYON
Ransom Canyon, Texas

NOTES TO FINANCIAL STATEMENTS, Page 18
September 30, 2023

Note H: TMRS-Pension Plan (continued)

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

For the year ended September 30, 2023, the city recognized pension expense of \$446,932.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,220	\$ 927,537
Changes in actuarial assumptions	\$ 2,223	\$ 5,330
Difference between projected and actual investment earnings	\$ 148,149	\$ -
Contributions subsequent to the measure date December 31, 2022	<u>\$ 112,311</u>	<u>\$ -</u>
Total	\$ 263,903	\$ 932,867

\$112,311 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability for the year ending September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended Dec 31:	
2023	\$ (204,412)
2024	(181,926)
2025	(177,564)
2026	(146,704)
2027	(70,669)
Thereafter	<u>-</u>
Total	\$ (781,275)

TOWN OF RANSOM CANYON
Ransom Canyon, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 19
September 30, 2022

Note J: Supplemental Death Benefits Plan

1. Plan Description

The City participates in the single-employer unfunded defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (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 under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1. The SDBF had 800 participating cities as of December 31, 2022.

2. OPEB Plan Fiduciary Net Position

Detailed information about the fiduciary net position of the Supplemental Death Benefits Fund is available in the separately-issued TMRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at tmrs.com or by writing to TMRS at P.O. Box 149153, Austin, TX 78714-9153.

3. Benefits Provided

The death benefit for active members provides a lump-sum payment approximately equal to the member's annual salary (calculated based on the members' actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an "other post-employment benefit" ("OPEB") and is a fixed amount of \$7,500. The obligations of this plan are payable only from the SDBF and are not an obligation of the Pension Trust Fund. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

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

Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	1
Active employees	<u>12</u>
Total	18

4. Contributions

The City contributes to the SDBF monthly based on the payroll of their covered members at an annually actuarially determined rate. There is a one-year delay between the actuarial valuation that serves as the basis for the city's contribution rate and the calendar year when the rate goes into effect.

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

TOWN OF RANSOM CANYON
Ransom Canyon, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 20
September 30, 2023

Note J: Supplemental Death Benefits Plan (continued)

	<u>Contribution Rates</u>	
City	<u>2022</u>	<u>2023</u>
	0.21%	0.36%
Current Fiscal Year Employer Contributions	\$ 2,038	

5. Actuarial Assumptions

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

Summary of Actuarial Methods and Assumptions

Valuation Date	December 31, 2022
Actuarial Cost Method	Entry Age Normal
Inflation	2.50%
Salary increases	3.50% to 11.5% including inflation
Discount Rate*	4.05%*
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68
Mortality rates – service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates – disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

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

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

TOWN OF RANSOM CANYON
Ransom Canyon, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 21
September 30, 2023

Note J: Supplemental Death Benefits Plan (continued)

6. Discount Rate

As of December 31, 2022, the discount rate used in the development of the Total OPEB Liability was 4.05% compared to 1.84% as of December 31, 2021. In accordance with GASB No. 75, paragraph 155, the applicable discount rate for an unfunded OPEB is based on an index of tax exempt 20-year municipal bond rates rated as AA or higher. The projection of cash flows used to determine the discount rate assumed that contributions are made at the actuarially determined rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to *not be able to* make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate was Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2022.

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Total OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.71%) in measuring the Total OPEB Liability.

	1% Decrease in Discount Rate (3.05%)	Discount Rate (4.05%)	1% Increase in Discount Rate (5.05%)
Total OPEB Liability	\$ 30,176	\$ 24,908	\$ 20,789

8. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At September 30, 2023, the City reported a liability of \$24,908 for total OPEB liability. The total OPEB liability was measured as of December 31, 2022 by an actuarial valuation as of that date.

Changes Since the Prior Actuarial Valuation – The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability since the prior measurement period:

As of December 31, 2022, the discount rate used in the development of the Total OPEB Liability was 4.05% compared to 1.84% as of December 31, 2021. Beginning with the December 31, 2019 actuarial valuation, mortality rates are based on the 2019 Municipal Retirees of Texas Mortality Tables. Prior to the December 31, 2019 actuarial valuation, mortality rates were based on the RP2000 Combined Mortality Table with Blue Collar Adjustment.

For the year ended September 30, 2023, the City recognized OPEB expense of \$2,211.

TOWN OF RANSOM CANYON
Ransom Canyon, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 22
September 30, 2023

Note J: Supplemental Death Benefits Plan (continued)

Change in the Total OPEB Liability

	Total OPEB Liability (a)
Balance at 12/31/21	\$ 41,640
Changes for the year:	
Service cost	1,741
Interest	781
Change of benefit terms	
Difference between expected and actual experience	(5,551)
Changes of assumptions	(13,529)
Benefit payments, including refunds of employee contributions	(174)
Other changes	-
Net changes	<u>(16,732)</u>
Balance at 12/31/22	<u>\$ 24,908</u>

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual actuarial experiences	\$ 1,188	\$ 7,544
Changes in actuarial assumptions	\$ 6,505	\$ 12,292
Difference between projected and actual investment earnings	\$ -	\$ -
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	<u>\$ -</u>	<u>\$ -</u>
Total as of Dec. 31, 2022 measurement date	\$ 7,693	\$ 19,836
Contributions paid to TRS subsequent to the measurement date	<u>\$ 1,705</u>	<u>\$ -</u>
Total as of fiscal year-end	<u>\$ 9,398</u>	<u>\$ 19,836</u>

The net amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended December 31:</u>	<u>OPEB Expense Amount</u>
2023	\$ (1,367)
2024	(1,649)
2025	(1,254)
2026	(1,920)
2027	(2,117)
Thereafter	(3,836)

TOWN OF RANSOM CANYON
Ransom Canyon, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 23
September 30, 2023

Note I: Interfund Transfers

Interfund transfers for the year ended September 30, 2023 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
<u>General Fund:</u>		
Proprietary Fund	<u>444,005</u>	<u>-</u>
<u>Total General Fund</u>	<u>-</u>	<u>-</u>
<u>Proprietary Fund:</u>		
General Fund	<u>-</u>	<u>444,005</u>
<u>Total</u>	<u>\$ 444,005</u>	<u>\$ 444,005</u>

These interfund transfers represent cash flow transfers from the proprietary fund to the general fund in the normal course of business.

Note J: Litigation

There was no litigation pending or in progress against the City at September 30, 2023.

Note K: Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in a public entity risk pool managed by the Texas Municipal League whereby the risk is pooled with other entities. Participation in this pool allows the City to share liability, crime, motor vehicle and property damage risks. The Intergovernmental Risk Pool (the Pool) allows the City to manage risk by purchasing property, liability, and workers compensation insurance through the Texas Municipal League. The Pool provides property, liability and workers' compensation coverage for certain governmental entities of the State of Texas. Member entities include municipalities, housing authorities, councils of governments, hospital districts, water districts and tax appraisal districts. The Pool consists of five separate funds: the Workers' Compensation Fund, the Liability Fund, the Property Fund, the Reinsurance Fund and the Stability Fund. The financial results of these coverages are accounted for in separate funds by the Pool.

TOWN OF RANSOM CANYON
Ransom Canyon, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 24
September 30, 2023

Note L: Deferred Compensation Plan

The Town of Ransom Canyon provides a defined contribution pension plan governed by IRC section 457(b) to its employees. These funds are held by the City in a fiduciary capacity for the benefit of contributing employees. Employees voluntarily elect to contribute to the 457(b) plan by electing to have contributions deducted from pay. The City does not contribute to this plan.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF RANSOM CANYON
Ransom Canyon, Texas

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended September 30, 2023

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property Taxes (Including Penalty and Interest)	\$ 833,500	\$ 893,323	\$ 59,823
Franchise Taxes	36,100	45,129	9,029
Sales Tax	16,000	26,380	10,380
Library Revenue	7,000	2,480	(4,520)
RV Storage	15,000	11,660	(3,340)
Municipal Court	1,800	1,448	(352)
Permits	11,500	10,018	(1,482)
Capital Contribution	1,214,985	1,214,208	(777)
Grant Revenues	55,643	51,757	(3,886)
Miscellaneous	15,000	31,283	16,283
<u>Total Revenues</u>	<u>2,206,528</u>	<u>2,287,686</u>	<u>81,158</u>
Expenditures			
Current			
General Government	492,872	470,366	22,506
Operations	247,262	216,513	30,749
City Court	10,400	3,335	7,065
Public Safety - Police Department	459,331	457,778	1,553
Public Safety - Fire Department	119,529	119,112	417
Public Works - Street Department	279,467	153,487	125,980
Library	36,418	36,292	126
Emergency Operations	27,875	4,897	22,978
Principal on Long-Term Debt	30,750	30,733	17
Interest on Long-Term Debt	9,450	7,566	1,884
Capital Outlay	1,214,985	1,214,208	777
<u>Total Expenditures</u>	<u>2,928,339</u>	<u>2,714,287</u>	<u>214,052</u>
Other Financing Sources (Uses)			
Operating Transfers In	721,811	444,005	(277,806)
<u>Total Other Financing Sources (Uses)</u>	<u>721,811</u>	<u>444,005</u>	<u>(277,806)</u>
Ex(Over (Under) Expenditures and Other Uses			
	-	17,404	17,404
Fund Balance, Beginning of Year	123,041	123,041	-
<u>Fund Balance, End of Year</u>	<u>\$ 123,041</u>	<u>\$ 140,445</u>	<u>\$ 17,404</u>

TOWN OF RANSOM CANYON
Ransom Canyon, Texas

SCHEDULE OF CHANGES IN NET PENSION LIABILITY/ASSET
AND RELATED RATIOS - TMRS
(unaudited)

	Measurement Year								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability									
Service Cost	\$ 92,094	\$ 68,867	\$ 68,854	\$ 69,822	\$ 62,220	\$ 61,357	\$ 58,412	\$ 52,228	\$ 51,485
Interest (on the Total Pension Liability)	204,708	162,511	152,852	141,583	130,300	121,065	110,872	104,470	95,992
Changes of benefit terms	513,805	-	-	-	-	-	-	-	-
Difference between expected and actual experience	(1,080,299)	(32,134)	(44,168)	(1,339)	(630)	(12,487)	10,383	(32,917)	(4,679)
Change of assumptions	-	-	-	(13,342)	-	-	-	47,799	-
Benefit payments, including refunds of employee contributions	(163,096)	(35,955)	(32,934)	(25,663)	(31,386)	(35,722)	(24,547)	(19,564)	(19,564)
Net change in Total Pension Liability	(432,788)	163,289	144,604	171,061	160,504	134,213	155,120	147,033	123,234
Total Pension Liability - Beginning	2,554,405	2,391,116	2,246,512	2,075,451	1,914,947	1,780,734	1,625,614	1,478,581	1,355,347
Total Pension Liability - Ending (a)	\$ 2,121,617	\$ 2,554,405	\$ 2,391,116	\$ 2,246,512	\$ 2,075,451	\$ 1,914,947	\$ 1,780,734	\$ 1,625,614	\$ 1,478,581
Plan Fiduciary Net Position									
Contributions - employer	87,681	87,714	95,653	96,266	86,820	83,684	75,041	71,479	64,870
Contributions - employee	35,940	36,470	36,463	37,505	33,243	32,753	31,264	29,703	28,981
Net investment income	(161,605)	245,027	125,581	207,052	(38,610)	147,029	62,002	1,239	41,427
Benefit payments, including refunds of employee contributions	(163,096)	(35,955)	(32,934)	(25,663)	(31,386)	(35,722)	(24,547)	(24,547)	(19,564)
Administrative expense	(1,393)	(1,130)	(810)	(1,167)	(745)	(761)	(699)	(754)	(432)
Other	1,663	8	(31)	(35)	(38)	(39)	(38)	(37)	(36)
Net Change in Plan Fiduciary Net Position	(200,810)	332,134	223,922	313,958	49,284	226,944	143,023	77,083	115,246
Plan Fiduciary Net Position - Beginning	2,205,446	1,873,312	1,649,390	1,335,432	1,286,148	1,059,203	916,180	839,097	723,851
Plan Fiduciary Net Position - Ending (b)	\$ 2,004,636	\$ 2,205,446	\$ 1,873,312	\$ 1,649,390	\$ 1,335,432	\$ 1,286,147	\$ 1,059,203	\$ 916,180	\$ 839,097
Net Pension Liability/(Asset) - Ending (a) - (b)	\$ 116,981	\$ 348,959	\$ 517,804	\$ 597,122	\$ 740,019	\$ 628,800	\$ 721,531	\$ 709,434	\$ 639,484
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	94.49%	86.34%	78.34%	73.42%	64.34%	67.16%	59.48%	56.36%	56.75%
Covered Employee Payroll	\$ 580,303	\$ 607,833	\$ 607,710	\$ 625,084	\$ 554,054	\$ 545,883	\$ 521,071	\$ 495,055	\$ 483,020
Net Pension Liability/(Asset) as a Percentage of Covered Payroll	20.16%	57.41%	85.21%	95.53%	133.58%	115.19%	138.47%	143.30%	132.39%

The accompanying notes are an integral part of this statement.

TOWN OF RANSOM CANYON
Ransom Canyon, Texas

SCHEDULE OF CONTRIBUTIONS - TMRS PENSION
(unaudited)

	Fiscal Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	
Actuarially Determined Contribution	\$ 139,819	\$ 84,355	\$ 89,692	\$ 93,847	\$ 94,220	\$ 84,791	\$ 82,136	\$ 73,803	\$ 70,339	
Contributions in relation to the actuarially determined contribution	139,819	84,355	89,692	93,847	94,220	84,791	82,136	73,803	70,339	
Contribution (deficiency) excess	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Covered employee payroll	\$ 630,546	\$ 589,115	\$ 607,911	\$ 614,129	\$ 608,899	\$ 544,306	\$ 544,652	\$ 512,102	\$ 490,103	
Contributions as a percentage of covered employee payroll	22.17%	14.32%	14.75%	15.28%	15.47%	15.58%	15.08%	14.41%	14.35%	

The accompanying notes are an integral part of this statement.

TOWN OF RANSOM CANYON
Ransom Canyon, Texas

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
AND RELATED RATIOS - TMRS
(unaudited)

	Measurement Year					
	2022	2021	2020	2019	2018	2017
Total OPEB Liability						
Service Cost	\$ 1,741	\$ 2,127	\$ 1,884	\$ 1,250	\$ 1,385	\$ 1,201
Interest (on the Total OPEB Liability)	781	740	914	950	874	835
Changes of benefit terms	-	-	-	-	-	-
Difference between expected and actual experience	(5,551)	1,646	(3,782)	(656)	(942)	-
Change of assumptions	(13,529)	1,258	4,783	5,814	(1,985)	2,253
Benefit payments, including refunds of employee contributions	(174)	(182)	(61)	(63)	(55)	(55)
Net change in Total OPEB Liability	<u>(16,732)</u>	<u>5,589</u>	<u>3,738</u>	<u>7,295</u>	<u>(723)</u>	<u>4,234</u>
Total OPEB Liability - Beginning	<u>41,640</u>	<u>36,051</u>	<u>32,313</u>	<u>25,018</u>	<u>25,741</u>	<u>21,507</u>
Total OPEB Liability - Ending	<u>\$ 24,908</u>	<u>\$ 41,640</u>	<u>\$ 36,051</u>	<u>\$ 32,313</u>	<u>\$ 25,018</u>	<u>\$ 25,741</u>
Covered Employee Payroll	\$ 580,303	\$ 607,833	\$ 607,710	\$ 625,084	\$ 554,054	\$ 545,883
Total OPEB Liability/(Asset) as a Percentage of Covered Payroll	4.29%	6.85%	5.93%	5.17%	4.52%	4.72%

The accompanying notes are an integral part of this statement.

TOWN OF RANSOM CANYON
Ransom Canyon, Texas

SCHEDULE OF CONTRIBUTIONS - TMRS OPEB
(unaudited)

	Fiscal Year				
	2023	2022	2021	2020	2018
Actuarially Determined Contribution	\$ 2,038	\$ 1,218	\$ 1,339	\$ 1,516	\$ 1,183
Contributions in relation to the actuarially determined contribution	<u>2,038</u>	<u>1,218</u>	<u>1,339</u>	<u>1,516</u>	<u>1,183</u>
Contribution (deficiency) excess	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 630,546	\$ 589,115	\$ 607,911	\$ 614,129	\$ 544,306
Contributions as a percentage of covered employee payroll	0.3232%	0.2068%	0.2203%	0.2469%	0.2173%

The accompanying notes are an integral part of this statement.

TOWN OF RANSOM CANYON
Ransom Canyon, Texas

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
September 30, 2023

Schedule of Contributions for Pensions – TMRS

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	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.

TOWN OF RANSOM CANYON
Ransom Canyon, Texas

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
September 30, 2023

Schedule of Contributions for OPEB – TMRS

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Asset Valuation	For purposes of calculating the Total OPEB Liability, the plan is considered to be unfunded and therefore no assets are accumulated for OPEB.
Inflation	2.5%
Salary Increases	3.50% to 11.5% including inflation
Discount Rate*	4.05%
Retirees' share of benefit-related costs	0\$
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68
Mortality rates – service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates – disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

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

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

OTHER SUPPLEMENTARY INFORMATION

TOWN OF RANSOM CANYON
Ransom Canyon, Texas

SCHEDULE OF DELINQUENT TAXES RECEIVABLE
For the Year Ended September 30, 2023

Years Ended September 30	Tax Rate Per \$100 Value	Assessed/Appraised Value for Tax Purposes	Beginning Balance 10/01/22	Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance 09/30/23
2014 and prior	\$ --	\$ --	\$ 225	\$ -	\$ -	\$ -	\$ (22)	203
2015			154	-	-	-	-	154
2016	0.659290	115,377,420	222	-	-	-	-	222
2017	0.659290	125,415,790	303	-	-	-	-	303
2018	0.612930	136,899,277	265	-	-	-	-	265
2019	0.612930	141,132,763	254	-	-	-	-	254
2020	0.612930	150,495,652	208	-	-	-	(100)	108
2021	0.611910	155,555,719	267	-	11	1	(90)	165
2022	0.610090	156,199,249	464	-	-	-	(81)	383
2023	0.610090	174,549,657	-	1,064,910	889,846	168,395	(3,027)	3,642
Totals			\$ 2,362	\$ 1,064,910	\$ 889,857	\$ 168,396	\$ (3,320)	\$ 5,699

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Independent Auditors' Report

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and City Council
Town of Ransom Canyon, Texas
24 Lee Kitchens Dr.
Ransom Canyon, TX 79366-2200

Members of the City Council:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ransom Canyon, Texas, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Town of Ransom Canyon's basic financial statements, and have issued our report thereon dated November 14, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Ransom Canyon's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Ransom Canyon's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



Independent Auditors' Report
Page 2

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.


Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Ransom Canyon's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Terry & King, CPAs, P.C.
Lubbock, Texas
November 14, 2023

