

CITY OF SMITHVILLE, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2021



SINGLETON, CLARK
& COMPANY, PC CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SMITHVILLE, TEXAS
 ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

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FINANCIAL SECTION

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Smithville, Texas (the "City") as of and for the year ended September 30, 2021, 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, 2021, 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.

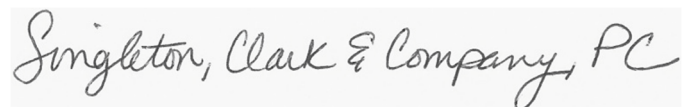
Other Information

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 March 11, 2022 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

March 11, 2022

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CITY OF SMITHVILLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Management's Discussion and Analysis

The Management's Discussion and Analysis section of the City of Smithville, Texas's (hereafter the "City") Annual Financial Report offers readers this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2021. Please read it in conjunction with the independent auditor's report beginning on page 1 of this report and the City's basic financial statements which follow this section.

Financial Highlights

- The City's net position for governmental activities increased by \$95,817 to end at \$10,442,499.
- The City's fund balance in the General Fund decreased by \$503,421 to end at \$1,272,144.
- The City's net position for the Utility Fund increased by \$461,617 to end at \$5,707,668 with an ending unrestricted net position balance of \$2,764,636.

Overview of the Financial Statements

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

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City'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 between assets and liabilities reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

CITY OF SMITHVILLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Both of the government-wide financial statements distinguish functions of the City 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, public works, sanitation, culture and recreation, code enforcement/inspection, cemetery, airport, and economic development and assistance. The business-type activities of the City include electricity, water, and wastewater.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the City's funds can be divided into three categories: governmental funds, proprietary funds, and 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 maintains eighteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the Coronavirus Local Fiscal Recovery Fund (CLFRF), which are considered to be major funds. Data from the other sixteen 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 adopts an annual appropriated budget for its General Fund and Debt Service Fund. A budgetary comparison statement has been provided for these funds to demonstrate compliance with these budgets.

CITY OF SMITHVILLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Proprietary Funds. The City 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/wastewater 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. Conversely, 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.

Basis of Reporting. The government-wide statements and the fund-level proprietary statements are reported using the full accrual basis of accounting. The governmental funds are reported using the modified accrual basis of accounting.

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

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

CITY OF SMITHVILLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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, assets and deferred outflows of resources exceeded liabilities by \$16,150,167 at the close of the most recent fiscal year.

**Condensed Statement of Net Position
As of September 30**

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 2,853,602	\$ 2,935,842	\$ 3,572,549	\$ 3,840,937	\$ 6,426,151	\$ 6,776,779
Capital assets	10,858,528	10,479,154	9,473,955	9,309,881	20,332,483	19,789,035
Total assets	13,712,130	13,414,996	13,046,504	13,150,818	26,758,634	26,565,814
Deferred outflows of resources	304,174	373,331	149,817	183,880	453,991	-
Current liabilities	1,010,548	572,630	544,501	583,924	1,555,049	1,156,554
Noncurrent liabilities	2,248,435	2,508,627	6,789,091	7,327,219	9,037,526	9,835,846
Total liabilities	3,258,983	3,081,257	7,333,592	7,911,143	10,592,575	10,992,400
Deferred inflows of resources	314,822	360,388	155,061	177,504	469,883	537,892
Net position:						
Net investment in capital assets	9,141,379	8,565,062	2,943,032	2,279,280	12,084,411	10,844,342
Restricted	430,544	414,214	-	-	430,544	414,214
Unrestricted	870,576	1,367,406	2,764,636	2,966,771	3,635,212	4,334,177
Total net position	\$10,442,499	\$10,346,682	\$ 5,707,668	\$ 5,246,051	\$16,150,167	\$15,592,733

By far, the largest portion of the City's net position (74.8%) 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's net position (2.7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$3,635,212 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, 2021

The City's overall net position increased by \$557,434 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

Governmental Activities. During the current fiscal year, net position for governmental activities increased \$95,817 from the prior fiscal year for an ending balance of \$10,442,499. The increase in the overall net position of governmental activities is primarily the result of transfers from the Utility Fund into the General Fund.

**Condensed Statement of Activities
For the Years Ended September 30**

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Program Revenues:						
Charges for services	\$ 1,541,227	\$ 1,255,940	\$ 7,365,411	\$ 6,774,364	\$ 8,906,638	\$ 8,030,304
Operating grants & contributions	559,243	363,910	-	-	559,243	363,910
Capital grants and contributions	-	2,473,396	250,581	-	250,581	2,473,396
General Revenues:						
Property taxes	1,613,365	1,655,026	-	-	1,613,365	1,655,026
Other taxes	964,066	846,808	-	-	964,066	846,808
Other	107,502	266,499	144,727	154,878	252,229	421,377
Total revenue	4,785,403	6,861,579	7,760,719	6,929,242	12,546,122	13,790,821
Expenses:						
General government	825,764	934,665	-	-	825,764	934,665
Public safety	1,617,204	1,544,200	-	-	1,617,204	1,544,200
Code enforcement and inspection	143,089	118,296	-	-	143,089	118,296
Highways and streets	711,402	497,563	-	-	711,402	497,563
Sanitation	1,110,722	890,926	-	-	1,110,722	890,926
Culture and recreation	1,174,687	1,162,984	-	-	1,174,687	1,162,984
Cemetery	107,976	60,276	-	-	107,976	60,276
Airport	84,647	53,608	-	-	84,647	53,608
Economic dev. and assistance	81,030	72,018	-	-	81,030	72,018
Interest on long-term debt	60,522	64,107	-	-	60,522	64,107
Utility Fund	-	-	6,071,645	5,666,369	6,071,645	5,666,369
Total expenses	5,917,043	5,398,643	6,071,645	5,666,369	11,988,688	11,065,012
Increase (decrease) in net position before transfers	(1,131,640)	1,462,936	1,689,074	1,262,873	557,434	2,725,809
Transfers	1,227,457	1,239,360	(1,227,457)	(1,239,360)	-	-
Increase (decrease) in net position	95,817	2,702,296	461,617	23,513	557,434	2,725,809
Net position - beginning	10,346,682	7,644,386	5,246,051	5,222,538	15,592,733	12,866,924
Net position - ending	\$10,442,499	\$10,346,682	\$ 5,707,668	\$ 5,246,051	\$16,150,167	\$15,592,733

CITY OF SMITHVILLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Business-type Activities. For the City of Smithville, Texas's business-type activities, the results for the current fiscal year were positive in that overall net position increased to reach an ending balance of \$5,707,668. The total increase in net position for business-type activities was \$461,617 or 9% from the prior fiscal year.

Financial Analysis of Governmental Funds

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

Governmental Funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City'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 itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City's Council.

At September 30, 2021, the City's governmental funds reported combined fund balances of \$1,730,966, a decrease of \$525,966 in comparison with the prior year. Approximately 73% of this amount \$1,255,443 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 \$16,716; 2) legally required to be maintained intact \$0; 3) restricted for particular purposes \$401,196 4) committed for particular purposes \$57,611; or 5) assigned for particular purposes \$0.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,255,428, while total fund balance decreased to \$1,272,144. 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 21.6% of total General Fund expenditures, while total fund balance represents approximately 21.8% of that same amount.

The fund balance of the City's General Fund decreased by \$503,421 during the current fiscal year. The decrease is largely due to actual revenues being less than expected and capital outlay expenditures being greater than expected.

The CLFRF, a major fund, is a new fund this year that reported a fund balance of \$15. The fund's activity for the year related to investment earnings.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail

The Utility Fund had a \$461,617 increase in total net position during the year, ending at \$5,707,668. At year-end, the Utility Fund reported an unrestricted net position of \$2,764,636, which represents approximately 47% of the fund's operating expenses for the year. Additionally, the Utility Fund reported a restricted net position of \$2,943,032 related to future obligations.

CITY OF SMITHVILLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

General Fund Budgetary Highlights

Original budget compared to final budget. During the year there was a need for significant amendments to increase either the original estimated revenues or original budgeted appropriations. Also, there was a need to make an amendment to reallocate appropriations among departments. Generally, the movement of the appropriations between departments was *not* significant.

Capital Assets and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2021, amounts to \$10,858,528 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, vehicles, park facilities, roads, highways, bridges, and the water treatment plant. The total increase in capital assets for the current fiscal year was approximately 3.3%.

Capital Assets, Net of Accumulated Depreciation

	Governmental Activities 2021	Governmental Activities 2020	Change
Land	\$ 664,891	\$ 664,891	\$ -
Buildings	6,495,613.00	6,105,266.00	390,347
Furniture and equipment	2,502,971.00	2,403,184.00	99,787
Infrastructure	8,722,504.00	8,002,690.00	719,814
Construction in progress	155,248	539,142	(383,894)
Total	<u>18,541,227</u>	<u>17,715,173</u>	<u>826,054</u>
Less accumulated depreciation	<u>(7,682,699)</u>	<u>(7,236,019)</u>	<u>(446,680)</u>
Capital assets, net of depreciation	<u>\$ 10,858,528</u>	<u>\$ 10,479,154</u>	<u>\$ 379,374</u>

	Business-Type Activities 2021	Business-Type Activities 2020	Change
Land	\$ 174,319	\$ 174,319	\$ -
Furniture and equipment	1,542,942.00	1,564,483.00	(21,541)
Construction in progress	1,121,573	664,110	457,463
Infrastructure	16,363,478	16,193,187	170,291
Total	<u>19,202,312</u>	<u>18,596,099</u>	<u>606,213</u>
Less accumulated depreciation	<u>(9,728,357)</u>	<u>(9,286,218)</u>	<u>(442,139)</u>
Capital assets, net of depreciation	<u>\$ 9,473,955</u>	<u>\$ 9,309,881</u>	<u>\$ 164,074</u>

CITY OF SMITHVILLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$5,843,535. Of this amount, \$5,843,535 is debt backed by the full faith and credit of the government and \$0 is special assessment debt for which the government is liable in the event of default by the property owners subject to the assessment. The remainder of the City's long-term obligations comprises pension-related debt and capital leases.

Outstanding Debt

	Governmental Activities 2021	Governmental Activities 2020	Change
General refunding bonds	\$ 915,000	\$ 1,265,000	\$ (350,000)
Certificates of obligation	475,000	485,000	(10,000)
Compensated absences	80,945	68,803	12,142
Capital leases payable	327,149	164,092	163,057
Total	<u>\$ 1,798,094</u>	<u>\$ 1,982,895</u>	<u>\$ (184,801)</u>

	Business-Type Activities 2021	Business-Type Activities 2020	Change
General refunding bonds	\$ 2,085,000	\$ 2,335,000	\$ (250,000)
Certificates of obligation	2,260,000	2,325,000	(65,000)
Premium on issuance	108,535	114,919	(6,384)
Compensated absences	36,358	37,675	(1,317)
Capital leases payable	2,077,388	2,255,682	(178,294)
Total	<u>\$ 6,567,281</u>	<u>\$ 7,068,276</u>	<u>\$ (500,995)</u>

The City's total debt decreased by \$685,796 during the current fiscal year. The reason for the decrease was the City making its scheduled principal payments.

Additional information on the City's long-term debt can be found in Note III.I on pages 56-59 of this report.

Economic Factors and Next Year's Budgets and Rates

The City considered many factors when setting the fiscal year 2022 budget. The City's General Fund budget for fiscal year 2022 includes expenditures of \$5,522,767 which is a slight increase from fiscal year 2021 total adopted expenditures. The city kept the same tax rate as fiscal year 2020-2021 of \$0.446627 for the General Fund and to \$0.102434 for the Interest and Sinking Fund for 2021-2022. The overall total tax rate remained at \$0.549061 per \$100 valuation.

CITY OF SMITHVILLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 904,015	\$ 919,353	\$ 1,823,368
Investments - current	755,102	2,290,546	3,045,648
Taxes receivable - delinquent	139,826	-	139,826
Allowance for uncollectible taxes	(13,983)	-	(13,983)
Accounts receivable, net	181,434	954,605	1,136,039
Intergovernmental receivable	222,299	26,746	249,045
Internal balances	648,193	(648,170)	23
Inventories	-	16,280	16,280
Prepaid items	16,716	13,189	29,905
Capital assets, not being depreciated:			
Land	664,891	174,319	839,210
Construction in progress	155,248	1,121,573	1,276,821
Capital assets, being depreciated:			
Buildings and improvements	6,495,613	-	6,495,613
Machinery, equipment, and vehicles	2,502,971	-	2,502,971
Infrastructure	8,722,504	17,906,420	26,628,924
Accumulated depreciation	(7,682,699)	(9,728,357)	(17,411,056)
Total assets	<u>13,712,130</u>	<u>13,046,504</u>	<u>26,758,634</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - NPL/OPEB	304,174	149,817	453,991
Total deferred outflows of resources	<u>304,174</u>	<u>149,817</u>	<u>453,991</u>
LIABILITIES			
Accounts payable	318,525	292,573	611,098
Accrued salaries and benefits	73,474	16,681	90,155
Accrued liabilities	-	19,688	19,688
Retainage payable	-	36,430	36,430
Accrued interest payable	13,755	66,847	80,602
Unearned revenue	598,155	-	598,155
Other current liabilities	3,639	-	3,639
Customer deposits	3,000	112,282	115,282
Noncurrent liabilities:			
Due within one year	380,767	572,150	952,917
Due in more than one year	1,867,668	6,216,941	8,084,609
Total liabilities	<u>3,258,983</u>	<u>7,333,592</u>	<u>10,592,575</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - NPL/OPEB	314,822	155,061	469,883
Total deferred inflows of resources	<u>314,822</u>	<u>155,061</u>	<u>469,883</u>
NET POSITION			
Net investment in capital assets	9,141,379	2,943,032	12,084,411
Restricted for debt service	430,544	-	430,544
Unrestricted	870,576	2,764,636	3,635,212
Total net position	<u>\$ 10,442,499</u>	<u>\$ 5,707,668</u>	<u>\$ 16,150,167</u>

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

CITY OF SMITHVILLE, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Functions/Programs:	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 825,764	\$ 141,624	\$ 559,243	\$ -
Public safety	1,617,204	54,655	-	-
Code enforcement and inspections	143,089	-	-	-
Highways and streets	711,402	-	-	-
Sanitation	1,110,722	899,936	-	-
Culture and recreation	1,174,687	445,012	-	-
Cemetery	107,976	-	-	-
Airport	84,647	-	-	-
Economic development and assistance	81,030	-	-	-
Interest and bank fees	60,522	-	-	-
Total governmental activities:	<u>5,917,043</u>	<u>1,541,227</u>	<u>559,243</u>	<u>-</u>
Business-type activities:				
Utility Fund	6,071,645	7,365,411	-	250,581
Total business-type activities:	<u>6,071,645</u>	<u>7,365,411</u>	<u>-</u>	<u>250,581</u>
Total primary government	<u>\$ 11,988,688</u>	<u>\$ 8,906,638</u>	<u>\$ 559,243</u>	<u>\$ 250,581</u>

General revenues:
Property taxes
Sales taxes
Hotel/motel taxes
Franchise taxes
Investment earnings
Gain (Loss) on sale of capital assets
Miscellaneous
Total general revenues
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 Activities	Total
\$ (124,897)	\$ -	\$ (124,897)
(1,562,549)	-	(1,562,549)
(143,089)	-	(143,089)
(711,402)	-	(711,402)
(210,786)	-	(210,786)
(729,675)	-	(729,675)
(107,976)	-	(107,976)
(84,647)	-	(84,647)
(81,030)	-	(81,030)
(60,522)	-	(60,522)
<u>(3,816,573)</u>	<u>-</u>	<u>(3,816,573)</u>
-	1,544,347	1,544,347
-	1,544,347	1,544,347
<u>(3,816,573)</u>	<u>1,544,347</u>	<u>(2,272,226)</u>
1,613,365	-	1,613,365
835,071	-	835,071
24,699	-	24,699
104,296	-	104,296
7,565	2,548	10,113
33,144	15,400	48,544
66,793	126,779	193,572
<u>2,684,933</u>	<u>144,727</u>	<u>2,829,660</u>
<u>1,227,457</u>	<u>(1,227,457)</u>	<u>-</u>
<u>3,912,390</u>	<u>(1,082,730)</u>	<u>2,829,660</u>
95,817	461,617	557,434
10,346,682	5,246,051	15,592,733
<u>\$ 10,442,499</u>	<u>\$ 5,707,668</u>	<u>\$ 16,150,167</u>

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FUND BASIS FINANCIAL STATEMENTS

CITY OF SMITHVILLE, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021

	General Fund	CLFRF	Total Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 276,532	\$ 559,392	\$ 68,091	\$ 904,015
Investments - current	353,906	-	401,196	755,102
Taxes receivable - delinquent	107,217	-	32,609	139,826
Allowance for uncollectible delinquent taxes	(10,722)	-	(3,261)	(13,983)
Accounts receivable	175,056	-	6,378	181,434
Intergovernmental receivable	13,854	-	208,445	222,299
Due from other funds	826,375	-	-	826,375
Prepaid items	16,716	-	-	16,716
Total assets	<u>\$ 1,758,934</u>	<u>\$ 559,392</u>	<u>\$ 713,458</u>	<u>\$ 3,031,784</u>
LIABILITIES				
Accounts payable	\$ 276,846	\$ -	\$ 41,679	\$ 318,525
Accrued payroll	72,767	-	707	73,474
Due to other funds	-	-	178,182	178,182
Unearned revenue	34,043	559,377	4,735	598,155
Other current liabilities	3,639	-	-	3,639
Customer deposits	3,000	-	-	3,000
Total liabilities	<u>390,295</u>	<u>559,377</u>	<u>225,303</u>	<u>1,174,975</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	96,495	-	29,348	125,843
Total deferred inflows of resources	<u>96,495</u>	<u>-</u>	<u>29,348</u>	<u>125,843</u>
FUND BALANCES				
Nonspendable:				
Nonspendable - prepaid items	16,716	-	-	16,716
Restricted:				
Restricted for debt service	-	-	401,196	401,196
Committed:				
Committed for specific purposes	-	-	57,611	57,611
Unassigned	1,255,428	15	-	1,255,443
Total fund balances	<u>1,272,144</u>	<u>15</u>	<u>458,807</u>	<u>1,730,966</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 1,758,934</u>	<u>\$ 559,392</u>	<u>\$ 713,458</u>	<u>\$ 3,031,784</u>

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

CITY OF SMITHVILLE, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

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

Total fund balance of all governmental funds	\$ 1,730,966
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	10,858,528
Other long-term assets, such as uncollected property taxes, are not available to pay for and, therefore, are reported as unavailable revenue in the funds.	125,843
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(1,811,849)
Additional long-term liabilities related to the recognition of the net pension liability and/or the OPEB liability is/are not reported in the funds.	(460,989)
	\$ 10,442,499
Net position of governmental activities	\$ 10,442,499

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, 2021

	General Fund	CLFRF	Total Nonmajor Funds	Total Governmental Funds
REVENUES				
Property taxes	\$ 1,302,652	\$ -	\$ 302,843	\$ 1,605,495
Sales taxes	835,071	-	-	835,071
Hotel/motel taxes	24,699	-	-	24,699
Franchise taxes	104,296	-	-	104,296
Licenses and permits	141,624	-	-	141,624
Grants	57,207	-	259,497	316,704
Sanitation	899,936	-	-	899,936
Fines	54,655	-	-	54,655
Charges for service	391,889	-	53,123	445,012
Investment earnings	7,042	15	508	7,565
Contributions & donations	98,434	-	144,105	242,539
Miscellaneous revenue	24,329	-	25,450	49,779
Total revenues	3,941,834	15	785,526	4,727,375
EXPENDITURES				
Current:				
General government	564,059	-	180,354	744,413
Public safety	1,457,887	-	-	1,457,887
Code enforcement and inspections	127,930	-	-	127,930
Highways and streets	638,579	-	-	638,579
Sanitation	996,656	-	-	996,656
Culture and recreation	1,060,266	-	1,138	1,061,404
Cemetery	96,537	-	-	96,537
Airport	75,679	-	-	75,679
Economic development and assistance	72,446	-	-	72,446
Debt service:				
Principal	76,183	-	360,000	436,183
Interest	9,905	-	48,555	58,460
Capital outlay	647,650	-	356,371	1,004,021
Total expenditures	5,823,777	-	946,418	6,770,195
Excess (deficiency) of revenues over	(1,881,943)	15	(160,892)	(2,042,820)
OTHER FINANCING SOURCES (USES)				
Transfers in	1,107,000	-	170,435	1,277,435
Transfers out	(17,876)	-	(32,103)	(49,979)
Sale of general capital assets	33,144	-	-	33,144
Insurance recoveries	17,014	-	-	17,014
Capital leases	239,240	-	-	239,240
Total other financing sources (uses)	1,378,522	-	138,332	1,516,854
Net change in fund balance	(503,421)	15	(22,560)	(525,966)
Fund balance - beginning	1,775,565	-	481,367	2,256,932
Fund balance - ending	\$ 1,272,144	\$ 15	\$ 458,807	\$ 1,730,966

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, 2021

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

Net change in fund balances for total governmental funds	\$ (525,966)
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 outlay exceeded depreciation expense in the current period.	379,374
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	7,870
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	182,739
The net effect of various transactions involving the net pension liability and/or the OPEB liability is to decrease net position.	51,800
Change in net position for governmental activities	<hr style="border: 0.5px solid black;"/> \$ 95,817 <hr style="border: 0.5px solid black;"/>

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

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CITY OF SMITHVILLE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Property taxes	\$ 1,427,404	\$ 1,478,012	\$ 1,302,652	\$ (175,360)
Sales taxes	684,000	708,251	835,071	126,820
Hotel/motel taxes	15,000	15,532	24,699	9,167
Franchise taxes	105,600	109,344	104,296	(5,048)
Licenses and permits	88,527	137,900	141,624	3,724
Grants	43,570	43,570	57,207	13,637
Sanitation	900,000	900,000	899,936	(64)
Fines	68,000	64,602	54,655	(9,947)
Charges for Service	85,975	168,756	391,889	223,133
Investment earnings	6,425	6,425	7,042	617
Contributions & donations	-	112,071	98,434	(13,637)
Miscellaneous revenue	467,411	531,312	24,329	(506,983)
Total revenues	<u>3,891,912</u>	<u>4,275,774</u>	<u>3,941,834</u>	<u>(333,940)</u>
EXPENDITURES				
Current:				
General government	434,040	564,058	564,059	(1)
Public safety	1,479,317	1,459,920	1,457,887	2,033
Code enforcement and inspections	120,894	130,210	127,930	2,280
Highways and streets	502,867	638,579	638,579	-
Sanitation	828,592	996,428	996,656	(228)
Culture and recreation	1,010,456	1,050,569	1,060,266	(9,697)
Cemetery	85,841	105,900	96,537	9,363
Airport	47,372	75,680	75,679	1
Economic development and assistance	76,536	72,450	72,446	4
Debt service:				
Principal	74,646	74,646	76,183	(1,537)
Interest	10,351	10,351	9,905	446
Capital outlay	338,000	625,504	647,650	(22,146)
Total expenditures	<u>5,008,912</u>	<u>5,804,295</u>	<u>5,823,777</u>	<u>(19,482)</u>
Excess (deficiency) of revenues over expenditures	<u>(1,117,000)</u>	<u>(1,528,521)</u>	<u>(1,881,943)</u>	<u>(353,422)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,037,000	1,037,000	1,107,000	70,000
Transfers out	-	-	(17,876)	(17,876)
Sale of general capital assets	-	-	33,144	33,144
Insurance recoveries	-	-	17,014	17,014
Capital leases	-	-	239,240	239,240
Total other financing sources (uses)	<u>1,037,000</u>	<u>1,037,000</u>	<u>1,378,522</u>	<u>341,522</u>
Net change in fund balances	<u>(80,000)</u>	<u>(491,521)</u>	<u>(503,421)</u>	<u>(11,900)</u>
Fund balance - beginning	<u>1,775,565</u>	<u>1,775,565</u>	<u>1,775,565</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,695,565</u>	<u>\$ 1,284,044</u>	<u>\$ 1,272,144</u>	<u>\$ (11,900)</u>

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

CITY OF SMITHVILLE, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2021

	Business-Type Activities
	Utility Fund
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 919,353
Investments - current	2,290,546
Accounts receivable, net	954,605
Intergovernmental receivable	26,746
Inventories	16,280
Prepaid items	13,189
Total current assets	4,220,719
Noncurrent Assets:	
Land	174,319
Infrastructure	17,906,420
Accumulated depreciation	(9,728,357)
Construction/development in progress	1,121,573
Total noncurrent assets	9,473,955
Total assets	13,694,674
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows - NPL/OPEB	149,817
LIABILITIES	
Current liabilities:	
Accounts payable	292,573
Accrued wages	16,681
Accrued liabilities	19,688
Retainage payable	36,430
Due to other funds	648,170
Accrued interest payable	66,847
Bonds and capital leases payable - current	572,150
Customer deposits	112,282
Total current liabilities	1,764,821
Noncurrent Liabilities:	
Bonds payable	4,015,000
Unamortized premium on bonds	108,535
Compensated absences	36,358
Capital leases	1,835,238
Net pension obligation	135,314
OPEB liability	86,496
Total noncurrent liabilities	6,216,941
Total liabilities	7,981,762
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - NPL/OPEB	155,061
NET POSITION	
Net investment in capital assets	2,943,032
Unrestricted	2,764,636
Total net position	\$ 5,707,668

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

CITY OF SMITHVILLE, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Business-Type Activities	
	Utility Fund	
REVENUES		
Operating revenues:		
Charges for services:		
Water sales	\$	1,013,365
Sewerage service		950,130
Electricity sales		5,044,812
Other charges for services		357,104
Miscellaneous revenue		126,779
Total operating revenues		7,492,190
EXPENSES		
Operating expenses:		
Personnel services		1,217,749
Purchased prof. and technical services		220,512
Other purchased services		2,690,854
Other operating expenses		1,202,263
Depreciation		494,839
Total operating expenses		5,826,217
Operating income (loss)		1,665,973
Nonoperating revenues (expenses)		
Grants		250,581
Investment earnings		2,548
Loss on disposal of property		15,400
Interest expense		(245,428)
Total nonoperating revenues (expenses)		23,101
Income before transfers in (out)		1,689,074
Transfers out		(1,227,457)
Change in net position		461,617
Net position-beginning		5,246,051
Net position-ending	\$	5,707,668

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

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CITY OF SMITHVILLE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
SEPTEMBER 30, 2021

	Business-Type Activities
	Utility Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 7,495,940
Receipt (return) of customer deposits	(400)
Payments to suppliers and service providers	(4,016,540)
Payments to employees for salaries and benefits	(1,217,799)
Net cash provided by (used for) operating activities	2,261,201
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	(1,227,457)
Net cash provided by (used for) capital and financing activities	(1,227,457)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital grants	250,581
Acquisition and construction of capital assets	(658,913)
Principal paid on capital debt	(499,678)
Interest paid on capital debt	(245,428)
Proceeds from sale of assets	15,400
Net cash provided by (used for) capital and related financing activities	(1,138,038)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sale of investments	649,449
Interest on investments	2,548
Net cash provided by investing activities	651,997
Net increase (decrease) in cash and cash equivalents	547,703
Cash and cash equivalents-beginning	371,650
Cash and cash equivalents-ending	\$ 919,353
Reconciliation of operating income (loss) to net cash provided (used for) operating activities:	
Operating income (loss)	\$ 1,665,973
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation expense	494,839
(Increase) decrease in accounts receivable	3,750
(Increase) decrease in intergovernmental receivables	164,945
(Increase) decrease in prepaid items	(2,053)
(Decrease) increase in deposits payable	(400)
(Decrease) increase in accounts payable	(65,803)
(Decrease) increase in accrued liabilities	26,780
(Decrease) increase in compensated absences	(1,317)
(Decrease) increase in NPL/OPEB	(25,513)
Total adjustments	595,228
Net cash provided by (used for) operating activities	\$ 2,261,201

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

CITY OF SMITHVILLE, TEXAS
 STATEMENT OF NET POSITION
 FIDUCIARY FUNDS
 SEPTEMBER 30, 2021

	<u>Custodial Fund</u>
	HRA Trust Fund
ASSETS	
Investments	\$ 49,450
Total assets	49,450
 LIABILITIES	
Other liabilities	23
Total liabilities	23
 NET POSITION	
Net position held in trust and other purposes	\$ 49,427

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

CITY OF SMITHVILLE, TEXAS
 STATEMENT OF CHANGES IN NET POSITION
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Custodial Fund
	HRA Trust Fund
DEDUCTIONS	
Benefits	\$ 10,963
Total deductions	10,963
Change in net position	(10,963)
Net position - beginning (restated)	60,390
Net position - ending	\$ 49,427

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, 2021

I. Summary of Significant Accounting Policies

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB).

This section describes the significant accounting and reporting guidelines of the City.

A. 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, 2021, 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. 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 City’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. Fund Financial Statements

The fund financial statements provide information about the City’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 City reports the following major governmental funds:

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

The *Coronavirus Local Fiscal Recovery Fund (CLFRF)* is a new special revenue fund this year which is used to account for federal funding intended to help governments across the country respond to fiscal challenges brought on by the COVID-19 pandemic.

CITY OF SMITHVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

The City reports the following major enterprise funds:

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

Additionally, the City 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 Trust 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 City 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.

CITY OF SMITHVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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.

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*. Agency 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 are 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.

CITY OF SMITHVILLE, TEXAS
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FOR THE YEAR ENDED SEPTEMBER 30, 2021

The appropriated budget is prepared by fund and department. The City'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, 2021, expenditures exceeded appropriations in the General Fund by \$19,484 largely as a result of capital outlay expenditures originally thought to be reimbursable through a grant being reclassified as General Fund expenditures subsequent to the budget year end.

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

1. Cash and cash equivalents

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

2. Investments

Investments for the City 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.

CITY OF SMITHVILLE, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
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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 City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of more than one year.

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

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

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

5. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

CITY OF SMITHVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

6. Net position flow assumption

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

7. Fund balance flow assumptions

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

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 City 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 City’s highest level of decision-making authority. The governing council is the highest level of decision-making authority for the City 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 City for specific purposes but do not meet the criteria to be classified as committed. The council has by resolution authorized the City Manager to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

H. Revenues and Expenditures/Expenses

1. Program revenues

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

CITY OF SMITHVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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, 2020, upon which the levy for the 2020-2021 fiscal year was based, was \$291,935,599. 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, 2021, to finance General Fund and Debt Service Fund operations were \$0.446627 and \$0.102434, respectively, for a total tax rate of \$0.549061 per \$100 valuation. The total tax levy for the General Fund and Debt Service Fund for the 2020-2021 fiscal year was \$1,602,905. Tax collections, including collections of prior year delinquent balances, for the year ended September 30, 2021, were 99% of the year end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting taxes.

3. *Compensated absences*

Vacation

The City's policy permits employees to accumulate 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 City 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 water fund and electric fund are charges to customers for sales and services. The water fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF SMITHVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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.

B. Deficit Fund Equity

For the year ended September 30, 2021 there were no funds reported with deficit fund equity.

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 City’s deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of September 30, 2021, the City’s bank balance was \$1,919,112 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 City 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, 2021, the City had the following investments:

Investment Type	Maturity Time in Years			
	Less than 1	1-5	6-10	More Than 10
Lone Star Investment Pool	\$2,198,091	\$ -	\$ -	\$ -
Certificates of Deposit	897,007	-	-	-
Total investments	<u>\$3,095,098</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

Concentration of credit risk. The City’s investment policy does not allow for an investment in any one issuer that is in excess of 5 percent of the City’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 City 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 City, including the applicable allowances for uncollectible accounts:

Governmental Funds:

Receivables	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Property taxes	\$ 107,217	\$ 32,609	\$ 139,826
Sales and mixed beverage taxes	141,114	-	141,114
Property liens	57,226	-	57,226
Grants	13,854	208,445	222,299
Other	3,358	6,378	9,736
Gross receivables	322,769	247,432	570,201
Less: Allowance for uncollectibles	(37,364)	(3,261)	(40,625)
Net receivables	<u>\$ 285,405</u>	<u>\$ 244,171</u>	<u>\$ 529,576</u>

CITY OF SMITHVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Proprietary Funds:

Receivables	Utility Fund
Utility billing	\$ 1,753,076
Grants	26,746
Other	3,644
Gross receivables	1,783,466
Less: Allowance for uncollectibles	(802,115)
Net receivables	\$ 981,351

D. Capital Assets

Capital assets activity for the year ended September 30, 2021, was as follows:

Governmental Activities:

	Balance 10/1/20	Increases	Decreases	Adjustments	Balance 9/30/21
Capital assets, not being depreciated:					
Land	\$ 664,891	\$ -	\$ -	\$ -	\$ 664,891
Construction in progress	539,142	155,248	-	(539,142)	155,248
Total capital assets, not being depreciated	1,204,033	155,248	-	(539,142)	820,139
Capital assets, being depreciated:					
Buildings and improvements	6,105,266	385,887	-	4,460	6,495,613
Machinery, equipment, and vehicles	2,403,184	277,754	(177,967)	-	2,502,971
Infrastructure	8,002,690	185,132	-	534,682	8,722,504
Total capital assets, being depreciated	16,511,140	848,773	(177,967)	539,142	17,721,088
Less accumulated depreciation for:					
Buildings and improvements	(3,396,800)	(148,073)	-	-	(3,544,873)
Machinery, equipment, and vehicles	(2,153,443)	(137,540)	177,967	-	(2,113,016)
Infrastructure	(1,685,776)	(339,034)	-	-	(2,024,810)
Total accumulated depreciation	(7,236,019)	(624,647)	177,967	-	(7,682,699)
Total capital assets being depreciated, net	9,275,121	224,126	-	-	9,499,247
Governmental activities capital assets, net	\$10,479,154	\$ 379,374	\$ -	\$ -	\$10,858,528

CITY OF SMITHVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
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Business-Type Activities:

	Balance				Balance
	10/1/20	Increases	Decreases	Adjustments	9/30/21
Capital assets, not being depreciated:					
Land	\$ 174,319	\$ -	\$ -	\$ -	\$ 174,319
Construction in progress	664,110	618,643	-	(161,180)	1,121,573
Total capital assets, not being depreciated	838,429	618,643	-	(161,180)	1,295,892
Capital assets, being depreciated:					
Machinery, equipment, and vehicles	1,564,483	31,159	(52,700)	-	1,542,942
Infrastructure	16,193,187	9,111	-	161,180	16,363,478
Total capital assets, being depreciated	17,757,670	40,270	(52,700)	161,180	17,906,420
Less accumulated depreciation for:					
Machinery, equipment, and vehicles	(1,158,660)	(99,369)	52,700	-	(1,205,329)
Infrastructure	(8,127,558)	(395,470)	-	-	(8,523,028)
Total accumulated depreciation	(9,286,218)	(494,839)	52,700	-	(9,728,357)
Total capital assets being depreciated, net	8,471,452	(454,569)	-	-	8,016,883
Business-type activities capital assets, net	\$ 9,309,881	\$ 164,074	\$ -	\$ -	\$ 9,473,955

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

Governmental activities:

General government	\$ 88,210
Public safety	187,910
Highways and streets	75,668
Sanitation	118,098
Health and Welfare	-
Culture and recreation	146,176
Economic Development and Assistance	8,584
Total depreciation expense - governmental activities	<u>\$ 624,646</u>

CITY OF SMITHVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
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E. Defined Benefit Pension Plan

Plan Description

The City participates as one of 895 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

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

Benefits Provided

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

Employees Covered by Benefit Terms

At the December 31, 2020 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	72
Active employees	64
	<hr/>
	168
	<hr/> <hr/>

CITY OF SMITHVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Contributions

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

Employees for the City were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of Smithville were 6.94% and 7.06% in calendar years 2020 and 2021, respectively. The City's contributions to TMRS for the year ended September 30, 2021 were \$208,147, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2020, 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, 2020 actuarial valuation was determined using the following actuarial assumptions:

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

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

CITY OF SMITHVILLE, TEXAS
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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.

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).

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	100%	

CITY OF SMITHVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
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Discount Rate

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

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2019	\$ 7,057,643	\$ 6,495,259	\$ 562,384
Changes for the year:			
Service cost	275,425	-	275,425
Interest	474,361	-	474,361
Change of benefit terms	-	-	-
Difference between expected and actual experience	(83,029)	-	(83,029)
Changes of assumptions	-	-	-
Contributions - employer	-	191,336	(191,336)
Contributions - employee	-	137,850	(137,850)
Net investment income	-	493,228	(493,228)
Benefit payments, including refunds of employee contr.	(335,558)	(335,558)	-
Administrative expense	-	(3,190)	3,190
Other changes	-	(125)	125
Net changes	331,199	483,541	(152,342)
Balance at 12/31/2020	<u>\$ 7,388,842</u>	<u>\$ 6,978,800</u>	<u>\$ 410,042</u>

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

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower 5.75% or 1-percentage-point higher 7.75% than the current rate:

	1% Decrease in Discount Rate 5.75%	Current Discount Rate 6.75%	1% Increase in Discount Rate 7.75%
City's net pension liability	\$ 1,481,513	\$ 410,042	\$ (467,292)

Pension Plan Fiduciary Net Position

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

CITY OF SMITHVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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

For the year ended September 30, 2021, the city recognized pension expense of \$(69,101).

At September 30, 2021, 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 projected and actual investment earnings	\$ 217,662	\$ 401,373
Differences between expected and actual economic experience	20,544	54,216
Difference in assumption changes	6,307	-
Contributions subsequent to the measurement date	153,646	-
Total	<u>\$ 398,159</u>	<u>\$ 455,589</u>

\$153,646 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year Ended Dec 31st:	Net Deferred Outflows (Inflows) of Resources
2021	\$ (70,608)
2022	(22,355)
2023	(107,155)
2024	(10,958)
2025	-
Thereafter	-
Total	<u>\$ (211,076)</u>

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.

CITY OF SMITHVILLE, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

Employees Covered by Benefit Terms

At the December 31, 2020 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
	101
	101

Contributions

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

The City's contributions to the TMRS SDBF for the year ended September 30, 2021 were \$9,737 which equaled the required contributions each year.

Plan Assets

At the December 31, 2020 valuation and measurement date, there are no assets accumulated in trust.

Actuarial Assumptions

The Total OPEB Liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

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

All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB No. 68. Mortality rates for service retirees are calculated using the 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. The mortality rates for disabled retirees are calculated using the 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 actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation.

CITY OF SMITHVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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 12/31/2019	\$ 222,291	\$ -	\$ 222,291
Changes for the year:			
Service cost	13,234	-	13,234
Interest	6,268	-	6,268
Change of benefit terms	-	-	-
Difference between expected and actual experience	(9,231)	-	(9,231)
Changes of assumptions	31,477	-	31,477
Contributions - employer	-	-	-
Contributions - employee	-	-	-
Net investment income	-	-	-
Benefit payments, including refunds of employee contr.	(1,930)	-	(1,930)
Administrative expense	-	-	-
Other changes	-	-	-
Net changes	39,818	-	39,818
Balance at 12/31/2020	\$ 262,109	\$ -	\$ 262,109

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 2.00%, 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 1.00% or 1-percentage-point higher 3.00% than the current rate:

	1% Decrease in Discount Rate 1.00%	Current Discount Rate 2.00%	1% Increase in Discount Rate 3.00%
City's OPEB liability	\$ 313,819	\$ 262,109	\$ 221,331

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2021, the city recognized OPEB expense of \$17,301.

CITY OF SMITHVILLE, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

At September 30, 2021, 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 economic experience	\$ -	\$ 9,840
Difference in assumption changes	48,215	4,454
Contributions subsequent to the measurement date	7,617	-
Total	\$ 55,832	\$ 14,294

\$7,617 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB 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 OPEB expense as follows:

Measurement Year Ended Dec 31st:	Net Deferred Outflows (Inflows) of Resources
2021	\$ 10,440
2022	8,065
2023	11,270
2024	4,146
2025	-
Thereafter	-
Total	\$ 33,921

G. Risk Management

The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; 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 Lease

The City added a new six-year capital lease in fiscal year 2021 in the amount of \$270,899. Approximately 90% of the new lease relates to multiple vehicles that will be used for the City's governmental activities. The remaining 10% of the new lease relates to a utility vehicle that will be used for the City's business-type activities.

CITY OF SMITHVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2021, were as follows:

Year Ending September 30	Governmental Activities
2022	\$ 86,088
2023	79,337
2024	72,586
2025	72,586
2026	43,804
Total minimum lease payments	354,401
Less: amount representing interest	(27,252)
Present value of minimum lease payments	\$ 327,149

Year Ending September 30	Business-Type Activities
2022	\$ 315,278
2023	274,397
2024	271,659
2025	268,782
2026	235,991
	1,100,668
Total minimum lease payments	2,466,775
Less: amount representing interest	(389,387)
Present value of minimum lease payments	\$ 2,077,388

I. Long-Term Liabilities

General Obligation Bonds

The City 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 City 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.

CITY OF SMITHVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Details of long-term debt obligations outstanding at September 30, 2021 are as follows:

Governmental Activities:

Type	Sale Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding 9/30/21
Bonds Payable					
Certificates of Obligation, Series 2019	2019	\$ 490,000	3.50-5.00%	2033	\$ 475,000
General Refunding Bonds, Series 2018	2018	1,200,000	2.40-2.85%	2024	915,000
General Refunding Bonds, Series 2005	2005	2,555,000	3.90%	2021	-
Total Bonds Payable					<u>\$ 1,390,000</u>
Capital Leases Payable					
Capital Lease - Multiple Vehicles	2020	239,240	2.98%	2026	\$ 199,993
Capital Lease - Multiple Vehicles	2019	159,194	2.84%	2025	108,101
Capital Lease - Wood Chipper	2018	58,800	5.19%	2023	19,055
Total Capital Leases Payable					<u>\$ 327,149</u>

Business-type Activities:

Type	Sale Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding 9/30/21
General Obligation Bonds:					
Certificates of Obligation, Series 2019	2019	2,485,000	3.50-5.00%	2033	\$ 2,260,000
General Refunding Bonds, Series 2007	2007	4,500,000	4.20%	2028	2,085,000
Premium on Issuance, Series 2019	2019	127,687	N/A	2038	108,535
Total General Obligation Bonds					<u>\$ 4,453,535</u>
Capital Leases Payable					
Capital Lease - Utility Vehicle	2020	31,659	2.98%	2026	\$ 26,465
Capital Lease - Multiple Vehicles	2019	165,507	2.84%	2025	112,388
Capital Lease - Dump Truck	2018	178,906	3.59%	2022	37,386
Capital Lease - QECB	2016	2,661,148	3.68%	2031	1,901,149
Total Capital Leases Payable					<u>\$ 2,077,388</u>

CITY OF SMITHVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Changes in Long-Term Liabilities

Changes in the City's long-term liabilities for the year ended September 30, 2021 are as follows:

Governmental Activities:

Description	Balance 10/1/20	Additions	Deletions	Balance 9/30/21	Due in One Year
Bonds Payable					
General obligation bonds	\$1,265,000	\$ -	\$ (350,000)	\$ 915,000	\$ 295,000
Certificates of obligation	485,000	-	(10,000)	475,000	10,000
Total bonds payable	1,750,000	-	(360,000)	1,390,000	305,000
Capital leases	164,092	239,240	(76,183)	327,149	75,767
Compensated absences	68,803	12,142	-	80,945	-
Net other postemployment benefit obligation	525,732	26,678	(102,069)	450,341	-
Governmental activities long-term liabilities	<u>\$2,508,627</u>	<u>\$ 278,060</u>	<u>\$ (538,252)</u>	<u>\$2,248,435</u>	<u>\$ 380,767</u>

Business-type Activities:

Description	Balance 10/1/20	Additions	Deletions	Balance 9/30/21	Due in One Year
Bonds Payable					
Bonds	\$2,335,000	\$ -	\$ (250,000)	\$2,085,000	\$ 260,000
Certificates of obligation	2,325,000	-	(65,000)	2,260,000	70,000
Premium	114,919	-	(6,384)	108,535	-
Total bonds payable	4,774,919	-	(321,384)	4,453,535	330,000
Capital leases	2,255,682	31,659	(209,953)	2,077,388	242,150
Compensated absences	37,675	-	(1,317)	36,358	-
Net other postemployment benefit obligation	258,943	13,140	(50,273)	221,810	-
Governmental activities long-term liabilities	<u>\$7,327,219</u>	<u>\$ 44,799</u>	<u>\$ (582,927)</u>	<u>\$6,789,091</u>	<u>\$ 572,150</u>

CITY OF SMITHVILLE, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

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

Governmental Activities:

Year Ended September 30,	Governmental Activities	
	Bonds Payable	
	Principal	Interest
2022	\$ 305,000	\$ 38,375
2023	315,000	29,346
2024	325,000	21,164
2025	45,000	14,913
2026	45,000	12,888
2027-2031	250,000	37,450
2032-2036	105,000	3,638
Totals	\$ 1,390,000	\$ 157,774

Business-type Activities:

Year Ended September 30,	Business-Type Activities	
	Bonds Payable	
	Principal	Interest
2022	\$ 330,000	\$ 163,110
2023	345,000	148,355
2024	360,000	132,950
2025	375,000	117,095
2026	390,000	100,790
2027-2031	1,290,000	303,470
2032-2036	865,000	150,688
2037-2038	390,000	14,813
Totals	\$ 4,345,000	\$ 1,131,271

CITY OF SMITHVILLE, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

J. Interfund Receivables and Payables

The composition of interfund balances as of September 30, 2021 is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Special Revenue Funds	\$ 178,182
General Fund	Enterprise Fund	648,170
General Fund	Trust and Agency Funds	23
Total		\$ 826,375

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, 2021 is as follows:

	Transfer in to:		
	Governmental Funds		Total
	General Fund	Nonmajor gov. funds	
Transfer out from:			
General Fund		\$ 17,876	\$ 17,876
Capital Projects Fund		32,103	32,103
Utility Fund	1,107,000	120,456	1,227,456
Total	\$ 1,107,000	\$ 170,435	\$ 1,277,435

During the year, recurring transfers are 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 Utility Fund to the General Fund to subsidize governmental activities.

CITY OF SMITHVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Furthermore, during the year ended September 30, 2021 the City made the following one-time transfers:

The General Fund and the Utility Fund transferred \$13,027 and \$33,256, respectively, to the HMPG Grant Fund in order to reclassify expenditures that were applicable to a capital reimbursement grant. Additionally, the Capital Projects Fund transferred \$32,103 to the Debt Service Fund after the City closed a Capital Projects investment account. The Utility Fund also transferred \$1,107,000 to the General Fund and \$87,000 to the Debt Service Fund.

L. Contingencies

The City 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 City'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 City 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

On September 13, 2021, the City Council approved the issuance of City of Smithville, Texas Tax Notes, Series 2021 in the amount of \$750,000. The notes were issued in the next fiscal year. The proceeds are to be used for capital equipment purchases in the governmental funds. As of March 11, 2022, there were no other 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, 2021

	Measurement Year 2014	Measurement Year 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]	<u>\$ 287,032</u>	<u>\$ 632,348</u>
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	Measurement Year 2017	Measurement Year 2018	Measurement Year 2019	Measurement Year 2020
\$ 214,184	\$ 234,022	\$ 250,807	\$ 271,573	\$ 275,425
347,256	377,443	407,615	438,829	474,361
-	-	-	-	-
73,787	26,295	(13,107)	60,824	(83,029)
-	-	-	18,673	-
(188,818)	(207,054)	(191,255)	(195,286)	(335,558)
\$ 446,409	\$ 430,706	\$ 454,060	\$ 594,613	\$ 331,199
5,131,855	5,578,264	6,008,970	6,463,030	7,057,643
\$ 5,578,264	\$ 6,008,970	\$ 6,463,030	\$ 7,057,643	\$ 7,388,842
\$ 129,248	\$ 154,591	\$ 172,002	\$ -	\$ 191,336
108,613	118,552	126,288	135,786	137,850
304,080	672,056	(167,272)	853,570	493,228
(188,818)	(207,054)	(191,255)	(195,286)	(335,558)
(3,434)	(3,483)	(3,232)	(4,822)	(3,190)
(185)	(177)	(170)	(144)	(125)
\$ 349,504	\$ 734,485	\$ (63,639)	\$ 789,104	\$ 483,541
4,499,507	4,849,011	5,583,496	5,519,857	6,495,259
\$ 4,849,011	\$ 5,583,496	\$ 5,519,857	\$ 6,308,961	\$ 6,978,800
\$ 729,253	\$ 425,474	\$ 943,173	\$ 748,682	\$ 410,042
86.93%	92.92%	85.41%	89.39%	94.45%
\$ 2,172,253	\$ 2,371,040	\$ 2,525,752	\$ 2,715,726	\$ 2,757,005
33.57%	17.94%	37.34%	27.57%	14.87%

CITY OF SMITHVILLE, TEXAS
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Fiscal Year			
	2015	2016	2017	2018
Actuarially Determined Contribution	\$ 138,556	\$ 132,289	\$ 147,681	\$ 168,019
Contributions in relation to the actuarially determined contribution	<u>(138,556)</u>	<u>(132,289)</u>	<u>(147,681)</u>	<u>(168,019)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 2,049,642	\$ 2,140,771	\$ 2,321,089	\$ 2,496,669
Contributions as a percentage of covered employee payroll	6.76%	6.18%	6.36%	6.73%

Fiscal Year		
2019	2020	2021
\$ 179,053	\$ 190,054	\$ 208,147
<u>(179,053)</u>	<u>(190,054)</u>	<u>(208,147)</u>
\$ -	\$ -	\$ -
\$ 2,659,919	\$ 2,747,477	\$ 2,961,602
6.73%	6.92%	7.03%

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CITY OF SMITHVILLE, TEXAS
 NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Payroll, Closed
Remaining amortization period	25 years
Asset valuation method	10 Year smoothed market; 12% soft corridor
Inflation	2.5% per year
Salary increases	3.50% to 11.5%, including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are on a fully generational basis with scale UMP.

Other Information:

Notes There were no benefit changes during the year.

CITY OF SMITHVILLE, TEXAS
SCHEDULE OF CHANGES IN OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Measurement Year 2017	Measurement Year 2018	Measurement Year 2019	Measurement Year 2020
A. Total OPEB liability				
1. Service cost	\$ 7,824	\$ 9,345	\$ 9,505	\$ 13,234
2. Interest on Total OPEB Liability	5,862	5,996	6,615	6,268
3. Changes of benefit terms	-	-	-	-
4. Difference between expected and actual experience	-	(5,284)	(757)	(9,231)
5. Changes of assumptions	12,956	(11,273)	34,333	31,477
6. Benefit payments	(1,186)	(1,515)	(1,901)	(1,930)
7. Net changes	\$ 25,456	\$ (2,731)	\$ 47,795	\$ 39,818
8. Total OPEB Liability - beginning of the year	151,771	177,227	174,496	222,291
9. Total OPEB Liability - end of the year	<u>\$ 177,227</u>	<u>\$ 174,496</u>	<u>\$ 222,291</u>	<u>\$ 262,109</u>
E. Covered-employee payroll	\$ 2,371,040	\$ 2,525,752	\$ 2,715,726	\$ 2,757,005
F. Total OPEB Liability as a Percentage of Covered Payro	7.47%	6.91%	8.19%	9.51%

CITY OF SMITHVILLE, TEXAS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Fiscal Year				
	2017	2018	2019	2020	2021
Actuarially Determined Contribution	\$ 5,171	\$ 5,493	\$ 5,852	\$ 7,263	\$ 9,737
Contributions in relation to the actuarially determined contribution	(5,171)	(5,493)	(5,852)	(7,263)	(9,737)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$2,321,089	\$2,496,669	\$2,659,919	\$2,747,477	\$2,961,602
Contributions as a percentage of covered employee payroll	0.22%	0.22%	0.22%	0.26%	0.33%

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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 *CDBG-DR Drainage Project Fund* is used to account for the administration of the City's Community Development Block Grant – Disaster Recovery funds.

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

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

The *Hazard Mitigation Grant Projects (HMGP) Fund* is used to account for the City's hazard mitigation grants and related projects

The *TxDOT Sidewalk Grant Fund* is used to account for the administration of the City's TxDOT grant related to the construction of sidewalks.

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.

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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 government funds.

Capital Projects Funds

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

CITY OF SMITHVILLE, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2021

	Special Revenue Funds				
	CDBG-DR				
	Railroad Park Fund	Police Seized Asset Fund	Drainage Project Fund	2009 TXCDBG Project Fund	HOMES Project Fund
ASSETS					
Cash and cash equivalents	\$ 826	\$ 6,371	\$ -	\$ 61	\$ 239
Investments - current	-	-	-	-	-
Taxes receivable - delinquent	-	-	-	-	-
Allowance for uncoll. taxes	-	-	-	-	-
Accounts receivable	-	-	-	-	-
Intergovernmental receivable	-	-	19,800	-	-
Total assets	<u>\$ 826</u>	<u>\$ 6,371</u>	<u>\$ 19,800</u>	<u>\$ 61</u>	<u>\$ 239</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Compensated absences payable	-	-	-	-	-
Due to other funds	-	-	19,800	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>19,800</u>	<u>-</u>	<u>-</u>
DEF. INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS)					
Restricted for:					
Restricted for debt service	-	-	-	-	-
Committed for:					
Committed for specific purposes	826	6,371	-	61	239
Total Fund balances	<u>826</u>	<u>6,371</u>	<u>-</u>	<u>61</u>	<u>239</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 826</u>	<u>\$ 6,371</u>	<u>\$ 19,800</u>	<u>\$ 61</u>	<u>\$ 239</u>

Special Revenue Funds

Veterans						
HMGP Grant Fund	TxDOT Sidewalk Grant Fund	Grant and Donation Fund	Memorial Park Fund	Smithville Cares Fund	School Resource Officer Fund	PEG Capital Fee Fund
\$ -	\$ -	\$ 9,195	\$ 16,518	\$ 3,740	\$ -	\$ 18,202
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	6,378	-
112,155	76,490	-	-	-	-	-
<u>\$ 112,155</u>	<u>\$ 76,490</u>	<u>\$ 9,195</u>	<u>\$ 16,518</u>	<u>\$ 3,740</u>	<u>\$ 6,378</u>	<u>\$ 18,202</u>
\$ 3,570	\$ 32,364	\$ 4,460	\$ 1,285	\$ -	\$ -	\$ -
-	-	-	-	-	707	-
108,585	44,126	-	-	-	5,671	-
-	-	4,735	-	-	-	-
<u>112,155</u>	<u>76,490</u>	<u>9,195</u>	<u>1,285</u>	<u>-</u>	<u>6,378</u>	<u>-</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	15,233	3,740	-	18,202
-	-	-	15,233	3,740	-	18,202
<u>\$ 112,155</u>	<u>\$ 76,490</u>	<u>\$ 9,195</u>	<u>\$ 16,518</u>	<u>\$ 3,740</u>	<u>\$ 6,378</u>	<u>\$ 18,202</u>

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CITY OF SMITHVILLE, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2021

	Special Revenue Funds		Debt Service Fund	Capital Projects Fund	Total Non-Major Governmental Funds
	Airport Fly-In Fund	Independence Park Fund	Interest & Sinking Fund	Bonds Projects Fund	
ASSETS					
Cash and cash equivalents	\$ 7,007	\$ 5,932	\$ -	\$ -	\$ 68,091
Investments - current	-	-	401,196	-	401,196
Taxes receivable - delinquent	-	-	32,609	-	32,609
Allowance for uncoll. taxes	-	-	(3,261)	-	(3,261)
Accounts receivable	-	-	-	-	6,378
Intergovernmental receivable	-	-	-	-	208,445
Total assets	<u>\$ 7,007</u>	<u>\$ 5,932</u>	<u>\$ 430,544</u>	<u>\$ -</u>	<u>\$ 713,458</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 41,679
Compensated absences payable	-	-	-	-	707
Due to other funds	-	-	-	-	178,182
Unearned revenue	-	-	-	-	4,735
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>225,303</u>
DEF. INFLOWS OF RESOURCES					
Unavailable revenue	-	-	29,348	-	29,348
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>29,348</u>	<u>-</u>	<u>29,348</u>
FUND BALANCES (DEFICITS)					
Restricted for:					
Restricted for Debt Service	-	-	401,196	-	401,196
Committed for:					
Committed for Specific Purposes	7,007	5,932	-	-	57,611
Total Fund balances	<u>7,007</u>	<u>5,932</u>	<u>401,196</u>	<u>-</u>	<u>458,807</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 7,007</u>	<u>\$ 5,932</u>	<u>\$ 430,544</u>	<u>\$ -</u>	<u>\$ 713,458</u>

CITY OF SMITHVILLE, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Special Revenue Funds				
	Railroad Park Fund	Police Seized Asset Fund	CDBG-DR Drainage Project Fund	2009 TXCDBG Project Fund	HOMES Project Fund
REVENUES					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Grants	-	-	-	-	-
Charges for services	-	-	-	-	-
Investment earnings	5	20	-	-	-
Contributions & donations	25	-	-	-	-
Miscellaneous revenue	-	3,862	19,800	-	38
Total revenues	30	3,882	19,800	-	38
EXPENDITURES					
Current:					
General government	-	-	19,800	-	-
Culture and recreation	300	-	-	-	-
Bond principal	-	-	-	-	-
Interest	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	300	-	19,800	-	-
Excess (deficiency) of revenues over expenditures	(270)	3,882	-	-	38
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	(270)	3,882	-	-	38
Fund balance - beginning	1,096	2,489	-	61	201
Fund balance - ending	\$ 826	\$ 6,371	\$ -	\$ 61	\$ 239

Special Revenue Funds

Veterans						
HMGP Grant Fund	TxDOT Sidewalk Grant Fund	Grant and Donation Fund	Memorial Park Fund	Smithville Cares Fund	School Resource Officer Fund	PEG Capital Fee Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
138,849	76,490	44,158	-	-	-	-
-	-	-	-	-	53,123	-
-	-	-	93	18	-	90
-	-	141,075	320	-	-	-
-	-	1,750	-	-	-	-
<u>138,849</u>	<u>76,490</u>	<u>186,983</u>	<u>413</u>	<u>18</u>	<u>53,123</u>	<u>90</u>
-	-	97,083	10,348	-	53,123	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
185,132	76,490	94,749	-	-	-	-
<u>185,132</u>	<u>76,490</u>	<u>191,832</u>	<u>10,348</u>	<u>-</u>	<u>53,123</u>	<u>-</u>
(46,283)	-	(4,849)	(9,935)	18	-	90
46,283	-	4,849	-	-	-	-
-	-	-	-	-	-	-
<u>46,283</u>	<u>-</u>	<u>4,849</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	(9,935)	18	-	90
-	-	-	25,168	3,722	-	18,112
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,233</u>	<u>\$ 3,740</u>	<u>\$ -</u>	<u>\$ 18,202</u>

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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, 2021

	Special Revenue Funds		Debt Service Fund	Capital Project Fund	Total Non-Major Governmental Funds
	Airport Fly-In Fund	Independence Park Fund	Interest & Sinking Fund	Bonds Projects Fund	
REVENUES					
Property taxes	\$ -	\$ -	\$ 302,843	\$ -	\$ 302,843
Grants	-	-	-	-	259,497
Charges for services	-	-	-	-	53,123
Investment earnings	27	30	207	18	508
Contributions & donations	2,685	-	-	-	144,105
Miscellaneous revenue	-	-	-	-	25,450
Total revenues	2,712	30	303,050	18	785,526
EXPENDITURES					
Current:					
General government	-	-	-	-	180,354
Culture and recreation	838	-	-	-	1,138
Bond principal	-	-	360,000	-	360,000
Interest - bonds	-	-	48,555	-	48,555
Capital outlay	-	-	-	-	356,371
Total expenditures	838	-	408,555	-	946,418
Excess (deficiency) of revenues over expenditures	1,874	30	(105,505)	18	(160,892)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	119,303	-	170,435
Transfers out	-	-	-	(32,103)	(32,103)
Total other financing sources (uses)	-	-	119,303	(32,103)	138,332
Net change in fund balance	1,874	30	13,798	(32,085)	(22,560)
Fund balance - beginning	5,133	5,902	387,398	32,085	481,367
Fund balance - ending	\$ 7,007	\$ 5,932	\$ 401,196	\$ -	\$ 458,807

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CITY OF SMITHVILLE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Property taxes	\$ 321,555	\$ 320,359	\$ 302,843	\$ (17,516)
Investment earnings	-	208	208	-
Total revenues	<u>321,555</u>	<u>320,567</u>	<u>303,051</u>	<u>(17,516)</u>
EXPENDITURES				
Current:				
Debt service:				
Bond principal	360,000	360,000	360,000	-
Interest	48,555	48,555	48,555	-
Total expenditures	<u>408,555</u>	<u>408,555</u>	<u>408,555</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(87,000)</u>	<u>(87,988)</u>	<u>(105,504)</u>	<u>(17,516)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	87,000	87,000	119,303	32,303
Total Other Financing Sources (Uses)	<u>87,000</u>	<u>87,000</u>	<u>119,303</u>	<u>32,303</u>
Net change in fund balances	-	(988)	13,799	14,787
Fund balance - beginning	387,398	387,398	387,398	-
Fund balance - ending	<u>\$ 387,398</u>	<u>\$ 386,410</u>	<u>\$ 401,197</u>	<u>\$ 14,787</u>

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

To the Honorable Mayor and Members of the City Council
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, 2021, and the related notes to the financial statements, which collectively comprise the City of Smithville, Texas's basic financial statements, and have issued our report thereon dated .

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Smithville, Texas's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Smithville, Texas's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Smithville, Texas's internal control.

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

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

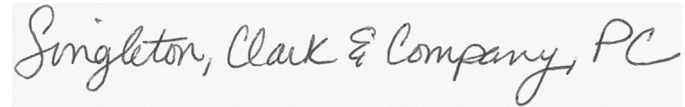
Compliance and Other Matters

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

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Purpose of this Report

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

A handwritten signature in black ink that reads "Singleton, Clark & Company, PC". The signature is written in a cursive style and is set against a light gray rectangular background.

Singleton, Clark & Company, PC
Cedar Park, Texas

March 11, 2022

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CITY OF SMITHVILLE, TEXAS
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

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

SECTION II – FINANCIAL STATEMENT FINDINGS

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

No findings or questioned costs required to be reported in accordance with *Government Auditing Standards* for the year ended September 30, 2021.

Prior year financial statement findings as required to be restated with current status:

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 the 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 noncompliance with Texas bid law.

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CITY OF SMITHVILLE, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2021

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

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

Current Status: The condition was not considered a finding in the current year. However, we have made further recommendations to the City regarding Texas bid law compliance.

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 year ended September 30, 2020.