

CITY OF SMITHVILLE, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2019



SINGLETON, CLARK
& COMPANY, PC CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SMITHVILLE, TEXAS
 ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council of the
City of Smithville, Texas

Report on 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 City of Smithville, Texas (the "City") as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2019, and the respective changes in financial position, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

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

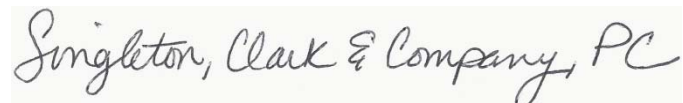
Other Information

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

The combining and individual fund financial statements and supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2020 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Singleton, Clark & Company, PC
Cedar Park, Texas

January 31, 2020

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CITY OF SMITHVILLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Management's Discussion and Analysis

As management of the City of Smithville, Texas, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2019. Please read it in conjunction with the independent auditor's report on page 1 and the City's basic financial statements which follow this section.

Financial Highlights

- At the end of the current fiscal year, the City's governmental activities net position increased by \$333,594 to end at \$7,644,386 while the business-type activities experienced a decrease of (\$8,822) to end at \$5,222,538.
- At the end of the current fiscal year, the City's governmental funds reported a combined fund balance of \$1,815,538 which is an increase of \$291,452 from the prior year. The City's General Fund accounted for \$272,710 of the current year increase and had an ending, unassigned fund balance of \$1,345,230.
- At the end of the current fiscal year, the City's Utility Funds reported a net position decrease of (\$8,822) for the year and had an unrestricted net position balance of \$791,998.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City of Smithville, Texas's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Smithville, Texas's finances, in a manner similar to a private-sector business.

The *statement of net position* presents financial information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

CITY OF SMITHVILLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Both of the government-wide financial statements distinguish functions of the City of Smithville, Texas that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, highways and streets, sanitation, culture and recreation, code enforcement/inspection, cemetery, airport, and economic development and assistance. The business-type activities of the City include electricity, water and wastewater.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Smithville, Texas, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Smithville, Texas can be divided into one of three categories: governmental funds, proprietary funds, or fiduciary funds.

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

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

The City of Smithville, Texas maintains 17 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and aggregated nonmajor governmental funds. Data from the other 16 governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The City of Smithville, Texas adopts an annual appropriated budget for its General Fund and debt service fund. A budgetary comparison statement has been provided for these funds to demonstrate compliance with these budgets.

CITY OF SMITHVILLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Proprietary Funds. The City of Smithville, Texas has the option of maintaining two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses an enterprise fund to account for its electric and water waste/water utility operation. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among a city's functions. The City is not currently utilizing an internal service fund. Because the services provided by internal service funds predominantly benefit governmental rather than business-type functions, they are usually included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the electric utility and water/wastewater utility. However, when internal service funds are utilized, they are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds are then provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are *not* reported in the government-wide financial statements because the resources of those funds *are* not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The City of Smithville, Texas maintains one fiduciary fund. The HRA Fund is used to report resources held for City employees which may be accessed for healthcare expenses.

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's progress in funding its obligation to provide pension and OPEB benefits to its employees. Required supplementary information can be found on page 64 of this report. The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information.

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City of Smithville, Texas, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$7,644,386 at the close of the most recent fiscal year.

CITY OF SMITHVILLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

City of Smithville, Texas's Net Position

	Governmental			Business-		Change
	Activities	Activities	Change	type	type	
	2019	2018		Activities	Activities	
	2019	2018	Change	2019	2018	Change
Current and Other Assets	\$ 2,197,639	\$ 1,991,299	\$ 206,340	\$ 4,413,447	\$ 2,125,950	\$ 2,287,497
Capital Assets	8,394,338	8,090,251	304,087	8,972,755	9,441,889	(469,134)
Deferred Outflows	441,427	215,121	226,306	217,419	110,820	106,599
Total Assets and Deferred Outflows	11,033,404	10,296,671	736,733	13,603,621	11,678,659	1,924,962
Current Liabilities	293,480	368,815	(75,335)	461,561	714,605	(253,044)
Long-term Liabilities	2,942,047	2,434,894	507,153	7,843,923	5,638,849	2,205,074
Deferred Inflows	153,491	182,170	(28,679)	75,599	93,845	(18,246)
Total Liabilities and Deferred Inflows	3,389,018	2,985,879	403,139	8,381,083	6,447,299	1,933,784
Net Position:						
Net Investment in Capital Assets	6,252,453	6,102,845	149,608	4,430,540	4,040,444	390,096
Restricted	416,131	396,560	19,571	-	-	-
Unrestricted	975,802	811,387	164,415	791,998	1,190,916	(398,918)
Total Net Position	\$ 7,644,386	\$ 7,310,792	\$ 333,594	\$ 5,222,538	\$ 5,231,360	\$ (8,822)

By far, the largest portion of the City of Smithville, Texas's net position 83% reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Smithville, Texas's net position 3% represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,767,800 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors. At the end of the current fiscal year, the City is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The City of Smithville, Texas's overall net position increased by \$324,772 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

Governmental Activities. During the current fiscal year, net position for the City's governmental activities increased \$333,594 from the prior year related primarily to the General Fund's net change for the year.

CITY OF SMITHVILLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

City of Smithville, Texas's Changes in Net Position

	Governmental Activities	Governmental Activities	Change	Business- type Activities	Business- type Activities	Change
	2019	2018		2019	2018	
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,138,952	\$ 1,057,513	\$ 81,439	\$ 6,710,135	\$ 6,766,010	\$ (55,875)
Operating Grants & Contributions	161,374	519,369	(357,995)	-	-	-
Capital Grants and Contributions	556,618	970,358	(413,740)	-	-	-
General Revenues:						
Property Taxes	1,518,884	1,363,602	155,282	-	-	-
Other Taxes	767,522	759,531	7,991	-	-	-
Grants and Contributions not Restricted to Specific Programs	-	-	-	-	36,886	(36,886)
Other	440,321	432,531	7,790	193,118	152,873	40,245
Total Revenue	<u>4,583,671</u>	<u>5,102,904</u>	<u>(519,233)</u>	<u>6,903,253</u>	<u>6,955,769</u>	<u>(52,516)</u>
Expenses:						
General Government	656,441	810,509	(154,068)	-	-	-
Public Safety	1,537,315	1,443,584	93,731	-	-	-
Code Enforcement and Inspection	115,940	149,513				
Highways and Streets	530,452	502,655	27,797	-	-	-
Sanitation	817,990	766,777	51,213	-	-	-
Culture and Recreation	1,140,424	1,188,733	(48,309)	-	-	-
Cemetery	84,967	65,109	19,858			
Airport	49,474	80,219	(30,745)	-	-	-
Economic Development and Assistance	86,743	88,426	(1,683)			
Interest on Long-term Debt	94,477	85,266	9,211			
Utility Fund	-	-	-	6,047,929	5,743,391	304,538
Total Expenses	<u>5,114,223</u>	<u>5,180,791</u>	<u>(66,568)</u>	<u>6,047,929</u>	<u>5,743,391</u>	<u>304,538</u>
Increase (Decrease) in Net Position						
Before Transfers	(530,552)	(77,887)	(452,665)	855,324	1,212,378	(357,054)
Transfers	864,146	1,257,000	(392,854)	(864,146)	(1,257,000)	392,854
Increase (Decrease) in Net Position	<u>333,594</u>	<u>1,179,113</u>	<u>(845,519)</u>	<u>(8,822)</u>	<u>(44,622)</u>	<u>35,800</u>
Net Position - Beginning	<u>7,310,792</u>	<u>6,131,679</u>	<u>1,179,113</u>	<u>5,231,360</u>	<u>5,275,982</u>	<u>(44,622)</u>
Net Position - Ending	<u>\$ 7,644,386</u>	<u>\$ 7,310,792</u>	<u>\$ 333,594</u>	<u>\$ 5,222,538</u>	<u>\$ 5,231,360</u>	<u>\$ (8,822)</u>

CITY OF SMITHVILLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Business-type Activities. For the City of Smithville, Texas's business-type activities, the result for the current fiscal year was a small decrease in net position of (\$8,822) related primarily to the transfer out of \$1,137,000 to the General Fund.

Financial Analysis of Governmental Funds

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

Governmental Funds. The focus of the City of Smithville, Texas's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Smithville, Texas's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City of Smithville, Texas itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City of Smithville, Texas's Council.

At September 30, 2019, the City of Smithville, Texas's governmental funds reported combined fund balances of \$1,815,538, an increase of \$291,452 in comparison with the prior year. Approximately 75% of this amount \$1,345,230 constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable, restricted, committed, or assigned* to indicate that it is 1) not in spendable form \$14,840; 2) legally required to be maintained intact \$0; 3) restricted for particular purposes \$384,202; 4) committed for particular purposes \$71,266; or 5) assigned for particular purposes \$0.

The General Fund is the chief operating fund of the City of Smithville, Texas. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,345,230, while total fund balance increased to \$1,360,070. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures. Unassigned fund balance represents approximately 30% of total General Fund expenditures.

The fund balance of the City of Smithville, Texas's General Fund increased by \$272,710 during the current fiscal year. As discussed earlier in connection with governmental activities, the increase was due to budgeted and actual expenditures including transfer being less than revenues.

CITY OF SMITHVILLE, TEXAS
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Proprietary Funds. The City of Smithville, Texas’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the Utility Funds at the end of the year was \$791,998. There was a decrease in net position for the year of (\$8,822) after the transfer out to the General Fund.

General Fund Budgetary Highlights

Original budget compared to final budget. During the year there was no need for any significant amendments to increase either the original estimated revenues or original budgeted appropriations. However, there was a need to make an amendment to reallocate appropriations among departments when it became clearer which departments would actually be charged for certain employee benefits such as pensions and other postemployment benefits. Generally, the movement of the appropriations between departments was *not* significant.

Capital Assets and Debt Administration

Capital assets. The City of Smithville, Texas’s investment in capital assets for its governmental and business-type activities as of September 30, 2019, amounts to \$17,367,093 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, vehicles, park facilities, roads, highways, bridges, and utility infrastructure.

City of Smithville, Texas’s Capital Assets

	Governmental Activities 2019	Governmental Activities 2018	Change
Land	\$ 664,891	\$ 664,891	\$ -
Construction in Progress	107,000	535,042	(428,042)
Buildings and Improvements	5,568,441	5,651,791	(83,350)
Machinery, Equipment, and Vehicles	2,257,412	2,230,697	26,715
Infrastructure	6,583,011	5,349,267	1,233,744
Total	<u>15,180,755</u>	<u>14,431,688</u>	<u>749,067</u>
Less Accumulated Depreciation	<u>(6,786,417)</u>	<u>(6,341,437)</u>	<u>(444,980)</u>
Capital Assets, net of Depreciation	<u>\$ 8,394,338</u>	<u>\$ 8,090,251</u>	<u>\$ 304,087</u>

CITY OF SMITHVILLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Business-type Activities 2019	Business-type Activities 2018	Change
	Land	\$ 174,319	\$ 174,319
Construction in Progress	11,000	-	11,000
Machinery, Equipment, and Vehicles	1,394,502	1,394,502	-
Infrastructure	16,193,187	16,193,187	-
Total	<u>17,773,008</u>	<u>17,762,008</u>	<u>11,000</u>
Less Accumulated Depreciation	(8,800,253)	(8,320,119)	(480,134)
Capital Assets, net of Depreciation	<u>\$ 8,972,755</u>	<u>\$ 9,441,889</u>	<u>\$ (469,134)</u>

Additional information on the City of Smithville, Texas's capital assets can be found in Note III.D on pages 46-47 of this report.

Long-term Debt. At the end of the current fiscal year, the City of Smithville, Texas had total debt outstanding of \$9,588,287. The remainder of the City of Smithville, Texas's long-term obligations comprises pension-related debt and capital leases.

City of Smithville, Texas's Outstanding Debt

	Governmental Activities 2019	Governmental Activities 2018	Change
	General Refunding Bonds	\$ 1,610,000	\$ 1,910,000
Certificates of Obligation	490,000	-	490,000
Capital Leases Payable	41,885	77,406	(35,521)
Compensated Absences	51,324	49,705	1,619
Total	<u>\$ 2,193,209</u>	<u>\$ 2,037,111</u>	<u>\$ 156,098</u>

	Business-type Activities 2019	Business-type Activities 2018	Change
	General Refunding Bonds	\$ 2,570,000	\$ 2,795,000
Certificates of Obligation	2,390,000	-	2,390,000
Premium on Issuance	121,303	-	121,303
Capital Leases Payable	2,365,099	2,606,445	(241,346)
Compensated Absences	28,690	32,486	(3,796)
Total	<u>\$ 7,475,092</u>	<u>\$ 5,433,931</u>	<u>\$ 2,041,161</u>

CITY OF SMITHVILLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

The City of Smithville, Texas's total debt increased by \$2,355,000 as of year-end. The reason for the increase was the issuance of \$2.975 million in new certificates of obligation. In addition to the one new debt issuance, the City of Smithville, Texas issued \$1.2 million in general obligation refunding bonds to refinance previously outstanding general obligation bonds reported in governmental activities. This refinancing was done to take advantage of favorable interest rates. The result is expected to be a decrease in future debt service payments of approximately \$43,000. Additional information on the City of Smithville, Texas's long-term debt can be found in Note III.I on pages 55-58 of this report.

Economic Factors and Next Year's Budgets and Rates

The City considered many factors when setting the fiscal year 2019-2020 budget. The City's General Fund budget for fiscal year 2019-2020 includes expenditures of \$4.65 million which is a slight increase from fiscal year 2018-2019 total adopted expenditures. The City held constant the tax rate for 2019-2020 at \$0.445499 for the General Fund and to \$0.123521 for the Interest and Sinking Fund. The overall total tax rate is \$0.569020 per \$100 valuation.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those interested in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City's business office at the City of Smithville, Texas, 317 Main Street, Smithville, Texas 78957-0449, or by calling (512) 237-3282.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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CITY OF SMITHVILLE, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 455,816	\$ 674,762	\$ 1,130,578
Investments - Current	768,244	3,418,127	4,186,371
Taxes Receivable - Delinquent	113,243	-	113,243
Allowance for Uncollectible Delinquent Taxes	(11,325)	-	(11,325)
Accounts Receivable, net	253,646	893,380	1,147,026
Internal Balances	603,175	(603,039)	136
Inventory and Prepaid Items	14,840	30,217	45,057
Capital Assets, not being depreciated:			
Land	664,891	174,319	839,210
Construction in Progress	107,000	11,000	118,000
Capital Assets, being depreciated:			
Infrastructure	6,583,011	16,193,187	22,776,198
Buildings and Improvements	5,568,441	-	5,568,441
Machinery, Equipment, and Vehicles	2,257,412	1,394,502	3,651,914
Accumulated Depreciation	(6,786,417)	(8,800,253)	(15,586,670)
Total Assets	<u>10,591,977</u>	<u>13,386,202</u>	<u>23,978,179</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows of Resources - Pension	433,387	213,459	646,846
Deferred Outflows of Resources - OPEB	8,040	3,960	12,000
Total Deferred Outflows of Resources	<u>441,427</u>	<u>217,419</u>	<u>658,846</u>
LIABILITIES			
Accounts Payable	141,371	239,231	380,602
Salaries and Benefits Payable	92,457	35,648	128,105
Accrued Interest Payable	13,298	80,850	94,148
Unearned Revenue	46,354	-	46,354
Customer Deposits	-	105,832	105,832
Noncurrent Liabilities:			
Due Within One Year	361,066	547,975	909,041
Compensated Absences Liability	51,324	28,690	80,014
Net Pension Liability	631,926	311,247	943,173
Net OPEB Liability	116,912	57,584	174,496
Due in More Than One Year	1,780,819	6,898,427	8,679,246
Total Liabilities	<u>3,235,527</u>	<u>8,305,484</u>	<u>11,541,011</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows of Resources - Pension	144,634	71,237	215,871
Deferred Inflows of Resources - OPEB	8,857	4,362	13,219
Total Deferred Inflows of Resources	<u>153,491</u>	<u>75,599</u>	<u>229,090</u>
NET POSITION			
Net Investment in Capital Assets	6,252,453	4,430,540	10,682,993
Restricted for Debt Service	416,131	-	416,131
Unrestricted	975,802	791,998	1,767,800
Total Net Position	<u>\$ 7,644,386</u>	<u>\$ 5,222,538</u>	<u>\$ 12,866,924</u>

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

CITY OF SMITHVILLE, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Functions/Programs:	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 656,441	\$ 42,303	\$ 43,099	\$ -
Public Safety	1,537,315	71,120	66,196	-
Code Enforcement and Inspection	115,940	-	-	-
Highways and Streets	530,452	12,656	-	84,279
Sanitation	817,990	834,230	-	468,509
Culture and Recreation	1,140,424	136,695	52,079	-
Cemetery	84,967	25,333	-	-
Airport	49,474	16,615	-	-
Economic Development and Assistance	86,743	-	-	3,830
Interest	94,477	-	-	-
Total Governmental Activities:	<u>5,114,223</u>	<u>1,138,952</u>	<u>161,374</u>	<u>556,618</u>
Business-type Activities:				
Utility Funds	6,047,929	6,710,135	-	-
Total Business-type Activities:	<u>6,047,929</u>	<u>6,710,135</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 11,162,152</u>	<u>\$ 7,849,087</u>	<u>\$ 161,374</u>	<u>\$ 556,618</u>

General Revenues:

- Property Taxes
- Sales Taxes
- Hotel and Motel Taxes
- Franchise Taxes
- Contributions and Donations from Private Sources
- Interest Rate Subsidy
- Investment Earnings
- Loss on asset disposal
- Miscellaneous Revenue

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

Net Position - Ending

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

Net (Expense) Revenue and Changes in Net Position

Primary Government		
Governmental Activities	Business-Type Activites	Total
\$ (571,039)	\$ -	\$ (571,039)
(1,399,999)	-	(1,399,999)
(115,940)	-	(115,940)
(433,517)	-	(433,517)
484,749	-	484,749
(951,650)	-	(951,650)
(59,634)	-	(59,634)
(32,859)	-	(32,859)
(82,913)	-	(82,913)
(94,477)	-	(94,477)
<u>(3,257,279)</u>	<u>-</u>	<u>(3,257,279)</u>
-	662,206	662,206
<u>-</u>	<u>662,206</u>	<u>662,206</u>
<u>(3,257,279)</u>	<u>662,206</u>	<u>(2,595,073)</u>
1,518,884	-	1,518,884
646,707	-	646,707
20,064	-	20,064
100,751	-	100,751
77,311	-	77,311
-	70,251	70,251
30,142	80,340	110,482
(25,005)	-	(25,005)
357,873	42,527	400,400
864,146	(864,146)	-
<u>3,590,873</u>	<u>(671,028)</u>	<u>2,919,845</u>
333,594	(8,822)	324,772
<u>7,310,792</u>	<u>5,231,360</u>	<u>12,542,152</u>
<u>\$ 7,644,386</u>	<u>\$ 5,222,538</u>	<u>\$ 12,866,924</u>

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FUND BASIS FINANCIAL STATEMENTS

CITY OF SMITHVILLE, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019

	General Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 416,045	\$ 39,771	\$ 455,816
Investments - Current	344,878	423,366	768,244
Taxes Receivable - Delinquent	86,076	27,167	113,243
Allowance for Uncollectible Delinquent Taxes	(8,608)	(2,717)	(11,325)
Accounts Receivable, net	184,191	69,455	253,646
Due from Other Funds	678,063	-	678,063
Prepaid Items	14,840	-	14,840
Total Assets	<u>\$ 1,715,485</u>	<u>\$ 557,042</u>	<u>\$ 2,272,527</u>
LIABILITIES			
Accounts Payable	\$ 139,380	\$ 640	\$ 140,020
Accrued Salaries and Benefits	90,862	1,595	92,457
Due to Other Funds	-	74,888	74,888
Unearned Revenue	46,354	-	46,354
Other Current Liabilities	1,351	-	1,351
Total Liabilities	<u>277,947</u>	<u>77,123</u>	<u>355,070</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows of Resources - Property Taxes	77,468	24,451	101,919
Total Deferred Inflows of Resources	<u>77,468</u>	<u>24,451</u>	<u>101,919</u>
FUND BALANCES			
Nonspendable:			
Prepaid Items	14,840	-	14,840
Restricted:			
Debt Service	-	384,202	384,202
Committed:			
Specific Purposes	-	39,581	39,581
Capital Projects	-	31,685	31,685
Unassigned	1,345,230	-	1,345,230
Total Fund Balances	<u>1,360,070</u>	<u>455,468</u>	<u>1,815,538</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 1,715,485</u>	<u>\$ 557,042</u>	<u>\$ 2,272,527</u>

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

CITY OF SMITHVILLE, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

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

Total Fund Balances - Governmental Funds		\$ 1,815,538
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds.		
Governmental Capital Assets	\$15,180,755	
Less Accumulated Depreciation	<u>(6,786,417)</u>	8,394,338
The net pension Liability and the Net OPEB Liability are not available resources and, therefore, are not reported in the funds.		
Net pension liability, including pension deferred inflows & outflows	(343,173)	
Net OPEB liability, including OPEB deferred outflows	<u>(117,729)</u>	(460,902)
Other long-term assets, such as uncollected property taxes, are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.		
		101,919
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds Payable	(1,610,000)	
Certificates of Obligation Payable	(490,000)	
Capital Leases	(41,885)	
Compensated Absences	(51,324)	
Accrued Interest Payable	<u>(13,298)</u>	<u>(2,206,507)</u>
Net Position of Governmental Activities		<u>\$ 7,644,386</u>

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

CITY OF SMITHVILLE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	General Fund	Total Nonmajor Funds	Total Governmental Funds
REVENUES			
Property Taxes	\$ 1,214,452	\$ 323,783	\$ 1,538,235
Sales Taxes	646,707	-	646,707
Hotel and Motel Taxes	20,064	-	20,064
Franchise Taxes	100,751	-	100,751
Licenses and Permits	59,389	-	59,389
Intergovernmental Revenues	52,530	665,462	717,992
Charges for Services	985,870	40,173	1,026,043
Fines	69,574	-	69,574
Investment Earnings	19,884	10,258	30,142
Grants and Contributions	49,870	27,441	77,311
Miscellaneous Revenue	340,319	1,500	341,819
Total Revenues	<u>3,559,410</u>	<u>1,068,617</u>	<u>4,628,027</u>
EXPENDITURES			
Current:			
General Government	402,599	171,462	574,061
Public Safety	1,341,883	-	1,341,883
Code Enforcement and Inspections	101,506	-	101,506
Highways and Streets	471,897	-	471,897
Sanitation	728,306	-	728,306
Culture and Recreation	983,038	19,475	1,002,513
Cemetery	76,278	-	76,278
Airport	44,415	-	44,415
Economic Development and Assistance	77,873	-	77,873
Debt Service:			
Principal	35,521	315,000	350,521
Interest	3,402	75,724	79,126
Issuance Costs	-	24,925	24,925
Capital Outlay	84,715	747,702	832,417
Total Expenditures	<u>4,351,433</u>	<u>1,354,288</u>	<u>5,705,721</u>
Excess (Deficiency) of Revenues			
Over Expenditures	<u>(792,023)</u>	<u>(285,671)</u>	<u>(1,077,694)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	1,137,000	289,413	1,426,413
Transfers Out	(562,267)	-	(562,267)
Certificates and Refunding Bonds Issued	490,000	1,200,000	1,690,000
Other Uses - Bond Refunding	-	(1,185,000)	(1,185,000)
Total Other Financing Sources (Uses)	<u>1,064,733</u>	<u>304,413</u>	<u>1,369,146</u>
Net Change in Fund Balance	272,710	18,742	291,452
Fund Balance - Beginning	1,087,360	436,726	1,524,086
Fund Balance - Ending	<u>\$ 1,360,070</u>	<u>\$ 455,468</u>	<u>\$ 1,815,538</u>

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

CITY OF SMITHVILLE, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

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

Net Change in Fund Balances - Total Governmental Funds \$ 291,452

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.

Expenditures for Capitalized Assets	\$ 749,067	
Less Current Year Depreciation	<u>(444,980)</u>	304,087

The net effect of various miscellaneous transactions involving property taxes is to increase net position. (19,351)

The net effect of various transactions involving the City's net pension liability and net OPEB liability is to decrease net position. (96,070)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Issuance of Certificates of Obligation	(490,000)	
Refinancing General Refunding Bonds	(15,000)	
Principal Repayment of Debt	350,521	
Change in Compensated Absences Payable	(1,619)	
Change in Accrued Interest Payable	<u>9,574</u>	<u>(146,524)</u>

Change in Net Position - Governmental Activities \$ 333,594

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

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CITY OF SMITHVILLE, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Property Taxes	\$ 1,151,341	\$ 1,214,452	\$ 1,214,452	\$ -
Sales Taxes	620,250	653,141	646,707	(6,434)
Hotel and Motel Taxes	20,250	20,064	20,064	-
Franchise Taxes	95,280	100,751	100,751	-
Licenses and Permits	46,140	58,099	59,389	1,290
Intergovernmental Revenues	-	-	52,530	52,530
Charges for Services	979,595	1,003,664	985,870	(17,794)
Fines	67,650	75,579	69,574	(6,005)
Investment Earnings	11,250	19,883	19,884	1
Grants and Contributions	64,360	102,549	49,870	(52,679)
Miscellaneous Revenue	209,000	317,765	340,319	22,554
Total Revenues	<u>3,265,116</u>	<u>3,565,947</u>	<u>3,559,410</u>	<u>(6,537)</u>
EXPENDITURES				
Current:				
General Government	375,756	430,132	402,599	27,533
Public Safety	1,397,615	1,370,237	1,341,883	28,354
Code Enforcement and Inspections	110,149	102,128	101,506	622
Highways and Streets	503,118	468,400	471,897	(3,497)
Sanitation	666,141	731,307	728,306	3,001
Culture and Recreation	975,911	983,074	983,038	36
Cemetery	73,636	76,278	76,278	-
Airport	48,491	48,491	44,415	4,076
Economic Development and Assistance	89,687	78,532	77,873	659
Debt Service:				
Bond Principal	35,521	35,521	35,521	-
Interest	3,402	3,402	3,402	-
Capital Outlay	6,000	87,123	84,715	2,408
Total Expenditures	<u>4,285,427</u>	<u>4,414,625</u>	<u>4,351,433</u>	<u>63,192</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>(1,020,311)</u>	<u>(848,678)</u>	<u>(792,023)</u>	<u>56,655</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	1,137,000	1,137,000	1,137,000	-
Transfers Out	(116,689)	(72,267)	(562,267)	(490,000)
Certificates of Obligation Issued	-	-	490,000	490,000
Total Other Financing Sources (Uses)	<u>1,020,311</u>	<u>1,064,733</u>	<u>1,064,733</u>	<u>-</u>
Net Change in Fund Balances	-	216,055	272,710	56,655
Fund Balance - Beginning	1,087,360	1,087,360	1,087,360	-
Fund Balance - Ending	<u>\$ 1,087,360</u>	<u>\$ 1,303,415</u>	<u>\$ 1,360,070</u>	<u>\$ 56,655</u>

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

CITY OF SMITHVILLE, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2019

	Business-Type Activities
	Utility Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 674,762
Investments	3,418,127
Accounts Receivable, net	893,380
Due from Other Funds	13,728
Inventory and Prepaid Items	30,217
Total Current Assets	5,030,214
Noncurrent Assets:	
Land	174,319
Infrastructure	16,193,187
Machinery, Equipment, and Vehicles	1,394,502
Accumulated Depreciation	(8,800,253)
Construction in Progress	11,000
Total Noncurrent Assets	8,972,755
Total Assets	14,002,969
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows - Pension	213,459
Deferred Outflows - OPEB	3,960
Total Deferred Outflows of Resources	217,419
LIABILITIES	
Current Liabilities:	
Accounts Payable and Accrued Liabilities	239,231
Salaries and Benefits Payable	35,648
Due to Other Funds	616,767
Accrued Interest Payable	80,850
Bonds and Capital Leases Payable - Current	547,975
Customer Deposits	105,832
Total Current Liabilities	1,626,303
Noncurrent Liabilities:	
Bonds Payable	4,781,303
Capital Leases	2,117,124
Compensated Absences	28,690
Net Pension Liability	311,247
Net OPEB Liability	57,584
Total Noncurrent Liabilities	7,295,948
Total Liabilities	8,922,251
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows - Pension	71,237
Deferred Inflows - OPEB	4,362
Total Deferred Inflows of Resources	75,599
NET POSITION	
Net Investment in Capital Assets	4,430,540
Unrestricted	791,998
Total Net Position	\$ 5,222,538

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

CITY OF SMITHVILLE, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Business-Type Activities
	Utility Fund
OPERATING REVENUES	
Charges for Services:	
Water Sales	\$ 807,284
Sewerage Service	834,857
Electricity Sales	4,742,848
Other Charges for Services	325,146
Miscellaneous Revenue	42,527
Total Operating Revenues	6,752,662
OPERATING EXPENSES	
Personnel Services	1,195,796
Purchased Professional and Technical Services	236,120
Other Purchased Services	2,449,085
Other Operating Expenses	1,429,675
Depreciation	480,134
Total Operating Expenses	5,790,810
Operating Income (Loss)	961,852
NONOPERATING REVENUES (EXPENSES)	
Interest Rate Subsidy	70,251
Investment Earnings	80,340
Interest Expense	(257,119)
Transfers In	3,000,000
Transfers Out	(3,864,146)
Total Nonoperating Revenues (Expenses)	(970,674)
Change in Net Position	(8,822)
Net Position-Beginning	5,231,360
Net Position-Ending	\$ 5,222,538

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

CITY OF SMITHVILLE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Business-Type Activities
	Utility Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	\$ 6,650,486
Receipt (Return) of Customer Deposits	5,550
Other Receipts	42,477
Payments to Suppliers and Service Providers	(1,468,269)
Payments to Employees for Salaries and Benefits	(1,161,212)
Payments to Other Funds for Services Provided	(2,296,793)
Net Cash Provided by (Used for) Operating Activities	1,772,239
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers to Other Funds	(3,864,146)
Transfers from Other Funds	3,000,000
Net Cash Provided by (Used for) Capital and Financing Activities	(864,146)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and Construction of Capital Assets	(11,000)
Principal Paid on Capital Debt	2,044,957
Interest Paid on Capital Debt	(257,119)
Interest Rate Subsidy	70,251
Net Cash Provided by (Used for) Capital and Related Financing Activities	1,847,089
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of Investments	(2,765,942)
Interest on Investments	80,340
Net Cash Provided by Investing Activities	(2,685,602)
Net Increase (Decrease) in Cash and Cash Equivalents	69,580
Cash and Cash Equivalents-Beginning	605,182
Cash and Cash Equivalents-Ending	\$ 674,762

CITY OF SMITHVILLE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
SEPTEMBER 30, 2019

Reconciliation of Operating Income (Loss) to Net Cash Provided (Used for) Operating Activities:

Operating Income (Loss)	\$	961,852
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:		
Depreciation Expense		480,134
(Increase) Decrease in Accounts Receivable		(59,649)
(Increase) Decrease in Due from Other Funds		(11,228)
(Increase) Decrease in Inventories		(14,124)
(Increase) Decrease in Prepaid Items		16,259
(Increase) Decrease in Deferred Outflows		(106,599)
(Decrease) Increase in Deposits Payable		5,550
(Decrease) Increase in Accounts Payable		(31,241)
(Decrease) Increase in Accrued Salaries & Compensated Absences		(4,484)
(Decrease) Increase in Accrued Items		(9,488)
(Decrease) Increase in Due to Other Funds		399,640
(Decrease) Increase in Unearned Revenue		(50)
(Decrease) Increase in Net Pension Liability		166,586
(Decrease) Increase in Net OPEB Liability		(2,673)
(Decrease) Increase in Deferred Inflows		(18,246)
Total Adjustments		810,387
Net Cash Provided by (Used for) Operating Activities	\$	1,772,239

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

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CITY OF SMITHVILLE, TEXAS
 STATEMENT OF NET POSITION
 FIDUCIARY FUNDS
 SEPTEMBER 30, 2019

	Trust Fund
	HRA Fund
ASSETS	
Investments	\$ 70,940
Total Assets	70,940
LIABILITIES	
Other Liabilities	70,804
Due to Other Funds	136
Total Liabilities	\$ 70,940

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

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NOTES TO THE FINANCIAL STATEMENTS

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CITY OF SMITHVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

I. Summary of Significant Accounting Policies

A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support.

B. Reporting Entity

The City of Smithville, Texas (the “City”) is a municipal corporation governed by an elected mayor and five-member governing Council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units are, in substance, part of the primary government’s operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government. For the year ended September 30, 2018, based on the definition of a component unit, the City did not have any component units, blended or discretely presented. Nor, is the City a component unit of any other entity.

C. Basis of Presentation – Government-Wide Financial Statements

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

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government’s funds, including its fiduciary funds and blended component units. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The government reports the following major governmental funds:

The *General Fund* is the government’s primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

CITY OF SMITHVILLE, TEXAS
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The government reports the following major enterprise funds:

The *Utility Fund* accounts for the activities of the City's electric, water and wastewater operations.

Additionally, the government reports the following fund types:

Special revenue funds account for resources restricted by grantor and/or committed by the City to specific purposes. Most federal and state assistance is accounted for in special revenue funds, and occasionally unused balances must be returned to the grantor.

Capital project funds are used to account for the acquisition and construction of the City's major capital facilities other than those financed by the City's proprietary fund.

The *Interest & Sinking Fund*, a debt service fund, is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.

The *HRA Fund*, a fiduciary fund, accounts for resources held in trust for employees which may be accessed for healthcare expenses.

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

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

E. Measurement Focus and Basis of Accounting

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

CITY OF SMITHVILLE, TEXAS
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The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

Proprietary, pension and other postemployment benefit trust, and private-purpose trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Fiduciary funds have no measurement focus but utilize the *accrual basis of accounting* for reporting its assets and liabilities.

F. Budgetary Information

1. Budgetary basis of accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and debt service fund. The capital projects fund is appropriated on a project-length basis. Other special revenue funds and the permanent fund do not have appropriated budgets since other means control the use of these resources (e.g., grant awards and endowment requirements) and sometimes span a period of more than one fiscal year.

The appropriated budget is prepared by fund and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

CITY OF SMITHVILLE, TEXAS
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Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

2. Excess of expenditures over appropriations

For the year ended September 30, 2019, expenditures did not significantly exceed appropriations in any of the City's legally adopted budgets.

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

1. Cash and cash equivalents

The government'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.

2. Investments

Investments for the government are reported at fair value (generally based on quoted market prices) except for positions in Local Government Investment Pools (TexPool LoneStar etc.) when applicable. In accordance with state law, these investment pools operate in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, the pools qualify as 2a7-like pools and are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. The pools are subject to regulatory oversight by the State Treasurer, although it is not registered with the SEC.

3. Inventories and prepaid items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies and utility operations repair parts. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets, except for infrastructure assets, are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of more than one year.

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As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight line method over the following estimated useful lives:

Capital asset classes	Lives
Buildings	40
Machinery and equipment	5
Vehicles	5
Improvements	7-40
Infrastructure	15-40

5. *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. 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. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

6. *Net position flow assumption*

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

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7. Fund balance flow assumptions

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

8. Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The council has by resolution authorized the City Manager to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

H. Revenues and Expenditures/Expenses

1. Program revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

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2. *Property taxes*

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The City levies its taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. The assessed value of the property tax roll of January 1, 2018, upon which the levy for the 2018-2019 fiscal year was based, was \$248,844,879. Taxes are delinquent if not paid by February 1st of the following calendar year. Delinquent taxes are subject to both penalty and interest charges plus 15% delinquent collection fees for attorney costs.

The tax rates assessed for the year ended September 30, 2019, to finance General Fund and debt service fund operations were \$.445499 and \$.123521, respectively, for a total tax rate of \$.569020 per \$100 valuation. The total tax levy for the General Fund and debt service fund for the 2018-2019 fiscal year was \$1,415,977. Tax collections, including collections of prior year delinquent balances, for the year ended September 30, 2019, were 99% of the year end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates for the year of the levy. Allowances for uncollectible taxes within the General and debt service funds are based on historical experience in collecting taxes.

3. *Compensated absences*

Vacation

The government's policy permits employees to accumulate up to 144 hours earned but unused vacation benefits, which are eligible for payment upon separation from government service. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

Sick Leave

Accumulated sick leave lapses when employees leave the employment of the government and, upon separation from service, no monetary obligation exists.

4. *Proprietary funds operating and nonoperating revenues and expenses*

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

CITY OF SMITHVILLE, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

II. Stewardship, Compliance and Accountability

A. Violations of Legal or Contractual Provisions

No violations of legal or contractual provisions were noted during the current year.

III. Detailed Notes on All Activities and Funds

A. Cash Deposits with Financial Institutions

Custodial credit risk-deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of September 30, 2019, the government's bank balance was \$1,144,349 and \$0 of that amount was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging or financial institution's trust department or agent, but not in the government's name.

B. Investments

The State Treasurer's Investment Pool (Pool) operates in accordance with state law, which requires it to meet all of the requirements of Rule 2a-7 of the Securities and Exchange Commission. See note I.G.2, *Investments*, for a discussion of how the shares in the Pool are valued. The Pool has a credit rating of AAA from Standard & Poor's Financial Services. Local government investment pools in this rating category meet the highest standards for credit quality, conservative investment policies, and safety of principal. The Pool invests in a high quality portfolio of debt securities investments legally permissible for municipalities and school districts in the state. The government utilizes a pooled investment concept for all its funds to maximize its investment program. Investment income from this internal pooling is allocated to the respective funds based upon the sources of funds invested. State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool.

As of September 30, 2019, the government had the following investments:

Investment Type	Maturity Time in Years			
	Less than 1	1-5	6-10	More Than 10
Lone Star Investment Pool	\$3,360,633	\$ -	\$ -	\$ -
Certificates of Deposit	896,678	-	-	-
Total Investments	<u>\$4,257,311</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Interest rate risk. In accordance with its investment policy, the government manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than ten months.

CITY OF SMITHVILLE, TEXAS
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Credit risk. State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). It is the government’s policy to limit its investments in these investment types to the top rating issued by NRSROs. As of June 30, 2022, the government’s investment in the State Treasurer’s investment pool was rated AAA by Standard & Poor’s and Aaa by Moody’s Investors Service. The government’s investments in commercial paper were rated A1 by Standard & Poor’s, F-1 by Fitch Ratings, and P-1 by Moody’s Investor’s Service. The government’s investments in corporate bonds were rated AAA by Standard & Poor’s and Fitch Ratings, and Aaa by Moody’s Investors Service.

Concentration of credit risk. The government’s investment policy does not allow for an investment in any one issuer that is in excess of 5 percent of the government’s total investments. This restriction however does not apply to government investment pools due to the low risk nature of this type of investment.

Custodial credit risk-investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

C. Receivables

Amounts are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. Below is a detail of receivables for the major and nonmajor funds of both the governmental and proprietary funds of the government, including the applicable allowances for uncollectible accounts:

Governmental Funds

Receivables	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Property Taxes	\$ 86,076	\$ 27,167	\$ 113,243
Sales and Mixed Beverage Taxes	99,948	-	99,948
Property Liens	71,189	-	71,189
Grants	17,802	69,455	87,257
Other	26,764	-	26,764
Gross Receivables	301,779	96,622	398,401
Less: Allowance for Uncollectibles	(40,120)	(2,717)	(42,837)
Net Receivables	\$ 261,659	\$ 93,905	\$ 355,564

Proprietary Funds

Receivables	Utility Fund
Utility Billing	\$ 1,587,897
Gross receivables	1,587,897
Less: Allowance for uncollectibles	(694,517)
Net receivables	\$ 893,380

CITY OF SMITHVILLE, TEXAS
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FOR THE YEAR ENDED SEPTEMBER 30, 2019

D. Capital Assets

Capital assets activity for the year ended September 30, 2019, was as follows:

Governmental Activities:

	Balance 10/1/18	Increases	Decreases	Adjustments	Balance 9/30/19
Capital assets, not being depreciated:					
Land	\$ 664,891	\$ -	\$ -	\$ -	\$ 664,891
Construction in Progress	535,042	102,100	-	(530,142)	107,000
Total Capital Assets, not Being Depreciated	1,199,933	102,100	-	(530,142)	771,891
Capital Assets, Being Depreciated:					
Buildings and Improvements	5,651,791	-	(83,350)	-	5,568,441
Machinery, Equipment, and Vehicles	2,230,697	26,715	-	-	2,257,412
Infrastructure	5,349,267	703,602	-	530,142	6,583,011
Total Capital Assets, Being Depreciated	13,231,755	730,317	(83,350)	530,142	14,408,864
Less Accumulated Depreciation for:					
Buildings and Improvements	(3,184,779)	(143,219)	58,345	-	(3,269,653)
Machinery, Equipment, and Vehicles	(2,045,814)	(74,559)	-	-	(2,120,373)
Infrastructure	(1,110,844)	(285,547)	-	-	(1,396,391)
Total Accumulated Depreciation	(6,341,437)	(503,325)	58,345	-	(6,786,417)
Total Capital Assets Being Depreciated, net	6,890,318	226,992	(25,005)	530,142	7,622,447
Governmental Activities Capital Assets, net	\$ 8,090,251	\$ 329,092	\$ (25,005)	\$ -	\$ 8,394,338

Business-type Activities:

	Balance 10/1/18	Increases	Decreases	Adjustments	Balance 9/30/19
Capital assets, not being depreciated:					
Land	\$ 174,319	\$ -	\$ -	\$ -	\$ 174,319
Construction in progress	-	11,000	-	-	11,000
Total Capital Assets, not Being Depreciated	174,319	11,000	-	-	185,319
Capital Assets, Being Depreciated:					
Machinery, Equipment, and Vehicles	1,394,502	-	-	-	1,394,502
Infrastructure	16,193,187	-	-	-	16,193,187
Total Capital Assets, Being Depreciated	17,587,689	-	-	-	17,587,689
Less Accumulated Depreciation for:					
Machinery, Equipment, and Vehicles	(978,623)	(85,730)	-	-	(1,064,353)
Infrastructure	(7,341,496)	(394,404)	-	-	(7,735,900)
Total Accumulated Depreciation	(8,320,119)	(480,134)	-	-	(8,800,253)
Total Capital Assets Being Depreciated, net	9,267,570	(480,134)	-	-	8,787,436
Business-type Activities Capital Assets, net	\$ 9,441,889	\$ (469,134)	\$ -	\$ -	\$ 8,972,755

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

Governmental Activities:

General Government	\$	65,390
Public Safety		152,851
Code Enforcement and Inspections		11,562
Highways and Streets		53,752
Sanitation		82,959
Culture and Recreation		114,193
Cemetery		8,689
Airport		5,059
Economic Development and Assistance		8,870
Total depreciation expense - governmental activities	\$	<u><u>503,325</u></u>

E. Defined Benefit Pension Plan

Plan Description

The City participates as one of 887 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

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

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS. At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

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Employees Covered by Benefit Terms

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Retirees or beneficiaries currently receiving benefits	31
Inactive employees entitled to but not yet receiving benefits	67
Active employees	62
	160
	160

Contributions

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

Employees for the City were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of Smithville were 6.81% and 6.74% in calendar years 2019 and 2018, respectively. The City’s contributions to TMRS for the year ended September 30, 2019 were \$179,053 and were equal to the required contributions.

Net Pension Liability

The City’s Net Pension Liability (NPL) was measured as of December 31, 2018, 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, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the city, rates are multiplied by a factor of 95%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Table with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality is applied to reflect the impairment for younger

CITY OF SMITHVILLE, TEXAS
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members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2018, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation. The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.65%
Real Return	10.0%	4.03%
Real Estate	10.0%	5.00%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	8.00%
Total	100%	

CITY OF SMITHVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Discount Rate

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

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance as of December 31, 2017	\$ 6,008,970	\$ 5,583,496	\$ 425,474
Changes for the year:			
Service Cost	250,807	-	250,807
Interest	407,615	-	407,615
Change of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	(13,107)	-	(13,107)
Changes of Assumptions	-	-	-
Contributions - Employer	-	172,002	(172,002)
Contributions - Employee	-	126,288	(126,288)
Net Investment Income	-	(167,272)	167,272
Benefit Payments, Including Refunds of Employee Contr.	(191,255)	(191,255)	-
Administrative Expense	-	(3,232)	3,232
Other Changes	-	(170)	170
Net Changes	454,060	(63,639)	517,699
Balance as of December 31, 2018	\$ 6,463,030	\$ 5,519,857	\$ 943,173

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%	Current Discount Rate 6.75%	1% Increase in Discount Rate 7.75%
City's Net Pension Liability	\$ 1,882,163	\$ 943,173	\$ 174,648

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmr.com.

CITY OF SMITHVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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

For the year ended September 30, 2019, the city recognized pension expense of \$85,862.

At September 30, 2019, 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 Experience	\$ 18,258	\$ 8,879
Difference in Assumptions	-	-
Net Difference Between Projected and Actual Investment Earnings	496,479	206,992
Contributions Subsequent to the Measurement Date	132,109	-
Total	\$ 646,846	\$ 215,871

\$132,109 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, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year Ended Dec 31st:	Net Deferred Outflows (Inflows) of Resources
2019	\$ 112,316
2020	38,259
2021	39,461
2022	108,830
2023	-
Thereafter	-
Total	<u>\$ 298,866</u>

CITY OF SMITHVILLE, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

F. Other Post-Employment Benefit (OPEB) Obligations

Benefits Provided

The City also participates in the cost sharing multiple-employer 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 death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an other post-employment benefit, or OPEB.

Employees Covered by Benefit Terms

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	25
Inactive employees entitled to but not yet receiving benefits	8
Active employees	62
	95
	95

Contributions

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

The City’s contributions to the TMRS SDBF for the years September 30, 2019 and 2018 were \$5,852 and \$5,493 respectively, which equaled the required contributions each year.

Plan Assets

At the December 31, 2018 valuation and measurement date, there are no assets accumulated in trust.

CITY OF SMITHVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Actuarial Assumptions

The Total OPEB Liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Salary increases	3.5%-10.5% including inflation per year
Discount rate	3.31% based on Fidelity Index's 20-year Municipal GO AA Index
Retirees' share of benefit costs	\$0

All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB No. 68. Mortality rates for service retirees are calculated using the RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB; while the mortality rate for disabled retirees are calculated using the RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females and projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor. The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

Schedule of Changes in the Total OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balance as of December 31, 2017	\$ 177,227	\$ -	\$ 177,227
Changes for the Year:			
Service Cost	9,345	-	9,345
Interest	5,996	-	5,996
Change of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	(5,284)	-	(5,284)
Changes of Assumptions	(11,273)	-	(11,273)
Contributions - Employer	-	-	-
Contributions - Employee	-	-	-
Net Investment Income	-	-	-
Benefit Payments, Including Refunds of Employee Contr.	(1,515)	-	(1,515)
Administrative Expense	-	-	-
Other Changes	-	-	-
Net Changes	<u>(2,731)</u>	<u>-</u>	<u>(2,731)</u>
Balance as of December 31, 2018	<u>\$ 174,496</u>	<u>\$ -</u>	<u>\$ 174,496</u>

CITY OF SMITHVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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

The following presents the net OPEB liability of the City, calculated using the discount rate of 3.71%, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower 2.71% or 1-percentage-point higher 4.71% than the current rate:

	1% Decrease in Discount Rate 2.71%	Current Discount Rate 3.71%	1% Increase in Discount Rate 4.71%
City's Net OPEB Liability	\$ 204,728	\$ 174,496	\$ 150,462

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

For the year ended September 30, 2019, the city recognized OPEB expense of \$10,208.

At September 30, 2019, the city reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 4,219
Difference in Assumptions	7,732	9,000
Net Difference Between Projected and Actual Investment Earnings	-	-
Contributions Subsequent to the Measurement Date	4,268	-
Total	\$ 12,000	\$ 13,219

\$4,268 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, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year Ended Dec 31st:	Net Deferred Outflows (Inflows) of Resources
2019	\$ (726)
2020	(726)
2021	(830)
2022	(3,205)
2023	-
Thereafter	-
Total	\$ (5,487)

CITY OF SMITHVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

G. Risk Management

The government is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During the year, the City purchased commercial insurance to cover general liabilities. There are no significant reductions in coverage in the past fiscal year and no settlements exceeding insurance coverage for each of the past three fiscal years.

H. Lease Obligations

1. Capital Leases

The future minimum capital lease obligations and the net present value of these minimum lease payments as of September 30, 2019, were as follows:

Year Ending September 30	Governmental Activities
2020	13,501
2021	13,501
2022	13,501
2023	6,752
Total Minimum Lease Payments	47,255
Less: Amount Representing Interest	(5,370)
Present Value of Minimum Lease Payments	<u>\$ 41,885</u>

Year Ending September 30	Business-type Activities				
	Digger	Jet Machine	QECCB	Dump Truck	Total
2020	\$ 37,426	\$ 11,693	\$ 245,482	\$ 38,729	\$ 333,330
2021	-	-	216,398	38,729	255,127
2022	-	-	241,274	38,730	280,004
2023	-	-	238,677	-	238,677
2024	-	-	235,939	-	235,939
2025-2029	-	-	1,026,163	-	1,026,163
2030-2031	-	-	537,810	-	537,810
Total Minimum Lease Payments	37,426	11,693	2,741,743	116,188	2,907,050
Less: Amount Representing Interest	(1,336)	(346)	(532,395)	(7,874)	(541,951)
Present Value of Minimum Lease Payments	<u>\$ 36,090</u>	<u>\$ 11,347</u>	<u>\$ 2,209,348</u>	<u>\$ 108,314</u>	<u>\$ 2,365,099</u>

The City's capital lease for smart meters through Qualified Energy Conservation Bonds (QECCB) earned the City an interest rate subsidy of \$70,251 during the year.

CITY OF SMITHVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

I. Long-Term Liabilities

General Obligation Bonds

The government issues general obligation bonds and certificates of obligation to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and certificates of obligation have been issued for both governmental and business-type activities. These long-term debt instruments are direct obligations and pledge the full faith and credit of the government. General obligation bonds and certificates of obligation generally are issued with repayment scheduled to occur as equal amounts of principal maturing each year with maturities that range from 5 to 20 years.

The government issues maintenance tax notes or obtains regular notes payable financing arrangements from banks to provide funds for the acquisition of equipment or minor capital projects. Tax notes and regular notes payable are direct obligations and pledge the full faith and credit of the government. These debt instruments are generally repaid in equal installments of principal and interest over a period of 3 to 10 years.

Details of long-term debt obligations outstanding at September 30, 2018 are as follows:

Governmental Activities:

Type	Sale Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding 9/30/19
Bonds Payable					
Certificates of Obligation, Series 2019	2019	\$ 490,000	3.50-5.00%	2033	\$ 490,000
General Refunding Bonds, Series 2018	2018	1,200,000	2.40-2.85%	2024	1,200,000
General Refunding Bonds, Series 2005	2005	2,555,000	3.90%	2021	410,000
Total Bonds Payable					<u>\$ 2,100,000</u>
Capital Leases Payable					
Capital Lease Wood Chipper	2018	58,800	5.19%	2023	\$ 41,885
Total Capital Leases Payable					<u>\$ 41,885</u>

Business-type Activities:

Type	Sale Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding 9/30/19
Bonds Payable					
Certificates of Obligation, Series 2019	2019	\$ 2,485,000	3.50-5.00%	2033	\$ 2,390,000
General Refunding Bonds, Series 2007	2007	4,500,000	4.20%	2028	2,570,000
Total General Obligation Bonds					<u>\$ 4,960,000</u>
Capital Leases Payable					
Capital Lease Digger Truck	2016	\$ 174,240	3.70%	2019	\$ 36,090
Capital Lease Jet Machine	2016	52,000	4.70%	2020	11,347
Capital Lease Dump Truck	2018	178,906	3.59%	2022	108,314
Capital Lease QECB	2016	2,661,148	3.68%	2031	2,209,348
Total Capital Leases Payable					<u>\$ 2,365,099</u>

CITY OF SMITHVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

CITY OF SMITHVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Current year refunded debt. During the fiscal year, the City issued \$1.2 million of General Obligation Refunding Bonds, Series 2018. The proceeds of which refunded Series 2009 debt and generated a net present value savings of \$43,139.

Changes in Long-Term Liabilities

Changes in the government's long-term liabilities for the year ended September 30, 2019 are as follows:

Governmental Activities:

Description	Balance 10/1/18	Additions	Deletions	Balance 9/30/19	Due in One Year
Bonds Payable					
General Refunding Bonds	\$ 1,910,000	\$ 1,200,000	\$ (1,500,000)	\$ 1,610,000	\$ 345,000
Certificates of Obligation	-	490,000	-	490,000	5,000
Total Bonds Payable	<u>1,910,000</u>	<u>1,690,000</u>	<u>(1,500,000)</u>	<u>2,100,000</u>	<u>350,000</u>
Capital Leases	77,406	-	(35,521)	41,885	11,066
Compensated Absences	49,705	1,619	-	51,324	-
Gov. Act. Long-term Liabilities	<u>\$ 2,037,111</u>	<u>\$ 1,691,619</u>	<u>\$ (1,535,521)</u>	<u>\$ 2,193,209</u>	<u>\$ 361,066</u>

Business-type Activities:

Description	Balance 10/1/18	Additions	Deletions	Balance 9/30/19	Due in One Year
Bonds Payable					
General Refunding Bonds	\$ 2,795,000	\$ -	\$ (225,000)	\$ 2,570,000	\$ 235,000
Certificates of Obligation	-	2,485,000	(95,000)	2,390,000	65,000
Premium on Issuance	-	127,687	(6,384)	121,303	-
Total Bonds Payable	<u>2,795,000</u>	<u>2,612,687</u>	<u>(326,384)</u>	<u>5,081,303</u>	<u>300,000</u>
Capital Leases	2,606,445	-	(241,346)	2,365,099	247,975
Compensated Absences	32,486	-	(3,796)	28,690	-
Bus.-type Act. Long-term Liab.	<u>\$ 5,433,931</u>	<u>\$ 2,612,687</u>	<u>\$ (571,526)</u>	<u>\$ 7,475,092</u>	<u>\$ 547,975</u>

CITY OF SMITHVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

The debt service requirements for the government's bonds, loans, and notes are as follows:

Governmental Activities:

Year Ended September 30,	Governmental Activities	
	Bonds Payable	
	Principal	Interest
2020	\$ 350,000	\$ 42,365
2021	360,000	30,880
2022	305,000	21,200
2023	315,000	13,171
2024	325,000	4,489
2025-2029	235,000	55,175
2030-2033	210,000	13,713
Totals	\$ 2,100,000	\$ 180,993

Business-type Activities:

Year Ended September 30,	Business-Type Activities	
	Bonds Payable	
	Principal	Interest
2020	\$ 300,000	\$ 190,630
2021	315,000	177,195
2022	330,000	163,110
2023	345,000	148,355
2024	360,000	132,950
2025-2029	1,750,000	423,930
2030-2034	805,000	206,000
2035-2038	755,000	56,925
Totals	\$ 4,960,000	\$ 1,499,095

CITY OF SMITHVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

J. Interfund Receivables and Payables

The composition of interfund balances as of September 30, 2018 is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Special Revenue Funds	\$ 61,160
General Fund	Utility Fund	616,767
General Fund	Trust Fund	136
Utility Fund	Special Revenue Funds	6,250
Utility Fund	Debt Service Fund	7,478
Total		<u>\$ 691,791</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. These amounts also include balances of working capital loans made to several nonmajor governmental funds which the general fund expects to collect in the subsequent year.

K. Interfund Transfers

The composition of interfund transfers for the year ended September 30, 2019 is as follows:

	Transfer In			Total
	General Fund	Nonmajor Governmental Funds	Major prop. Utility Funds	
Transfer Out				
General Fund	\$ -	\$ 72,267	\$ 490,000	\$ 562,267
Utility Funds	1,137,000	217,146	2,510,000	3,864,146
Total	<u>\$ 1,137,000</u>	<u>\$ 289,413</u>	<u>\$ 3,000,000</u>	<u>\$ 4,426,413</u>

During the year, recurring transfers were used to 1) move revenues from a fund with collection authority to another fund with related expenditure requirements, 2) move general fund resources to provide subsidies to other funds as needs arise, and 3) move resources from the electric fund to the general fund to subsidize governmental activities.

Furthermore, during the year ended September 30, 2019 the government made the following one-time transfers. The General Fund and the Utility Fund sent \$72,267 and \$130,146, respectively, to various special revenue funds related to federal program obligations. The General Fund transferred \$490,000 to the Utility Fund related to certificates of obligation issued during the year for a City capital project. And, lastly, the Utility Fund transferred \$87,000 to the debt service fund.

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CITY OF SMITHVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

L. Contingencies

The government participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the government's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the government anticipates such amounts, if any, will be immaterial.

The City was not involved in any litigation at year-end that the City's attorney feels would result in a negative outcome or present any material liability to the City.

M. Subsequent Events

As of January 31, 2020, there were no items noted requiring recording and/or disclosure.

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REQUIRED SUPPLEMENTARY INFORMATION
OTHER REPORTING

CITY OF SMITHVILLE, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Measurement Year				
	2014	2015	2016	2017	2018
A. Total Pension Liability					
1. Service Cost	\$ 171,454	\$ 197,338	\$ 214,184	\$ 234,022	\$ 250,807
2. Interest (on the Total Pension Liability)	326,676	331,919	347,256	377,443	407,615
3. Changes of Benefit Terms	-	-	-	-	-
4. Difference Between Expected and Actual Experience	(262,383)	24,762	73,787	26,295	(13,107)
5. Changes of Assumptions	-	40,818	-	-	-
6. Benefit Payments, Including Refunds of Employee Contributions	(135,516)	(212,038)	(188,818)	(207,054)	(191,255)
7. Net Change in Total Pension Liability	\$ 100,231	\$ 382,799	\$ 446,409	\$ 430,706	\$ 454,060
8. Total Pension Liability - Beginning	4,648,825	4,749,056	5,131,855	5,578,264	6,008,970
9. Total Pension Liability - Ending	<u>\$ 4,749,056</u>	<u>\$ 5,131,855</u>	<u>\$ 5,578,264</u>	<u>\$ 6,008,970</u>	<u>\$ 6,463,030</u>
B. Plan Fiduciary Net Position					
1. Contributions - Employer	\$ 29,724	\$ 142,066	\$ 129,248	\$ 154,591	\$ 172,002
2. Contributions - Employee	99,355	105,079	108,613	118,552	126,288
3. Net Investment Income	241,945	6,584	304,080	672,056	(167,272)
4. Benefit Payments, Including Refunds of Employee Contributions	(135,516)	(212,038)	(188,818)	(207,054)	(191,255)
5. Administrative Expense	(2,526)	(4,010)	(3,434)	(3,483)	(3,232)
6. Other Changes	(208)	(198)	(185)	(177)	(170)
7. Net Change in Plan Fiduciary Net Position	\$ 232,774	\$ 37,483	\$ 349,504	\$ 734,485	\$ (63,639)
8. Plan Fiduciary Net Position - Beginning	4,229,250	4,462,024	4,499,507	4,849,011	5,583,496
9. Plan Fiduciary Net Position - Ending	<u>\$ 4,462,024</u>	<u>\$ 4,499,507</u>	<u>\$ 4,849,011</u>	<u>\$ 5,583,496</u>	<u>\$ 5,519,857</u>
C. Net Pension Liability [A.9 - B.9]	<u>\$ 287,032</u>	<u>\$ 632,348</u>	<u>\$ 729,253</u>	<u>\$ 425,474</u>	<u>\$ 943,173</u>
D. Plan Fiduciary Net Position as a Percentage of the Total Pension Liability [B.9 / A.9]	93.96%	87.68%	86.93%	92.92%	85.41%
E. Covered-Employee Payroll	\$ 1,987,091	\$ 2,101,573	\$ 2,172,253	\$ 2,371,040	\$ 2,525,752
F. Net Position as a Percentage of Covered Employee Payroll [C / E]	14.44%	30.09%	33.57%	17.94%	37.34%

CITY OF SMITHVILLE, TEXAS
SCHEDULE OF EMPLOYER NPL CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Fiscal Year				
	2015	2016	2017	2018	2019
Actuarially Determined Contribution	\$ 138,556	\$ 132,289	\$ 147,681	\$ 168,019	\$ 179,053
Actuarially Determined Contribution	<u>(138,556)</u>	<u>(132,289)</u>	<u>(147,681)</u>	<u>(168,019)</u>	<u>(179,053)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll	\$ 2,049,642	\$ 2,140,771	\$ 2,321,089	\$ 2,496,669	\$ 2,659,919
Contributions as a Percentage of Covered Employee Payroll	6.8%	6.2%	6.4%	6.7%	6.7%

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CITY OF SMITHVILLE, TEXAS
NOTES TO SCHEDULE OF NPL EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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	27 Years
Asset valuation method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary increases	3.50% to 10.50%, including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Other Information:

Notes There were no benefit changes during the year.

CITY OF SMITHVILLE, TEXAS
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Measurement Year 2017	Measurement Year 2018
A. Total OPEB Liability		
1. Service Cost	\$ 7,824	\$ 9,345
2. Interest on Total OPEB Liability	5,862	5,996
3. Changes of Benefit Terms	-	-
4. Difference Between Expected and Actual Experience	-	(5,284)
5. Changes of Assumptions	12,956	(11,273)
6. Benefit Payments	(1,186)	(1,515)
7. Net Changes	\$ 25,456	\$ (2,731)
8. Total OPEB Liability - Beginning of the Year	151,771	177,227
9. Total OPEB Liability - End of the Year	<u>\$ 177,227</u>	<u>\$ 174,496</u>
E. Covered-Employee Payroll	\$ 2,371,040	\$ 2,525,752
F. Total OPEB Liability as a Percentage of Covered Payroll	7.47%	6.91%

CITY OF SMITHVILLE, TEXAS
 SCHEDULE OF NOPEBL EMPLOYER CONTRIBUTIONS
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Fiscal Year		
	2017	2018	2019
Actuarially Determined Contribution	\$ 5,171	\$ 5,493	\$ 5,852
Contributions in Relation to the Actuarially Determined Contribution	(5,171)	(5,493)	(5,852)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll	\$2,321,089	\$2,496,669	\$2,659,919
Contributions as a Percentage of Covered Employee Payroll	0.22%	0.22%	0.22%

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CITY OF SMITHVILLE, TEXAS
 NOTES TO SCHEDULE OF NOPEBL EMPLOYER CONTRIBUTIONS
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

Summary of Actuarial Assumptions:

Inflation	2.50%
Salary increases	3.50% to 10.50%; including inflation
Discount rate*	3.71%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reported requirements under GASB Statement No. 68.
Mortality rates - service retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality rates - disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

Other Information:

Notes

*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2018.

The Actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

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Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenue sources that are restricted, committed, or assigned to expenditures for particular purposes.

The *Railroad Park Fund* is used to account for park operations and activities.

The *Police Seized Asset Fund* is used to account for all the assets seized by the police department.

The *2009 TXCDBG Project Fund* was used to account for the administration of the City's Community Development Block Grant. It currently has immaterial residual funds related to the grant.

The *HOMES Project Fund* is used to account for the City's HOMES grant.

The *Hazard Mitigation Grant Project (HMGP) Fund* is used to account for the City's grant project.

The *TAP Loop 230 Sidewalk* is used to account for the construction and expansion of the Loop 230 sidewalks.

The *Cops Hiring Grant Fund* is used to account for the City's Cops Hiring grant.

The *Grant and Donation Fund* is used to account for the donations received by the city for a particular purpose.

The *Veterans Memorial Park Fund* is used to account for park operations and activities.

The *Smithville Cares Fund* is used to account for operations and activities of the City's Smithville Cares program.

The *School Resource Officer Fund* is used to account for City's school resource officer.

The *PEG Capital Fee Fund* is used to account for specific City fees and franchise taxes.

The *Airport Fly-In Fund* is used to account for certain airport related activities.

The *Independence Park Fund* is used to account for park operations and activities.

Debt Service Fund

The *Interest & Sinking Fund*, also referred to as the debt service fund, is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of the City's governmental funds.

Capital Projects Funds

The *Bonds Projects Fund* is used to account for the acquisition and construction of the City's major capital facilities and projects financed through debt issuance, other than those financed by proprietary funds.

CITY OF SMITHVILLE, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Special Revenue Funds		
	Railroad Park	Police Seized Asset Fund	2009 TXCDBG Project
ASSETS			
Cash and Cash Equivalents	\$ 1,083	\$ 2,461	\$ 61
Investments - Current	-	-	-
Taxes Receivable - Delinquent	-	-	-
Allowance for Uncollectible Delinquent Taxes	-	-	-
Accounts Receivable	-	-	-
Total Assets	\$ 1,083	\$ 2,461	\$ 61
LIABILITIES			
Accounts Payable	\$ -	\$ -	\$ -
Accrued Salaries and Benefits	-	-	-
Due to Other Funds	-	-	-
Total Liabilities	-	-	-
DEF. INFLOWS OF RESOURCES			
Deferred Inflows of Resources - Property Taxes	-	-	-
Total Deferred Inflows of Resources	-	-	-
FUND BALANCES (DEFICITS)			
Restricted:			
Debt Service	-	-	-
Committed:			
Specific Purposes	1,083	2,461	61
Total Fund Balances	1,083	2,461	61
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 1,083	\$ 2,461	\$ 61

Special Revenue Funds

HOMES Project	HMPG Grant	TAP Loop 230 Sidewalk	Cops Hiring Grant	Grant and Donation Fund	Veterans Memorial Park	Smithville Cares
\$ 201	\$ -	\$ -	\$ -	\$ -	\$ 3,476	\$ 3,679
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
2,399	49,716	-	-	12,119	-	-
\$ 2,600	\$ 49,716	\$ -	\$ -	\$ 12,119	\$ 3,476	\$ 3,679
\$ 450	\$ -	\$ -	\$ -	\$ -	\$ 190	\$ -
-	-	-	-	-	-	-
1,949	49,716	-	-	12,119	-	-
2,399	49,716	-	-	12,119	190	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
201	-	-	-	-	3,286	3,679
201	-	-	-	-	3,286	3,679
\$ 2,600	\$ 49,716	\$ -	\$ -	\$ 12,119	\$ 3,476	\$ 3,679

CITY OF SMITHVILLE, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Special Revenue Funds		
	School Resource Officer Fund	PEG Capital Fee	Airport Fly-In
ASSETS			
Cash and Cash Equivalents	\$ -	\$ 17,902	\$ 5,074
Investments - Current	-	-	-
Taxes Receivable - Delinquent	-	-	-
Allowance for Uncollectible Delinquent Taxes	-	-	-
Accounts Receivable	5,221	-	-
Total Assets	\$ 5,221	\$ 17,902	\$ 5,074
LIABILITIES			
Accounts Payable	\$ -	\$ -	\$ -
Accrued Salaries and Benefits	1,595	-	-
Due to Other Funds	3,626	-	-
Total Liabilities	5,221	-	-
DEF. INFLOWS OF RESOURCES			
Deferred Inflows of Resources - Property Taxes	-	-	-
Total Deferred Inflows of Resources	-	-	-
FUND BALANCES (DEFICITS)			
Restricted:			
Debt Service	-	-	-
Committed:			
Specific Purposes	-	17,902	5,074
Total Fund Balances	-	17,902	5,074
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 5,221	\$ 17,902	\$ 5,074

	Debt Service Funds		Capital Projects Fund		Total Non- Major Governmental Funds
Independence Park	Interest & Sinking Fund	Bonds Projects			
\$ 5,834	\$ -	\$ -			\$ 39,771
-	391,681	31,685			423,366
-	27,167	-			27,167
-	(2,717)	-			(2,717)
-	-	-			69,455
<u>\$ 5,834</u>	<u>\$ 416,131</u>	<u>\$ 31,685</u>			<u>\$ 557,042</u>
\$ -	\$ -	\$ -			\$ 640
-	-	-			1,595
-	7,478	-			74,888
-	7,478	-			77,123
-	24,451	-			24,451
-	24,451	-			24,451
-	384,202	-			384,202
5,834	-	-			39,581
5,834	384,202	31,685			455,468
<u>\$ 5,834</u>	<u>\$ 416,131</u>	<u>\$ 31,685</u>			<u>\$ 557,042</u>

CITY OF SMITHVILLE, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Special Revenue Funds		
	Railroad Park	Police Seized Asset Fund	2009 TXCDBG Project
REVENUES			
Property Taxes	\$ -	\$ -	\$ -
Intergovernmental Revenues	-	-	290,000
Charges for Services	-	-	-
Investment Earnings	38	61	-
Grants and Contributions	25	-	-
Miscellaneous Revenue	-	-	-
Total Revenues	63	61	290,000
EXPENDITURES			
Current:			
General Government	-	-	-
Culture and Recreation	817	-	-
Debt Service:			
Principal	-	-	-
Interest	-	-	-
Issuance Costs	-	-	-
Capital Outlay	-	-	412,646
Total Expenditures	817	-	412,646
Excess (Deficiency) of Revenues			
Over Expenditures	(754)	61	(122,646)
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	122,646
Refunding Bonds Issued	-	-	-
Other Uses - Bond Refunding	-	-	-
Total Other Financing Sources (Uses)	-	-	122,646
Net Change in Fund Balance	(754)	61	-
Fund Balance - Beginning	1,837	2,400	61
Fund Balance - Ending	\$ 1,083	\$ 2,461	\$ 61

Special Revenue Funds

HOMES Project	HMPG Grant	TAP Loop 230 Sidewalk	Cops Hiring Grant	Grant and Donation Fund	Veterans Memorial Park	Smithville Cares
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
24,899	178,510	84,279	17,860	69,914	-	-
-	-	-	-	-	-	-
-	-	-	-	-	86	92
-	-	-	-	26,853	563	-
-	-	-	-	1,500	-	-
24,899	178,510	84,279	17,860	98,267	649	92
32,399	-	-	-	98,267	623	-
-	-	-	17,860	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	250,777	84,279	-	-	-	-
32,399	250,777	84,279	17,860	98,267	623	-
(7,500)	(72,267)	-	-	-	26	92
7,500	72,267	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
7,500	72,267	-	-	-	-	-
-	-	-	-	-	26	92
201	-	-	-	-	3,260	3,587
\$ 201	\$ -	\$ -	\$ -	\$ -	\$ 3,286	\$ 3,679

CITY OF SMITHVILLE, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Special Revenue Funds</u>		
	School	PEG Capital	
	Resource Officer Fund	Fee Airport Fly-In	
REVENUES			
Property Taxes	\$ -	\$ -	\$ -
Intergovernmental Revenues	-	-	-
Charges for Services	40,173	-	-
Investment Earnings	-	444	138
Grants and Contributions	-	-	-
Miscellaneous Revenue	-	-	-
Total Revenues	<u>40,173</u>	<u>444</u>	<u>138</u>
EXPENDITURES			
Current:			
General Government	40,173	-	-
Culture and Recreation	-	-	798
Debt Service:			
Principal	-	-	-
Interest	-	-	-
Issuance Costs	-	-	-
Capital Outlay	-	-	-
Total Expenditures	<u>40,173</u>	<u>-</u>	<u>798</u>
Excess (Deficiency) of Revenues			
Over Expenditures	<u>-</u>	<u>444</u>	<u>(660)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Refunding Bonds Issued	-	-	-
Other Uses - Bond Refunding	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	444	(660)
Fund Balance - Beginning	-	17,458	5,734
Fund Balance - Ending	<u>\$ -</u>	<u>\$ 17,902</u>	<u>\$ 5,074</u>

	Debt Service Funds		Capital Projects Fund	Total Non-Major Governmental Funds
Independence Park	Interest & Sinking Fund	Bonds Projects		
\$ -	\$ 323,783	\$ -	\$ -	\$ 323,783
-	-	-	-	665,462
-	-	-	-	40,173
145	8,476	778	-	10,258
-	-	-	-	27,441
-	-	-	-	1,500
145	332,259	778	-	1,068,617
-	-	-	-	171,462
-	-	-	-	19,475
-	315,000	-	-	315,000
-	75,724	-	-	75,724
-	24,925	-	-	24,925
-	-	-	-	747,702
-	415,649	-	-	1,354,288
145	(83,390)	778	-	(285,671)
-	87,000	-	-	289,413
-	1,200,000	-	-	1,200,000
-	(1,185,000)	-	-	(1,185,000)
-	102,000	-	-	304,413
145	18,610	778	-	18,742
5,689	365,592	30,907	-	436,726
\$ 5,834	\$ 384,202	\$ 31,685	\$ -	\$ 455,468

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CITY OF SMITHVILLE, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Property Taxes	\$ 323,415	\$ 333,141	\$ 323,783	\$ (9,358)
Investment Earnings	-	15,955	8,476	(7,479)
Total Revenues	323,415	349,096	332,259	(16,837)
EXPENDITURES				
Debt Service:				
Principal	315,000	315,000	315,000	-
Interest	74,243	75,724	75,724	-
Issuance Costs	-	9,925	24,925	(15,000)
Total Expenditures	389,243	400,649	415,649	(15,000)
Excess (Deficiency) of Revenues				
Over Expenditures	(65,828)	(51,553)	(83,390)	(31,837)
OTHER FINANCING SOURCES (USES)				
Transfers In	87,000	87,000	87,000	-
Refunding Bonds Issued	-	-	1,200,000	1,200,000
Other Uses - Bond Refunding	-	-	(1,185,000)	1,185,000
Total Other Financing Sources (Uses)	87,000	87,000	102,000	15,000
Net Change in Fund Balance	21,172	35,447	18,610	(16,837)
Fund Balance - Beginning	365,592	365,592	365,592	-
Fund Balance - Ending	\$ 386,764	\$ 401,039	\$ 384,202	\$ (16,837)

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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, Members of the City Council and Citizens of
the City of Smithville, Texas

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 City of Smithville, Texas, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Smithville, Texas's basic financial statements, and have issued our report thereon dated .

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Smithville, Texas's internal control over financial reporting (internal control) to determine the 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 of Smithville, Texas's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Smithville, Texas'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 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 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.

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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Smithville, Texas'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 determination of financial statement amounts. 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*.

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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.

A handwritten signature in black ink on a light yellow background. The signature reads "Singleton, Clark & Company, PC" in a cursive script.

Singleton, Clark & Company, PC
Cedar Park, Texas

January 31, 2020

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CITY OF SMITHVILLE, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

SECTION I – SUMMARY OF AUDITOR’S RESULTS

FINANCIAL STATEMENTS

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

FEDERAL AWARDS

Under the guidelines of the federal Uniform Guidance, a Single Audit was not required for the year ended September 30, 2019 due to expenditures of federal awards being below \$750,000.

SECTION II – FINANCIAL STATEMENT FINDINGS

Findings Related to Financial Statements Which are Required to be Reported in Accordance with Government Auditing Standards:

No findings or questioned costs required to be reported in accordance with *Government Auditing Standards* for the year ended September 30, 2019.

2018-001 Budget Overages

Criteria: Each year the City Council adopts an appropriations budget which limits expenditure amounts within specific line items that can be made by the City departments.

Condition Found: As of year-end, actual expenditures exceeded appropriations in the General Fund in the sanitation function by \$37,773, in the capital outlay function by \$21,000 and in the transfer out function by \$14,654.

Cause: The City did not amend the budget for expenditure overages at year end for these line items.

Effect: The effect of this condition is a technical noncompliance with the legally adopted appropriations budget as required.

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CITY OF SMITHVILLE, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2019

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Recommendation: We recommend the City closely monitor expenditures and amend the appropriations budget as required.

Corrective Action Plan: The Finance Department will closely monitor expenditures and bring budget amendments to the City Council as needed.

Contact Person: Cynthia White, Finance Director

Current Status: Condition not noted in the current year.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Not applicable for the year ended September 30, 2019. No findings or questioned costs required to be reported in accordance with federal Uniform Guidance for the year ended September 30, 2018.