

CITY OF SMITHVILLE, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2020



SINGLETON, CLARK
& COMPANY, PC CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SMITHVILLE, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

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FINANCIAL SECTION

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SINGLETON, CLARK
& COMPANY, PC CERTIFIED PUBLIC ACCOUNTANTS

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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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, 2020, 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.

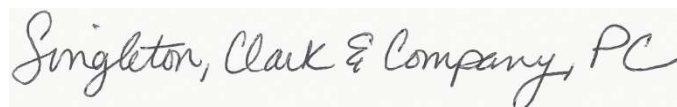
Other Information

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 February 26, 2021 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

February 26, 2021

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CITY OF SMITHVILLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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, 2020. 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 and business-type activities net position increased by \$2,702,296, to end at \$10,346,682 and \$23,513, to end at \$5,246,051, respectively.
- At the end of the current fiscal year, the City's governmental funds reported a combined fund balance of \$2,256,932 which represents an increase of \$441,394 from the previous year. The City's General Fund accounted for \$415,495 of the current year increase and had an ending, unassigned fund balance of \$1,764,683.
- At the end of the current fiscal year, the City's Utility Fund reported a net position increase of \$23,513 for the year and had an ending, unrestricted net position balance of \$2,966,771.

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).

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.

CITY OF SMITHVILLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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 15 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, the Hazard Mitigation Grant Projects (HMPG) Fund, and the aggregated nonmajor governmental funds. Data from the other 13 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.

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.

CITY OF SMITHVILLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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 beginning on page 58 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 \$15,592,733 at the close of the most recent fiscal year.

City of Smithville, Texas's Net Position

	Governmental Activities 2020	Governmental Activities 2019	Change	Business- Type Activities 2020	Business- Type Activities 2019	Change
Current and Other Assets	\$ 2,935,842	\$ 2,197,639	\$ 738,203	\$ 3,840,937	\$ 4,413,447	\$ (572,510)
Capital Assets	10,479,154	8,394,338	2,084,816	9,309,881	8,972,755	337,126
Deferred Outflows	373,331	441,427	(68,096)	183,880	217,419	(33,539)
Total Assets and Deferred Outflows	13,788,327	11,033,404	2,754,923	13,334,698	13,603,621	(268,923)
Current Liabilities	572,630	293,480	279,150	583,924	461,561	122,363
Long-term Liabilities	2,508,627	2,942,047	(433,420)	7,327,219	7,843,923	(516,704)
Deferred Inflows	360,388	153,491	206,897	177,504	75,599	101,905
Total Liabilities and Deferred Inflows	3,441,645	3,389,018	52,627	8,088,647	8,381,083	(292,436)
Net Position:						
Net Investment in Capital Assets	8,565,062	6,252,453	2,312,609	2,279,280	4,430,540	(2,151,260)
Restricted	414,214	416,131	(1,917)	-	-	-
Unrestricted	1,367,406	975,802	391,604	2,966,771	791,998	2,174,773
Total Net Position	\$ 10,346,682	\$ 7,644,386	\$ 2,702,296	\$ 5,246,051	\$ 5,222,538	\$ 23,513

By far, the largest portion of the City of Smithville, Texas's net position, 70%, 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 \$4,334,177 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.

CITY OF SMITHVILLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

The City of Smithville, Texas's overall net position increased by \$2,725,809 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. The \$2,702,296 increase in net position for the City's governmental activities related primarily to a large increase in Capital Grants and Contributions received by the City.

Business-type Activities. The \$23,513 increase in net position for the City's business-type activities was primarily the result of a decrease in the City's proprietary expenses as compared to the previous year.

City of Smithville, Texas's Changes in Net Position

	Governmental Activities 2020	Governmental Activities 2019	Change	Business- Type Activities 2020	Business- Type Activities 2019	Change
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,255,940	\$ 1,138,952	\$ 116,988	\$ 6,774,364	\$ 6,710,135	\$ 64,229
Operating Grants & Contributions	363,910	161,374	202,536	-	-	-
Capital Grants and Contributions	2,473,396	556,618	1,916,778	-	-	-
General Revenues:						
Property Taxes	1,655,026	1,518,884	136,142	-	-	-
Other Taxes	846,808	767,522	79,286	-	-	-
Other	266,499	440,321	(173,822)	154,878	193,118	(38,240)
Total Revenue	6,861,579	4,583,671	2,277,908	6,929,242	6,903,253	25,989
Expenses:						
General Government	934,665	656,441	278,224	-	-	-
Public Safety	1,544,200	1,537,315	6,885	-	-	-
Code Enforcement and Inspection	118,296	115,940	2,356	-	-	-
Highways and Streets	497,563	530,452	(32,889)	-	-	-
Sanitation	890,926	817,990	72,936	-	-	-
Culture and Recreation	1,162,984	1,140,424	22,560	-	-	-
Cemetery	60,276	84,967	(24,691)	-	-	-
Airport	53,608	49,474	4,134	-	-	-
Economic Development and Assistance	72,018	86,743	(14,725)	-	-	-
Interest on Long-term Debt	64,107	94,477	(30,370)	-	-	-
Utility Fund	-	-	-	5,666,369	6,047,929	(381,560)
Total Expenses	5,398,643	5,114,223	284,420	5,666,369	6,047,929	(381,560)
Increase (Decrease) in Net Position						
Before Transfers	1,462,936	(530,552)	1,993,488	1,262,873	855,324	407,549
Transfers	1,239,360	864,146	375,214	(1,239,360)	(864,146)	(375,214)
Increase (Decrease) in Net Position	2,702,296	333,594	2,368,702	23,513	(8,822)	32,335
Net Position - Beginning	7,644,386	7,310,792	333,594	5,222,538	5,231,360	(8,822)
Net Position - Ending	\$ 10,346,682	\$ 7,644,386	\$ 2,702,296	\$ 5,246,051	\$ 5,222,538	\$ 23,513

CITY OF SMITHVILLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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, 2020, the City of Smithville, Texas's governmental funds reported combined fund balances of \$2,256,932, an increase of \$441,394 in comparison with the previous year. Approximately 78% of this amount, \$1,764,683 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, \$10,882; 2) legally required to be maintained intact, \$0; 3) restricted for particular purposes, \$387,398; 4) committed for particular purposes, \$93,969; 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 \$1,764,683, while total fund balance increased to \$1,775,565. 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 27% of total General Fund expenditures.

The fund balance of the City of Smithville, Texas's General Fund increased by \$415,495 during the current fiscal year. As discussed earlier in connection with governmental activities, the increase was primarily due to greater than originally expected grant revenues.

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. The net position of the Utility Fund increased from \$5,222,538 to \$5,246,051 as a result of the year's operations. Unrestricted net position of the Utility Fund at the end of the year was \$2,966,771.

General Fund Budgetary Highlights

Original budget compared to final budget. During the year, the City did make certain budget amendments that were considered significant related to capital grants and their corresponding in-kind capital outlay expenditures. With that exception, generally, the movement of the appropriations between departments was *not* significant.

CITY OF SMITHVILLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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, 2020, amounts to \$19,789,035 (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 2020	Governmental Activities 2019	Change
Land	\$ 664,891	\$ 664,891	\$ -
Construction in Progress	539,142	107,000	432,142
Buildings and Improvements	6,105,266	5,568,441	536,825
Machinery, Equipment, and Vehicles	2,403,184	2,257,412	145,772
Infrastructure	8,002,690	6,583,011	1,419,679
Total	17,715,173	15,180,755	2,534,418
Less Accumulated Depreciation	(7,236,019)	(6,786,417)	(449,602)
Capital Assets, net of Depreciation	<u>\$ 10,479,154</u>	<u>\$ 8,394,338</u>	<u>\$ 2,084,816</u>

	Business-type Activities 2020	Business-type Activities 2019	Change
Land	\$ 174,319	\$ 174,319	\$ -
Construction in Progress	664,110	11,000	653,110
Machinery, Equipment, and Vehicles	1,564,483	1,394,502	169,981
Infrastructure	16,193,187	16,193,187	-
Total	18,596,099	17,773,008	823,091
Less Accumulated Depreciation	(9,286,218)	(8,800,253)	(485,965)
Capital Assets, net of Depreciation	<u>\$ 9,309,881</u>	<u>\$ 8,972,755</u>	<u>\$ 337,126</u>

Additional information on the City of Smithville, Texas's capital assets can be found in Note III.D on pages 43-44 of this report.

CITY OF SMITHVILLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Long-term Debt. At the end of the current fiscal year, the City of Smithville, Texas had total debt outstanding of \$8,944,693. The remainder of the City's long-term obligations is comprised of compensated absences shown in the following schedules and pension-related debt.

City of Smithville, Texas's Outstanding Debt

	Governmental Activities 2020	Governmental Activities 2019	Change
General Refunding Bonds	\$ 1,265,000	\$ 1,610,000	\$ (345,000)
Certificates of Obligation	485,000	490,000	(5,000)
Capital Leases	164,092	41,885	122,207
Compensated Absences	68,803	51,324	17,479
Total	<u>\$ 1,982,895</u>	<u>\$ 2,193,209</u>	<u>\$ (210,314)</u>

	Business-type Activities 2020	Business-type Activities 2019	Change
General Refunding Bonds	\$ 2,335,000	\$ 2,570,000	\$ (235,000)
Certificates of Obligation	2,325,000	2,390,000	(65,000)
Premium on Issuance	114,919	121,303	(6,384)
Capital Leases	2,255,682	2,365,099	(109,417)
Compensated Absences	37,675	28,690	8,985
Total	<u>\$ 7,068,276</u>	<u>\$ 7,475,092</u>	<u>\$ (406,816)</u>

The City of Smithville, Texas's total debt decreased by \$617,130 during the current fiscal year. The reason for the overall decrease was the City making its scheduled principal payments. Additional information on the City of Smithville, Texas's long-term debt can be found in Note III.I on pages 51-52 of this report.

Economic Factors and Next Year's Budgets and Rates

The City considered many factors when setting the fiscal year 2020-2021 budget. The City's General Fund budget for fiscal year 2020-2021 is approximately \$5 million, which represents an approximate increase of \$350 thousand in originally budgeted expenditures from fiscal year 2019-2020. The City decreased the tax rate for 2020-2021 to \$0.446627 for the General Fund and to \$0.102434 for the Interest and Sinking Fund. The overall total tax rate is \$0.549061 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 NET POSITION
SEPTEMBER 30, 2020

	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
ASSETS			
Cash and Cash Equivalents	\$ 447,059	\$ 371,650	\$ 818,709
Investments - Current	769,678	2,939,995	3,709,673
Taxes Receivable - Delinquent	131,081	-	131,081
Allowance for Uncollectible Delinquent Taxes	(13,109)	-	(13,109)
Accounts Receivable, net	156,992	958,355	1,115,347
Intergovernmental Receivable	974,688	-	974,688
Internal Balances	458,571	(456,479)	2,092
Inventory and Prepaid Items	10,882	27,416	38,298
Capital Assets, not Being Depreciated:			
Land	664,891	174,319	839,210
Construction in Progress	539,142	664,110	1,203,252
Capital Assets, Being Depreciated:			
Infrastructure	8,002,690	17,757,670	25,760,360
Buildings and Improvements	6,105,266	-	6,105,266
Machinery, Equipment, and Vehicles	2,403,184	-	2,403,184
Accumulated Depreciation	(7,236,019)	(9,286,218)	(16,522,237)
Total Assets	13,414,996	13,150,818	26,565,814
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows of Resources - Pension	347,850	171,329	519,179
Deferred Outflows of Resources - OPEB	25,481	12,551	38,032
Total Deferred Outflows of Resources	373,331	183,880	557,211
LIABILITIES			
Accounts Payable and Accrued Liabilities	408,596	358,376	766,972
Salaries and Benefits Payable	96,798	39,271	136,069
Accrued Interest Payable	11,693	73,595	85,288
Unearned Revenue	52,843	-	52,843
Customer Deposits	2,700	112,682	115,382
Noncurrent Liabilities:			
Due Within One Year	396,937	519,760	916,697
Compensated Absences Liability	68,803	37,675	106,478
Net Pension Liability	376,797	185,587	562,384
Net OPEB Liability	148,935	73,356	222,291
Due in More Than One Year	1,517,155	6,510,841	8,027,996
Total Liabilities	3,081,257	7,911,143	10,992,400
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows of Resources - Pension	353,360	174,043	527,403
Deferred Inflows of Resources - OPEB	7,028	3,461	10,489
Total Deferred Inflows of Resources	360,388	177,504	537,892
NET POSITION			
Net Investment in Capital Assets	8,565,062	2,279,280	10,844,342
Restricted for Debt Service	414,214	-	414,214
Unrestricted	1,367,406	2,966,771	4,334,177
Total Net Position	\$ 10,346,682	\$ 5,246,051	\$ 15,592,733

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, 2020

Functions/Programs:	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 934,665	\$ 175,418	\$ 311,780	\$ 718,961
Public Safety	1,544,200	98,220	490	-
Code Enforcement and Inspection	118,296	150	-	-
Highways and Streets	497,563	1,715	-	1,259,609
Sanitation	890,926	839,663	-	-
Culture and Recreation	1,162,984	76,522	44,857	-
Cemetery	60,276	18,240	-	-
Airport	53,608	46,012	6,783	494,826
Economic Development and Assistance	72,018	-	-	-
Interest	64,107	-	-	-
Total Governmental Activities:	5,398,643	1,255,940	363,910	2,473,396
Business-Type Activities:				
Utility Fund	5,666,369	6,774,364	-	-
Total Business-Type Activities:	5,666,369	6,774,364	-	-
Total Primary Government	\$ 11,065,012	\$ 8,030,304	\$ 363,910	\$ 2,473,396
General Revenues:				
Property Taxes				
Sales Taxes				
Hotel and Motel Taxes				
Franchise Taxes				
Contributions and Donations from Private Sources				
Investment Earnings				
Intergovernmental Revenue				
Miscellaneous				
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
\$ 271,494	\$ -	\$ 271,494
(1,445,490)	-	(1,445,490)
(118,146)	-	(118,146)
763,761	-	763,761
(51,263)	-	(51,263)
(1,041,605)	-	(1,041,605)
(42,036)	-	(42,036)
494,013	-	494,013
(72,018)	-	(72,018)
(64,107)	-	(64,107)
(1,305,397)	-	(1,305,397)
-	1,107,995	1,107,995
-	1,107,995	1,107,995
(1,305,397)	1,107,995	(197,402)
1,655,026	-	1,655,026
725,736	-	725,736
14,093	-	14,093
106,979	-	106,979
73,111	-	73,111
17,440	53,748	71,188
-	65,848	65,848
175,948	35,282	211,230
1,239,360	(1,239,360)	-
4,007,693	(1,084,482)	2,923,211
2,702,296	23,513	2,725,809
7,644,386	5,222,538	12,866,924
\$ 10,346,682	\$ 5,246,051	\$ 15,592,733

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FUND BASIS FINANCIAL STATEMENTS

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

	General Fund	HMPG Grant	Total Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 336,684	\$ -	\$ 110,375	\$ 447,059
Investments	350,195	-	419,483	769,678
Taxes Receivable - Delinquent	101,285	-	29,796	131,081
Allowance for Uncollectible Delinquent Taxes	(10,129)	-	(2,980)	(13,109)
Accounts Receivable, net	151,410	-	5,582	156,992
Intergovernmental Receivable	217,955	494,645	262,088	974,688
Due from Other Funds	972,558	-	-	972,558
Prepaid Items	10,882	-	-	10,882
Total Assets	<u>\$ 2,130,840</u>	<u>\$ 494,645</u>	<u>\$ 824,344</u>	<u>\$ 3,449,829</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ 153,044	\$ 1,640	\$ 209,833	\$ 364,517
Salaries and Benefits Payable	95,077	-	1,721	96,798
Due to Other Funds	9,000	470,380	34,607	513,987
Unearned Revenue	2,843	-	50,000	52,843
Other Current Liabilities	1,454	22,625	20,000	44,079
Customer Deposits	2,700	-	-	2,700
Total liabilities	<u>264,118</u>	<u>494,645</u>	<u>316,161</u>	<u>1,074,924</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue-Property Taxes	91,157	-	26,816	117,973
Total Deferred Inflows of Resources	<u>91,157</u>	<u>-</u>	<u>26,816</u>	<u>117,973</u>
FUND BALANCES				
Nonspendable:				
Inventories	10,882	-	-	10,882
Restricted:				
Debt Service	-	-	387,398	387,398
Committed:				
Specific Purposes	-	-	61,884	61,884
Capital Projects	-	-	32,085	32,085
Unassigned	1,764,683	-	-	1,764,683
Total Fund Balances	<u>1,775,565</u>	<u>-</u>	<u>481,367</u>	<u>2,256,932</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 2,130,840</u>	<u>\$ 494,645</u>	<u>\$ 824,344</u>	<u>\$ 3,449,829</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
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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

Total fund balance of all governmental funds	\$	2,256,932
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Governmental capital assets	\$ 17,715,173		
Less: accumulated depreciation	<u>(7,236,019)</u>		10,479,154

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 and outflows	(382,307)		
Net OPEB Liability, including OPEB deferred inflows & outflows	<u>(130,482)</u>		(512,789)

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.

117,973

Long-term liabilities, including bonds payable, pension liabilities, and other post employment benefits, are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds payable	(1,265,000)		
Certificates of Obligation Payable	(485,000)		
Capital Leases	(164,092)		
Compensated absences	(68,803)		
Accrued interest payable	<u>(11,693)</u>		<u>(1,994,588)</u>

Net position of governmental activities	\$	<u><u>10,346,682</u></u>
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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, 2020

	General Fund	HMPG Grant	Total Nonmajor Funds	Total Governmental Funds
REVENUES				
Property Taxes	\$ 1,315,838	\$ -	\$ 323,134	\$ 1,638,972
Sales Taxes	725,736	-	-	725,736
Hotel and Motel Taxes	14,093	-	-	14,093
Franchise Taxes	106,979	-	-	106,979
Licenses and Permits	100,989	-	-	100,989
Intergovernmental Revenues	2,074,663	483,342	279,301	2,837,306
Charges for Services	1,161,569	-	51,067	1,212,636
Fines	43,304	-	-	43,304
Investment Earnings	12,975	-	4,465	17,440
Grants and Contributions	50,554	-	22,557	73,111
Miscellaneous Revenue	56,747	-	1,669	58,416
Total Revenues	5,663,447	483,342	682,193	6,828,982
EXPENDITURES				
Current:				
General Government	418,150	-	332,879	751,029
Public Safety	1,393,318	-	-	1,393,318
Code Enforcement and Inspections	118,296	-	-	118,296
Highways and Streets	448,947	-	-	448,947
Sanitation	803,875	-	-	803,875
Culture and Recreation	1,049,350	-	-	1,049,350
Cemetery	60,276	-	-	60,276
Airport	53,608	-	-	53,608
Economic Development and Assistance	72,018	-	-	72,018
Debt Service:				
Principal	36,987	-	350,000	386,987
Interest	5,297	-	60,415	65,712
Capital Outlay	1,966,048	639,221	-	2,605,269
Total Expenditures	6,426,170	639,221	743,294	7,808,685
Excess (Deficiency) of Revenues Over Expenditures	(762,723)	(155,879)	(61,101)	(979,703)
OTHER FINANCING SOURCES (USES)				
Transfers In	1,037,000	155,879	87,000	1,279,879
Transfers Out	(40,519)	-	-	(40,519)
Sale of General Capital Assets	7,062	-	-	7,062
Insurance Recoveries	15,481	-	-	15,481
Capital Leases	159,194	-	-	159,194
Total Other Financing Sources (Uses)	1,178,218	155,879	87,000	1,421,097
Net Change in Fund Balance	415,495	-	25,899	441,394
Fund Balance - Beginning	1,360,070	-	455,468	1,815,538
Fund Balance - Ending	\$ 1,775,565	\$ -	\$ 481,367	\$ 2,256,932

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, 2020

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

Net change in fund balances for total governmental funds	\$	441,394
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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.

Expenditure for capitalized assets	\$ 2,534,418		
Less: current year depreciation	<u>(449,602)</u>		2,084,816

The net effect of various miscellaneous transactions involving property taxes is to increase net position.		16,054
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The net effect of various transactions involving the City's net pension liability and the net OPEB liability is to decrease net position.		(51,887)
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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 of 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.

Principal repayment of debt	386,987		
Issuance of capital leases	(159,194)		
Change in compensated absences payable	(17,479)		
Change in accrued interest payable	<u>1,605</u>		211,919
Change in net position for governmental activities		<u>\$ 2,702,296</u>	

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, 2020

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Property Taxes	\$ 1,297,786	\$ 1,315,838	\$ 1,315,838	\$ -
Sales Taxes	639,900	709,443	725,736	16,293
Hotel and Motel Taxes	20,000	14,093	14,093	-
Franchise Taxes	96,300	106,979	106,979	-
Licenses and Permits	54,100	96,683	100,989	4,306
Intergovernmental Revenues	-	-	2,074,663	2,074,663
Charges for Services	1,020,447	970,542	1,161,569	191,027
Fines	70,200	49,122	43,304	(5,818)
Investment Earnings	19,500	12,975	12,975	-
Grants and Contributions	55,140	662,806	50,554	(612,252)
Miscellaneous Revenue	344,000	426,436	56,747	(369,689)
Total Revenues	3,617,373	4,364,917	5,663,447	1,298,530
EXPENDITURES				
Current:				
General Government	402,992	435,841	418,150	17,691
Public Safety	1,529,490	1,408,440	1,393,318	15,122
Code Enforcement and Inspections	122,169	122,169	118,296	3,873
Highways and Streets	518,694	463,068	448,947	14,121
Sanitation	807,467	803,875	803,875	-
Culture and Recreation	1,013,330	1,054,143	1,049,350	4,793
Cemetery	93,834	60,776	60,276	500
Airport	43,241	53,608	53,608	-
Economic Development and Assistance	80,872	73,307	72,018	1,289
Debt service:				
Principal	36,987	36,987	36,987	-
Interest	5,297	5,297	5,297	-
Capital Outlay	-	706,439	1,966,048	(1,259,609)
Total Expenditures	4,654,373	5,223,950	6,426,170	(1,202,220)
Excess (Deficiency) of Revenues				
Over Expenditures	(1,037,000)	(859,033)	(762,723)	96,310
OTHER FINANCING SOURCES (USES)				
Transfers In	1,037,000	1,037,000	1,037,000	-
Transfers Out	-	(41,749)	(40,519)	1,230
Sale of General Capital Assets	-	-	7,062	7,062
Insurance Recoveries	-	-	15,481	15,481
Capital Leases	-	-	159,194	159,194
Total Other Financing Sources (Uses)	1,037,000	995,251	1,178,218	182,967
Net Change in Fund Balance	-	136,218	415,495	279,277
Fund Balance - Beginning	1,360,070	1,360,070	1,360,070	-
Fund Balance - Ending	\$ 1,360,070	\$ 1,496,288	\$ 1,775,565	\$ 279,277

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

CITY OF SMITHVILLE, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2020

	Business-Type Activities Utility Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 371,650
Investments	2,939,995
Accounts Receivable, net	958,355
Due from Other Funds	9,000
Inventory and Prepaid Items	27,416
Total Current Assets	4,306,416
Noncurrent Assets:	
Land	174,319
Construction in Progress	664,110
Infrastructure	17,757,670
Accumulated Depreciation	(9,286,218)
Total Noncurrent Assets	9,309,881
Total Assets	13,616,297
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows - Pension	171,329
Deferred Outflows - OPEB	12,551
Total Deferred Outflows of Resources	183,880
LIABILITIES	
Current Liabilities:	
Accounts Payable and Accrued Liabilities	358,376
Salaries and Benefits Payable	39,271
Due to Other Funds	465,479
Accrued Interest Payable	73,595
Bonds and Capital Leases Payable - Current	519,760
Customer Deposits	112,682
Total Current Liabilities	1,569,163
Noncurrent Liabilities:	
Bonds Payable	4,459,919
Capital Leases	2,050,922
Compensated Absences	37,675
Net Pension Liability	185,587
Net OPEB Liability	73,356
Total Noncurrent Liabilities	6,807,459
Total Liabilities	8,376,622
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows - Pension	174,043
Deferred Inflows - OPEB	3,461
Total Deferred Inflows of Resources	177,504
NET POSITION	
Net Investment in Capital Assets	2,279,280
Unrestricted	2,966,771
Total Net Position	\$ 5,246,051

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 FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Business-Type Activities
	Utility Fund
REVENUES	
OPERATING REVENUES	
Charges for Services:	
Water Sales	\$ 849,477
Sewerage Service	854,846
Electricity Sales	4,807,509
Other Charges for Services	262,532
Miscellaneous Revenue	35,282
Total Operating Revenues	<u>6,809,646</u>
OPERATING EXPENSES	
Operating Expenses:	
Personnel Services	1,187,611
Purchased Professional and Technical Services	242,112
Other Purchased Services	2,213,270
Other Operating Expenses	1,262,860
Depreciation	495,196
Total Operating Expenses	<u>5,401,049</u>
Operating Income (Loss)	<u>1,408,597</u>
NONOPERATING REVENUES (EXPENSES)	
Interest Rate Subsidy	65,848
Investment Earnings	53,748
Interest Expense	(265,320)
Total Nonoperating Revenues (Expenses)	<u>(145,724)</u>
Income Before Transfers In (Out)	<u>1,262,873</u>
Transfers Out	<u>(1,239,360)</u>
Change in Net Position	23,513
Net Position-Beginning	<u>5,222,538</u>
Net Position-Ending	<u><u>\$ 5,246,051</u></u>

CITY OF SMITHVILLE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>Business-Type Activities</u>
	<u>Utility Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	\$ 6,709,389
Other Receipts	35,282
Payments to Suppliers and Service Providers	(3,736,006)
Payments to Employees for Salaries and Benefits	(1,149,447)
Net Cash Provided by (Used for) Operating Activities	<u>1,859,218</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers to Other Funds	<u>(1,239,360)</u>
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>(1,239,360)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and Construction of Capital Assets	(832,322)
Principal Paid on Capital Debt	(415,801)
Interest Paid on Capital Debt	(272,575)
Interest Rate Subsidy	65,848
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(1,454,850)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of Investments	478,132
Interest on Investments	53,748
Net Cash Provided by Investing Activities	<u>531,880</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(303,112)
Cash and Cash Equivalents-Beginning	674,762
Cash and Cash Equivalents-Ending	<u>\$ 371,650</u>

CITY OF SMITHVILLE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020 (Continued)

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

Operating Income (Loss)	\$ 1,408,597
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:	
Depreciation expense	495,196
(Increase) Decrease in Accounts Receivable	(64,975)
(Increase) Decrease in Due from Other Funds	4,728
(Increase) Decrease in Inventories	2,801
(Decrease) Increase in Accounts Payable & Accrued Liabilities	119,145
(Decrease) Increase in Salaries & Benefits Payable	3,623
(Decrease) Increase in Due to Other Funds	(151,288)
(Decrease) Increase in Deposits Payable	6,850
(Decrease) Increase in Compensated Absences	8,985
(Increase) Decrease in Deferred Outflow of Resources - Pension	42,130
(Increase) Decrease in Deferred Outflow of Resources - OPEB	(8,591)
(Increase) Decrease in Net Pension Liability	(125,660)
(Increase) Decrease in Net OPEB Liability	15,772
(Decrease) Increase in Deferred Inflow of Resources - Pension	102,806
(Decrease) Increase in Deferred Inflow of Resources - OPEB	(901)
Total Adjustments	450,621
Net Cash Provided by (Used for) Operating Activities	\$ 1,859,218

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 FUND
SEPTEMBER 30, 2020

	Trust Fund
	HRA Fund
ASSETS	
Investments	\$ 62,481
Total Assets	<u>62,481</u>
LIABILITIES	
Other Liabilities	60,389
Due to Other Funds	<u>2,092</u>
Total Liabilities	<u>\$ 62,481</u>

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, 2020

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, 2020, 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.

The *Hazard Mitigation Grant Projects (HMPG) Fund* is a special revenue fund which is used to account for the City’s hazard mitigation grants and related projects.

The government reports the following major enterprise funds:

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

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

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.

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.

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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.

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, 2020, expenditures exceeded appropriations in the General Fund as a result of the City recognizing the Capital Outlay expenditure related to an in-kind Federal grant received.

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.

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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.

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

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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.

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.

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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.

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, 2019, upon which the levy for the 2019-2020 fiscal year was based, was \$275,396,295. 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, 2020, to finance General Fund and Debt Service Fund operations were \$.452515 and \$.116505, 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 2019-2020 fiscal year was \$1,567,060. Tax collections, including collections of prior year delinquent balances, for the year ended September 30, 2020, 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 Fund and Debt Service Fund are based on historical experience in collecting taxes.

3. Compensated absences

Vacation

The City'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.

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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, 2020, the government's bank balance was \$879,862 and \$0 of that amount was exposed to custodial credit risk.

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, 2020, 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	\$2,870,407	\$ -	\$ -	\$ -
Certificates of Deposit	901,747	-	-	-
Total Investments	<u>\$3,772,154</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.

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 September 30, 2020, 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.

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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

	General	HMPG	Nonmajor	Total
Receivables	Fund	Grant	Governmental	Governmental
			Funds	Funds
Property Taxes	\$ 101,285	\$ -	\$ 29,796	\$ 131,081
Sales and Mixed Beverage Taxes	116,732	-	-	116,732
Property Liens	61,766	-	-	61,766
Grants	217,955	494,645	262,088	974,688
Other	114	-	5,582	5,696
Gross Receivables	497,852	494,645	297,466	1,289,963
Less: Allowance for Uncollectible				
Delinquent Taxes	(10,129)	-	(2,980)	(13,109)
Less: Allowance for Uncollectibles	(27,202)	-	-	(27,202)
Net Receivables	\$ 460,521	\$ 494,645	\$ 294,486	\$ 1,249,652

Proprietary Funds

Receivables	Utility
	Fund
Utility Billing	\$ 1,738,417
Other	3,075
Gross Receivables	1,741,492
Less: Allowance for Uncollectibles	(783,137)
Net Receivables	\$ 958,355

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D. Capital Assets

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

Governmental Activities:

	Balance 10/1/19	Increases	Decreases	Adjustments	Balance 9/30/20
Capital Assets, not Being Depreciated:					
Land	\$ 664,891	\$ -	\$ -	\$ -	\$ 664,891
Construction in Progress	107,000	968,967	-	(536,825)	539,142
Total Capital Assets, not Being Depreciated	771,891	968,967	-	(536,825)	1,204,033
Capital Assets, Being Depreciated:					
Buildings and Improvements	5,568,441	-	-	536,825	6,105,266
Machinery, Equipment, and Vehicles	2,257,412	216,623	(70,851)	-	2,403,184
Infrastructure	6,583,011	1,419,679	-	-	8,002,690
Total Capital Assets, Being Depreciated	14,408,864	1,636,302	(70,851)	536,825	16,511,140
Less Accumulated Depreciation for:					
Buildings and Improvements	(3,269,653)	(127,147)	-	-	(3,396,800)
Machinery, Equipment, and Vehicles	(2,120,373)	(97,921)	64,851	-	(2,153,443)
Infrastructure	(1,396,391)	(289,385)	-	-	(1,685,776)
Total Accumulated Depreciation	(6,786,417)	(514,453)	64,851	-	(7,236,019)
Total Capital Assets Being Depreciated, net	7,622,447	1,121,849	(6,000)	536,825	9,275,121
Governmental Activities Capital Assets, net	\$ 8,394,338	\$ 2,090,816	\$ (6,000)	\$ -	\$ 10,479,154

Business-Type Activities:

	Balance 10/1/19	Increases	Decreases	Adjustments	Balance 9/30/20
Capital Assets, not Being Depreciated:					
Land	\$ 174,319	\$ -	\$ -	\$ -	\$ 174,319
Construction in Progress	11,000	653,110	-	-	664,110
Total Capital Assets, not Being Depreciated	185,319	653,110	-	-	838,429
Capital Assets, Being Depreciated:					
Machinery, Equipment, and Vehicles	1,394,502	179,212	(9,231)	-	1,564,483
Infrastructure	16,193,187	-	-	-	16,193,187
Total Capital Assets, Being Depreciated	17,587,689	179,212	(9,231)	-	17,757,670
Less Accumulated Depreciation for:					
Machinery, Equipment, and Vehicles	(1,064,353)	(103,538)	9,231	-	(1,158,660)
Infrastructure	(7,735,900)	(391,658)	-	-	(8,127,558)
Total Accumulated Depreciation	(8,800,253)	(495,196)	9,231	-	(9,286,218)
Total Capital Assets Being Depreciated, net	8,787,436	(315,984)	-	-	8,471,452
Business-Type Activities Capital Assets, net	\$ 8,972,755	\$ 337,126	\$ -	\$ -	\$ 9,309,881

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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	\$ 114,270
Public Safety	150,882
Highways and Streets	48,616
Sanitation	87,051
Culture and Recreation	113,634
Total Depreciation Expense - Governmental Activities	<u>\$ 514,453</u>

E. Defined Benefit Pension Plan

Plan Description

The City participates as one of 888 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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.

Plan Provisions

Employee Deposit Rate	5%
Municipal Current Matching Ratio	1.5:1

Employees Covered by Benefit Terms

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

Inactive Employees or Beneficiaries Currently Receiving Benefits	32
Inactive Employees Entitled to but Not Yet Receiving Benefits	73
Active Employees	64
	<u>169</u>

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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 were 6.86% and 6.94% in calendar years 2019 and 2020, respectively. The City's contributions to TMRS for the year ended September 30, 2020 were \$190,054 and were equal to the required contributions.

Net Pension Liability

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

Actuarial Assumptions

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

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

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

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

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The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	7.75%
Total	<u>100.0%</u>	

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.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at December 31, 2018	\$ 6,463,030	\$ 5,519,857	\$ 943,173
Changes for the year:			
Service Cost	271,573	-	271,573
Interest	438,829	-	438,829
Change of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	60,824	-	60,824
Changes of Assumptions	18,673	-	18,673
Contributions - Employer	-	186,298	(186,298)
Contributions - Employee	-	135,786	(135,786)
Net Investment Income	-	853,570	(853,570)
Benefit Payments, Including Refunds of Employee Contr.	(195,286)	(195,286)	-
Administrative Expense	-	(4,822)	4,822
Other Changes	-	(144)	144
Net changes	<u>594,613</u>	<u>975,402</u>	<u>(380,789)</u>
Balance at December 31, 2019	<u>\$ 7,057,643</u>	<u>\$ 6,495,259</u>	<u>\$ 562,384</u>

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

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	\$ 1,574,954	\$ 562,384	\$ (268,361)

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2020, the city recognized pension expense of \$58,410.

At September 30, 2020, 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	\$ 326,494	\$ 522,752
Difference in Assumptions	43,360	4,651
Net Difference Between Projected and Actual Investment Earnings	12,490	-
Contributions Subsequent to the Measurement Date	136,835	-
Total	\$ 519,179	\$ 527,403

Deferred outflows of resources related to pensions in the amount of \$136,835 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, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31st:	Net Deferred Outflows (Inflows) of Resources
2020	\$ (31,614)
2021	(30,412)
2022	13,162
2023	(96,195)
2024	-
Thereafter	-
Total	<u>\$ (145,059)</u>

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

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

Inactive Employees Currently Receiving Benefits	27
Inactive Employees Entitled to but Not Yet Receiving Benefits	10
Active Employees	64
	<u>101</u>

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 for the years September 30, 2020 and 2019 were \$7,263 and \$5,852 respectively, which equaled the required contributions each year.

Plan Assets

At the December 31, 2019 valuation and measurement date, there are no assets accumulated in trust.

Actuarial Assumptions

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

Inflation	2.5% per year
Salary increases	3.5%-11.5% including inflation per year
Discount rate	2.75% based on Fidelity Index's 20-year Municipal GO AA Index
Retirees' share of benefit costs	\$0

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

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 at December 31, 2018	\$ 174,496	\$ -	\$ 174,496
Changes for the Year:			
Service Cost	9,505	-	9,505
Interest	6,615	-	6,615
Change of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	(757)	-	(757)
Changes of Assumptions	34,333	-	34,333
Contributions - Employer	-	-	-
Contributions - Employee	-	-	-
Net Investment Income	-	-	-
Benefit Payments, Including Refunds of Employee Contr.	(1,901)	-	(1,901)
Administrative Expense	-	-	-
Other Changes	-	-	-
Net changes	47,795	-	47,795
Balance at December 31, 2019	\$ 222,291	\$ -	\$ 222,291

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 2.75%, 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 1.75% or 1-percentage-point higher 3.75% than the current rate:

	1% Decrease in Discount Rate 1.75%	Current Discount Rate 2.75%	1% Increase in Discount Rate 3.75%
City's Net OPEB Liability	\$ 263,802	\$ 222,291	\$ 189,488

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

For the year ended September 30, 2020, the city recognized OPEB expense of \$19,033.

At September 30, 2020, 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	\$ -	\$ 3,762
Difference in Assumptions	32,708	6,727
Contributions Subsequent to the Measurement Date	5,324	-
Total	\$ 38,032	\$ 10,489

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

Deferred outflows of resources related to OPEB amounting to \$5,324 resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB SDBF liability for the year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended September 30th:	Net Deferred Outflows (Inflows) of Resources
2020	\$ 5,870
2021	5,766
2022	3,391
2023	6,596
2024	596
Thereafter	-
Total	<u>\$ 22,219</u>

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, 2020, were as follows:

Year Ending September 30	Governmental Activities
2021	\$ 42,284
2022	42,284
2023	35,534
2024	28,782
2025	28,782
Total Minimum Lease Payments	<u>177,666</u>
Less: Amount Representing Interest	<u>(13,574)</u>
Present Value of Minimum Lease Payments	<u>\$ 164,092</u>

Year Ending September 30	Business-Type Activities
2021	\$ 285,051
2022	309,927
2023	268,601
2024	265,863
2025	262,986
2026-2030	1,120,858
2031	210,052
Total Minimum Lease Payments	<u>2,723,338</u>
Less: Amount Representing Interest	<u>(467,656)</u>
Present Value of Minimum Lease Payments	<u>\$ 2,255,682</u>

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

The City's capital lease for smart meters through Qualified Energy Conservation Bonds (QCEB) earned the City an interest rate subsidy of \$65,848 during the year.

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, 2020 are as follows:

Governmental Activities:

Type	Sale Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding 9/30/20
Bonds Payable					
Certificates of Obligation, Series 2019	2019	\$ 490,000	3.50-5.00%	2033	\$ 210,000
General Refunding Bonds, Series 2018	2018	1,200,000	2.40-2.85%	2024	1,055,000
General Refunding Bonds, Series 2005	2005	2,555,000	3.90%	2021	485,000
Total Bonds Payable					<u>\$ 1,750,000</u>
Capital Leases Payable					
Capital Lease - Multiple Vehicles	2019	\$ 159,194	2.843%	2025	\$ 133,273
Capital Lease - Wood Chipper	2018	58,800	5.19%	2023	30,819
Total Capital Leases Payable					<u>\$ 164,092</u>

Business-Type Activities:

Type	Sale Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding 9/30/20
Bonds Payable					
Certificates of Obligation, Series 2019	2019	\$ 2,485,000	3.50-5.00%	2033	\$ 2,325,000
General Refunding Bonds, Series 2007	2007	4,500,000	4.20%	2028	2,335,000
Total General Obligation Bonds					<u>\$ 4,660,000</u>
Capital Leases Payable					
Capital Lease - Multiple Vehicles	2019	\$ 165,507	2.843%	2025	\$ 138,558
Capital Lease Dump Truck	2018	178,906	3.59%	2022	73,476
Capital Lease QCEB	2016	2,661,148	3.68%	2031	2,043,648
Total Capital Leases Payable					<u>\$ 2,255,682</u>

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

Changes in Long-Term Liabilities

Changes in the government's long-term liabilities for the year ended September 30, 2020 are as follows:

Governmental Activities

Description	Balance 10/1/19	Additions	Deletions	Balance 9/30/20	Due in One Year
Bonds Payable					
General Refunding Bonds	\$ 1,610,000	\$ -	\$ (345,000)	\$ 1,265,000	\$ 350,000
Certificates of Obligation	490,000	-	(5,000)	485,000	10,000
Total Bonds Payable	2,100,000	-	(350,000)	1,750,000	360,000
Capital Leases	41,885	159,194	(36,987)	164,092	36,937
Compensated Absences	51,324	17,479	-	68,803	-
Gov. Act. Long-term Liabilities	<u>\$ 2,193,209</u>	<u>\$ 176,673</u>	<u>\$ (386,987)</u>	<u>\$ 1,982,895</u>	<u>\$ 396,937</u>

Business-Type Activities

Description	Balance 10/1/19	Additions	Deletions	Balance 9/30/20	Due in One Year
Bonds Payable					
General Refunding Bonds	\$ 2,570,000	\$ -	\$ (235,000)	\$ 2,335,000	\$ 250,000
Certificates of Obligation	2,390,000	-	(65,000)	2,325,000	65,000
Premium	121,303	-	(6,384)	114,919	-
Total bonds payable	5,081,303	-	(306,384)	4,774,919	315,000
Capital Leases	2,365,099	165,507	(274,924)	2,255,682	204,760
Compensated Absences	28,690	8,985	-	37,675	-
Total long-term liabilities	<u>\$ 7,475,092</u>	<u>\$ 174,492</u>	<u>\$ (581,308)</u>	<u>\$ 7,068,276</u>	<u>\$ 519,760</u>

The debt service requirements for the City's General Refunding Bonds and Certificates of Obligation are as follows:

Year Ended September 30,	Governmental Activities		Business-Type Activities	
	Bonds Payable		Bonds Payable	
	Principal	Interest	Principal	Interest
2021	\$ 360,000	\$ 48,555	\$ 315,000	\$ 177,195
2022	305,000	38,375	330,000	163,110
2023	315,000	29,346	345,000	148,355
2024	325,000	21,164	360,000	132,950
2025	45,000	14,913	375,000	117,095
2026-2030	240,000	46,088	1,525,000	357,835
2031-2035	160,000	7,888	835,000	179,250
2036-2038	-	-	575,000	32,675
Totals	<u>\$ 1,750,000</u>	<u>\$ 206,329</u>	<u>\$ 4,660,000</u>	<u>\$ 1,308,465</u>

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

J. Interfund Receivables and Payables

The composition of interfund balances as of September 30, 2020 is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Special Revenue Funds	\$ 504,987
General Fund	Utility Fund	465,479
General Fund	Fiduciary Fund	2,092
Utility Fund	General Fund	9,000
Total		<u>\$ 981,558</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, 2020 is as follows:

	Transfer In			Total
	General Fund	HMPG Grant	Nonmajor Governmental Funds	
Transfer Out				
General Fund	\$ -	\$ 40,519	\$ -	\$ 40,519
Utility Fund	1,037,000	115,360	87,000	1,239,360
Total	<u>\$ 1,037,000</u>	<u>\$ 155,879</u>	<u>\$ 87,000</u>	<u>\$ 1,279,879</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, 2020 the government made the following one-time transfers. The General Fund and the Utility Fund transferred \$40,519, and \$115,360 to the HMPG Grant Fund in order to reclassify expenditures that were applicable to a capital reimbursement grant. The Utility Fund also transferred \$1,037,000 to the General Fund and \$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, 2020

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 February 26, 2021, 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, 2020

	Measurement Year	
	2014	2015
A. Total Pension Liability		
1. Service Cost	\$ 171,454	\$ 197,338
2. Interest (on the Total Pension Liability)	326,676	331,919
3. Changes of Benefit Terms	-	-
4. Difference Between Expected and Actual Experience	(262,383)	24,762
5. Changes of Assumptions	-	40,818
6. Benefit Payments, Including Refunds of Employee Contributions	(135,516)	(212,038)
7. Net Change in Total Pension Liability	\$ 100,231	\$ 382,799
8. Total Pension Liability - Beginning	4,648,825	4,749,056
9. Total Pension Liability - Ending	<u>\$ 4,749,056</u>	<u>\$ 5,131,855</u>
B. Plan Fiduciary Net Position		
1. Contributions - Employer	\$ 29,724	\$ 142,066
2. Contributions - Employee	99,355	105,079
3. Net Investment Income	241,945	6,584
4. Benefit Payments, Including Refunds of Employee Contributions	(135,516)	(212,038)
5. Administrative Expense	(2,526)	(4,010)
6. Other Changes	(208)	(198)
7. Net Change in Plan Fiduciary Net Position	\$ 232,774	\$ 37,483
8. Plan Fiduciary Net Position - Beginning	4,229,250	4,462,024
9. Plan Fiduciary Net Position - Ending	<u>\$ 4,462,024</u>	<u>\$ 4,499,507</u>
C. Net Pension Liability [A.9 - B.9]	\$ 287,032	\$ 632,348
D. Plan Fiduciary Net Position as a Percentage of the Total Pension Liability [B.9 / A.9]	93.96%	87.68%
E. Covered-Employee Payroll	\$ 1,987,091	\$ 2,101,573
F. Net Position as a Percentage of Covered Employee Payroll [C / E]	14.44%	30.09%

Measurement Year			
2016	2017	2018	2019
\$ 214,184	\$ 234,022	\$ 250,807	\$ 271,573
347,256	377,443	407,615	438,829
-	-	-	-
73,787	26,295	(13,107)	60,824
-	-	-	18,673
(188,818)	(207,054)	(191,255)	(195,286)
\$ 446,409	\$ 430,706	\$ 454,060	\$ 594,613
5,131,855	5,578,264	6,008,970	6,463,030
\$ 5,578,264	\$ 6,008,970	\$ 6,463,030	\$ 7,057,643
\$ 129,248	\$ 154,591	\$ 172,002	
108,613	118,552	126,288	135,786
304,080	672,056	(167,272)	853,570
(188,818)	(207,054)	(191,255)	(195,286)
(3,434)	(3,483)	(3,232)	(4,822)
(185)	(177)	(170)	(144)
\$ 349,504	\$ 734,485	\$ (63,639)	\$ 789,104
4,499,507	4,849,011	5,583,496	5,519,857
\$ 4,849,011	\$ 5,583,496	\$ 5,519,857	\$ 6,308,961
\$ 729,253	\$ 425,474	\$ 943,173	\$ 748,682
86.93%	92.92%	85.41%	89.39%
\$ 2,172,253	\$ 2,371,040	\$ 2,525,752	\$ 2,715,726
33.57%	17.94%	37.34%	27.57%

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CITY OF SMITHVILLE, TEXAS
SCHEDULE OF EMPLOYER NPL CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Fiscal Year					
	2015	2016	2017	2018	2019	2020
Actuarially Determined Contribution	\$ 138,556	\$ 132,289	\$ 147,681	\$ 168,019	\$ 179,053	\$ 190,054
Contributions in Relation to the Actuarially Determined	(138,556)	(132,289)	(147,681)	(168,019)	(179,053)	190,054
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	\$2,049,642	\$2,140,771	\$2,321,089	\$2,496,669	\$2,659,919	\$2,747,477
Contributions as a Percentage of Covered Employee Payroll	6.76%	6.18%	6.36%	6.73%	6.73%	6.92%

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

Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Payroll, Closed
Remaining amortization period	26 years
Asset valuation method	10 Year smoothed market; 12% soft corridor
Inflation	2.50% per year
Salary increases	3.50% to 11.50%, 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 2019 valuation pursuant to an experience study of the period 2014 - 2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee tables used for females. The rates are projected on a fully generational basis with scale UMP.

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, 2020

	Measurement Year 2017	Measurement Year 2018	Measurement Year 2019
A. Total OPEB Liability			
1. Service Cost	\$ 7,824	\$ 9,345	\$ 9,505
2. Interest on Total OPEB Liability	5,862	5,996	6,615
3. Changes of Benefit Terms	-	-	-
4. Difference Between Expected and Actual Experience	-	(5,284)	(757)
5. Changes of Assumptions	12,956	(11,273)	34,333
6. Benefit Payments	(1,186)	(1,515)	(1,901)
7. Net Changes	\$ 25,456	\$ (2,731)	\$ 47,795
8. Total OPEB Liability - Beginning of the Year	151,771	177,227	174,496
9. Total OPEB Liability - End of the Year	<u>\$ 177,227</u>	<u>\$ 174,496</u>	<u>\$ 222,291</u>
E. Covered-Employee Payroll	\$ 2,371,040	\$ 2,525,752	\$ 2,715,726
F. Total OPEB Liability as a Percentage of Covered Payroll	7.47%	6.91%	8.19%

CITY OF SMITHVILLE, TEXAS
SCHEDULE OF NET OPEB LIABILITY EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Fiscal Year			
	2017	2018	2019	2020
Actuarially Determined Contribution	\$ 5,171	\$ 5,493	\$ 5,852	\$ 7,263
Contributions in Relation to the Actuarially Determined Contribution	(5,171)	(5,493)	(5,852)	(7,263)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll	\$ 2,321,089	\$ 2,496,669	\$ 2,659,919	\$ 2,747,477
Contributions as a Percentage of Covered Employee Payroll	0.22%	0.22%	0.22%	0.26%

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CITY OF SMITHVILLE, TEXAS
NOTES TO SCHEDULE OF NET OPEB LIABILITY EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Valuation Date: December 31, 2019

Summary of Actuarial Assumptions:

Inflation	2.50%
Salary Increases	3.50% to 11.50%, including inflation
Discount Rate*	2.75% as of December 31, 2019
Retirees' Share of Benefit-Related Costs	\$0
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality Rates - Service Retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality Rates - Disabled Retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2019.

Note: The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

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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 *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
SEPTEMBER 30, 2020

Special Revenue Funds				
	Railroad Park	Police Seized Asset Fund	2009 TXCDBG Project	HOMES Project
ASSETS				
Cash and Cash Equivalents	\$ 1,096	\$ 2,489	\$ 61	\$ 201
Investments	-	-	-	-
Taxes Receivable - Delinquent	-	-	-	-
Allowance for Uncollectible Delinquent Taxes	-	-	-	-
Accounts Receivable, net	-	-	-	-
Intergovernmental Receivable	-	-	-	235,768
Total Assets	<u>\$ 1,096</u>	<u>\$ 2,489</u>	<u>\$ 61</u>	<u>\$ 235,969</u>
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ 209,833
Accrued Salaries and Benefits	-	-	-	-
Due to Other Funds	-	-	-	5,935
Unearned Revenue	-	-	-	-
Other Current Liabilities	-	-	-	20,000
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>235,768</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue-Property Taxes	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted:				
Debt Service	-	-	-	-
Committed:				
Specific Purposes	1,096	2,489	61	201
Capital Projects	-	-	-	-
Total Fund balances	<u>1,096</u>	<u>2,489</u>	<u>61</u>	<u>201</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 1,096</u>	<u>\$ 2,489</u>	<u>\$ 61</u>	<u>\$ 235,969</u>

Special Revenue Funds

Grant and Donation Fund	Veterans Memorial Park	Smithville Cares	School Resource Officer Fund	PEG Capital Fee	Airport Fly-In
\$ 48,491	\$ 25,168	\$ 3,722	\$ -	\$ 18,112	\$ 5,133
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	5,582	-	-
26,320	-	-	-	-	-
<u>\$ 74,811</u>	<u>\$ 25,168</u>	<u>\$ 3,722</u>	<u>\$ 5,582</u>	<u>\$ 18,112</u>	<u>\$ 5,133</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	1,721	-	-
24,811	-	-	3,861	-	-
50,000	-	-	-	-	-
-	-	-	-	-	-
<u>74,811</u>	<u>-</u>	<u>-</u>	<u>5,582</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	25,168	3,722	-	18,112	5,133
-	-	-	-	-	-
<u>-</u>	<u>25,168</u>	<u>3,722</u>	<u>-</u>	<u>18,112</u>	<u>5,133</u>
<u>\$ 74,811</u>	<u>\$ 25,168</u>	<u>\$ 3,722</u>	<u>\$ 5,582</u>	<u>\$ 18,112</u>	<u>\$ 5,133</u>

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CITY OF SMITHVILLE, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020 (Continued)

	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Non-Major Governmental Funds
	Independence Park	Interest & Sinking Fund	Bonds Projects	
ASSETS				
Cash and Cash Equivalents	\$ 5,902	\$ -	\$ -	\$ 110,375
Investments	-	387,398	32,085	419,483
Taxes Receivable - Delinquent	-	29,796	-	29,796
Allowance for Uncollectible Delinquent Taxes	-	(2,980)	-	(2,980)
Accounts Receivable, net	-	-	-	5,582
Intergovernmental receivable	-	-	-	262,088
Total Assets	<u>\$ 5,902</u>	<u>\$ 414,214</u>	<u>\$ 32,085</u>	<u>\$ 824,344</u>
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ 209,833
Accrued Salaries and Benefits	-	-	-	1,721
Due to Other Funds	-	-	-	34,607
Unearned Revenue	-	-	-	50,000
Other Current Liabilities	-	-	-	20,000
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>316,161</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue-Property Taxes	-	26,816	-	26,816
Total Deferred Inflows of Resources	<u>-</u>	<u>26,816</u>	<u>-</u>	<u>26,816</u>
FUND BALANCES				
Restricted:				
Debt Service	-	387,398	-	387,398
Committed:				
Specific Purposes	5,902	-	-	61,884
Capital Projects	-	-	32,085	32,085
Total Fund balances	<u>5,902</u>	<u>387,398</u>	<u>32,085</u>	<u>481,367</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 5,902</u>	<u>\$ 414,214</u>	<u>\$ 32,085</u>	<u>\$ 824,344</u>

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

	Special Revenue Funds			
	Railroad Park	Police Seized Asset Fund	2009 TXCDBG Project	HOMES Project
REVENUES				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental Revenues	-	-	-	233,369
Charges for Services	-	-	-	-
Investment Earnings	13	28	-	-
Grants and Contributions	-	-	-	-
Miscellaneous Revenue	-	-	-	-
Total Revenues	13	28	-	233,369
EXPENDITURES				
Current:				
General Government	-	-	-	233,369
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	-	-	-	233,369
Excess (Deficiency) of Revenues				
Over Expenditures	13	28	-	-
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	13	28	-	-
Fund Balance - Beginning	1,083	2,461	61	201
Fund Balance - Ending	\$ 1,096	\$ 2,489	\$ 61	\$ 201

Special Revenue Funds

Grant and Donation Fund	Veterans Memorial Park	Smithville Cares	School Resource Officer Fund	PEG Capital Fee	Airport Fly-In
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
45,932	-	-	-	-	-
-	-	-	51,067	-	-
-	167	43	-	210	59
-	22,557	-	-	-	-
1,669	-	-	-	-	-
47,601	22,724	43	51,067	210	59
47,601	842	-	51,067	-	-
-	-	-	-	-	-
-	-	-	-	-	-
47,601	842	-	51,067	-	-
-	21,882	43	-	210	59
-	-	-	-	-	-
-	-	-	-	-	-
-	21,882	43	-	210	59
-	3,286	3,679	-	17,902	5,074
\$ -	\$ 25,168	\$ 3,722	\$ -	\$ 18,112	\$ 5,133

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CITY OF SMITHVILLE, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020 (Continued)

	Special Revenue Fund	Debt Service Fund	Capital Project Funds	Total Non-Major Governmental Funds
	Independence Park	Interest & Sinking Fund	Bonds Projects	
REVENUES				
Property Taxes	\$ -	\$ 323,134	\$ -	\$ 323,134
Intergovernmental Revenues	-	-	-	279,301
Charges for Services	-	-	-	51,067
Investment Earnings	68	3,477	400	4,465
Grants and Contributions	-	-	-	22,557
Miscellaneous Revenue	-	-	-	1,669
Total Revenues	68	326,611	400	682,193
EXPENDITURES				
Current:				
General Government	-	-	-	332,879
Debt Service:	-			
Principal	-	350,000	-	350,000
Interest	-	60,415	-	60,415
Total Expenditures	-	410,415	-	743,294
Excess (Deficiency) of Revenues				
Over Expenditures	68	(83,804)	400	(61,101)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	87,000	-	87,000
Total Other Financing Sources (Uses)	-	87,000	-	87,000
Net Change in Fund Balance	68	3,196	400	25,899
Fund Balance - Beginning	5,834	384,202	31,685	455,468
Fund Balance - Ending	\$ 5,902	\$ 387,398	\$ 32,085	\$ 481,367

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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, 2020

	<u>Budgeted Amounts</u>			Variance With
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
REVENUES				
Property Taxes	\$ 323,415	\$ 338,938	\$ 323,134	\$ (15,804)
Investment Earnings	-	3,476	3,477	1
Total Revenues	<u>323,415</u>	<u>342,414</u>	<u>326,611</u>	<u>(15,803)</u>
EXPENDITURES				
Current:				
Debt Service:				
Principal	350,000	350,000	350,000	-
Interest	<u>60,415</u>	<u>60,415</u>	<u>60,415</u>	<u>-</u>
Total Expenditures	<u>410,415</u>	<u>410,415</u>	<u>410,415</u>	<u>-</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>(87,000)</u>	<u>(68,001)</u>	<u>(83,804)</u>	<u>(15,803)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	<u>87,000</u>	<u>87,000</u>	<u>87,000</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>87,000</u>	<u>87,000</u>	<u>87,000</u>	<u>-</u>
Net Change in Fund Balances	<u>-</u>	<u>18,999</u>	<u>3,196</u>	<u>(15,803)</u>
Fund Balance - Beginning	<u>384,202</u>	<u>384,202</u>	<u>384,202</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 384,202</u>	<u>\$ 403,201</u>	<u>\$ 387,398</u>	<u>\$ (15,803)</u>

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INDEPENDENT AUDITOR'S 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, 2020, 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.

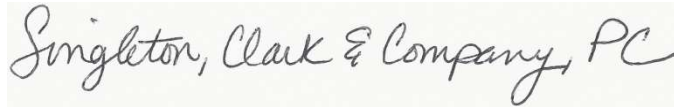
Compliance and Other Matters

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.

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Singleton, Clark & Company, PC
Cedar Park, Texas

February 26, 2021

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SINGLETON, CLARK & COMPANY, PC CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROL FOR EACH MAJOR PROGRAM AS REQUIRED BY UNIFORM GUIDANCE AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

Report on Compliance for Each Major Federal Program

We have audited City of Smithville, Texas's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Smithville, Texas's major federal programs for the year ended September 30, 2020. City of Smithville, Texas's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Smithville, Texas's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Smithville, Texas's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Smithville, Texas's compliance.

Opinion on Each Major Federal Program

In our opinion, City of Smithville, Texas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2020.

Report on Internal Control over Compliance

Management of City of Smithville, Texas is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Smithville, Texas's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Smithville, Texas's internal control over compliance.

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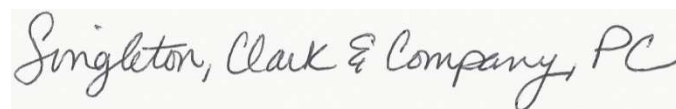
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by *Uniform Guidance*

We have audited the financial statements of City of Smithville, Texas as of and for the year ended September 30, 2020, and have issued our report thereon dated February 26, 2021, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

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Singleton, Clark & Company, PC
Cedar Park, Texas

February 26, 2021

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CITY OF SMITHVILLE, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
INSTITUTE OF MUSEUM AND LIBRARY SERVICES			
<u>Pass-Through Program Texas State Library & Archives Commission</u>			
ILL Lending Reimbursement Program	45.310	Multiple	\$ 1,402
Total Passed through Texas State Library & Archives Commission			1,402
TOTAL INSTITUTE OF MUSEUM AND LIBRARY SERVICES			1,402
NATIONAL ENDOWMENT FOR THE ARTS			
NEA Our Town	45.024	17-4292-7119	5,101
<u>Pass-Through Program Texas Commission on the Arts</u>			
Coronavirus Relief Fund	45.025	CAR2-21021	1,361
Total Passed through Texas Commission on the Arts			1,361
TOTAL NATIONAL ENDOWMENT FOR THE ARTS			6,462
U.S. DEPARTMENT OF JUSTICE			
<u>Pass-Through Texas Bureau of Justice Assistance</u>			
The Bulletproof Vest Partnership Program	16.607	2019BUBX19099759	490
Total Passed through Texas Bureau of Justice Assistance			490
TOTAL U.S. DEPARTMENT OF JUSTICE			490
FEDERAL AVIATION ADMINISTRATION			
<u>Pass-Through Program Texas Department of Aviation</u>			
Airport Improvement Program	20.106	19HGSMITH	478,825
Total Passed through Texas Department of Aviation			478,825
TOTAL FEDERAL AVIATION ADMINISTRATION			478,825
U.S. DEPARTMENT OF TRANSPORTATION			
<u>Pass-Through Program Texas Department of Aviation</u>			
Coronavirus Relief Fund	20.106	20CRSMITH	16,001
Total Passed through Texas Department of Aviation			16,001
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			16,001
FEDERAL HIGHWAY ADMINISTRATION			
<u>Pass-Through Program Texas Department of Transportation</u>			
Highway Planning and Construction	20.205	0914-18-114	1,259,609
Total Passed through Texas Department of Transportation			1,259,609
TOTAL FEDERAL HIGHWAY ADMINISTRATION			1,259,609
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<u>Pass-Through Program Texas Department of Housing & Community Affairs</u>			
Home Investment Partnerships Program	14.239	1002805	233,369
Total Passed through Texas Department of Housing & Community Affairs			233,369
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			233,369
U.S. DEPARTMENT OF THE TREASURY			
<u>Pass-Through Program Texas Department of Emergency Management</u>			
Coronavirus Relief Fund	21.109	FEMA-2020-SPA-TX	250,690
Total Passed through Texas Department of Emergency Management			250,690
TOTAL DEPARTMENT OF THE TREASURY			250,690
FEDERAL EMERGENCY MANAGEMENT AGENCY			
<u>Pass-Through Program Texas Department of Emergency Management</u>			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	Multiple	43,454
Hazard Mitigation Grant (HMGP)	97.039	Multiple	483,342
Total Passed through Texas Department of Emergency Management			526,796
TOTAL FEDERAL EMERGENCY MANAGEMENT AGENCY			526,796
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 2,773,644

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CITY OF SMITHVILLE, TEXAS
NOTES TO THE SCHEDULE OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal awards expenditures of City of Smithville, Texas (the "City") under programs of the federal government for the year ended September 30, 2020. The information in the accompanying Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, change in net position, or cash flows of the District.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The expenditures on the accompanying schedule of expenditures of federal awards are presented using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement.

Relationship to Basic Financial Statements - Expenditures of federal awards are reported in the City's basic financial statements in the special revenue funds.

Relationship to Federal Financial Reports - Amounts reported in the accompanying schedule of expenditures of federal awards agree with the amounts reported in the related federal financial reports in all significant respects.

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CITY OF SMITHVILLE, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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

Internal control over major programs:

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

Type of auditor’s report issued on compliance for major program(s):

Airport Improvement Program	Unmodified
Highway Planning and Construction	Unmodified
Coronavirus Relief Fund	Unmodified

Any audit findings disclosed that are required to be reported in accordance with the federal Uniform Guidance? ☐ Yes ☒ No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program
20.205	Highway Planning and Construction
21.109	Coronavirus Relief Fund

Dollar threshold used to distinguish Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? ☐ Yes ☒ No

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CITY OF SMITHVILLE, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2020

SECTION II – FINANCIAL STATEMENT FINDINGS

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

2020-001	Texas Bid Law Compliance
Criteria:	Under Texas Government Code Sec. 2269 and Texas Local Government Code Sec. 252, all contracts, except in the case of exemptions outlined in Texas Local Government Code Sec. 252.022, valued at \$50,000 or more in the aggregate, for each 12-month period shall be made by vendor competitive methods.
Condition Found:	During the year, the City purchased power line poles and related electrical equipment from a single vendor in excess of \$50,000 without using a competitive purchasing method.
Cause:	The City did not solicit bids or utilize another competitive purchasing method.
Effect:	The effect of this condition is technical noncompliance with Texas bid law.
Recommendation:	We recommend that large purchases of goods or services be planned in advance and that they are purchased through competitive means such as public requests for proposals or through purchasing cooperatives where applicable.
Classification:	This matter has been classified as material noncompliance.

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

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

No findings or questioned costs required to be reported in accordance with federal Uniform Guidance for the years ended September 30, 2020 and September 30, 2019.

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MAYOR
SCOTT SAUNDERS JR

MAYOR PROTEM
JOANNA MORGAN

COUNCIL MEMBERS
BILL GORDON
CASSIE BARRIENTOS
SHARON FOERSTER
JASON HEWITT

CITY MANAGER
ROBERT TAMBLE



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CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Current Year Audit Findings:

2020-001 State Bid Law Compliance

Corrective Action Planned: Going forward, the City will closely monitor the total cost of goods or services purchased from each vendor, so as to watch for those who may be approaching \$50,000 procurement expense limit. Competitive bidding and purchasing cooperatives will be used, when possible, for large purchases and services valued at \$50,000 or more in the aggregate, for each 12-month period.

Anticipated Completion Date: May 3, 2021

Contact Person(s): Cynthia White