

CITY OF SOMERVILLE, TEXAS

Financial Statements

with

Report of Independent Auditor

For the Year Ended September 30, 2021

CITY OF SOMERVILLE, TEXAS
Financial Statements
For the Year Ended September 30, 2021

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the City Council
City of Somerville, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Somerville, 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 audits 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

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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 accounting 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 of Somerville, Texas, as of September 30, 2021, and the respective changes in financial position and, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9, the Texas Municipal Retirement System ("TMRS") schedule of changes in net pension liability (asset) and related ratios on page 41, and the TMRS schedule of contributions on page 42 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 of Somerville, Texas' basic financial statements. The other supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements.

The combining statements 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 statement 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 other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated April 12, 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 the 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 City of Somerville, Texas' internal control over financial reporting and compliance.

Brenham, Texas
April 12, 2022

Seidel Schneider

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Somerville, we offer readers of the City of Somerville's financial statements this narrative overview and analysis of the financial activities of the City of Somerville for the fiscal year ended September 30, 2021. Please read it in conjunction with the independent auditors' report and the City's basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Somerville exceeded its liabilities and deferred inflows of resources at the close the most recent fiscal year by \$7,254,406 (*net position*). Of this amount, \$742,926 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net position increased by \$300,921.
- The City's governmental funds reported ending fund balances of \$2,733,015, which was an increase of \$1,254,482 from the prior year.
- The City's proprietary funds reported combined net position of \$5,103,951, which was a decrease of \$2,456 from the prior year.
- The City's long-term liabilities of its governmental activities at year-end totaled \$2,181,498 of which \$145,635 represents debt due and payable in the next year. The City's business-type funds long-term liabilities at year-end totaled \$4,459.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. For governmental funds, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For the proprietary fund, the financial statements tell how goods or services of the City were sold to customers and how the sales revenues covered the expenses of the goods or services.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

Our analysis of the City as a whole begins with the government-wide financial statements. Their primary purpose is to show whether the City is better off as a result of the year's activities. The Statement of Net Position includes all of the City's assets, deferred outflows of resources,

liabilities, and deferred inflows of resources, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Position and the Statement of Activities report the City's net position and changes in them. The City's net position (the difference between assets and liabilities) provide one measure of the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating.

In the Statement of Net Position and the Statement of Activities, we report the activities of the City as follows:

- Governmental activities – Most of the City's basic services are reported here. Property and sales taxes and state and federal grants finance most of these activities.
- Business-type activities – The City charges a fee to "customers" to help cover all or most of the cost of services it provides for water, sewer, and garbage services.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. The City establishes funds to help control and manage money for particular purposes. The City's two types of funds, governmental and proprietary, use different accounting approaches.

- Governmental funds – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation at the bottom of the fund financial statements.
- Proprietary funds – The City reports the activities for which it charges users in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. The City's proprietary fund is included in the business-type activities reported in the government-wide statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the Statement of Net Position (Table 1) and Changes in Net Position (Table 2) of the City's governmental and business-type activities.

As seen in Table 1, net position of the City's governmental activities increased by \$303,377, from \$1,847,078 in 2020 to \$2,150,455 in 2021. The increase in the governmental activities net position was primarily due to the excess of revenues over expenses. Current assets increased by \$1,417,857, primarily from unspent bond proceeds. Total liabilities increased by \$1,623,370, primarily due to the issuance of bonds.

The net position of the business-type activities decreased by \$2,456 from \$5,106,407 in 2020 to \$5,103,951 in 2021.

Table 1
City of Somerville, Texas
Statement of Net Position

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 3,204,380	\$ 1,786,523	\$ 804,526	\$ 696,142	\$ 4,008,906	\$ 2,482,665
Capital assets	1,387,671	878,385	4,414,529	4,519,478	5,806,220	5,397,863
Total Assets	4,592,051	2,664,908	5,219,055	5,215,620	9,811,106	7,880,528
Deferred outflows of resource	18,116	22,572	8,006	10,479	26,122	33,051
Current liabilities	388,024	180,901	102,820	96,717	490,844	277,618
Non-current liabilities	2,035,863	619,616	4,459	4,459	2,040,322	624,075
Total Liabilities	2,423,887	800,517	107,279	101,176	2,531,166	901,693
Deferred inflows of resource	35,825	39,885	15,513	18,516	51,338	58,401
Net Position:						
Net investment in capital assets	1,151,442	818,696	4,414,529	4,519,478	4,958,541	5,338,174
Restricted	1,552,939	207,617	-	-	245,338	207,617
Unrestricted (deficit)	(553,926)	820,765	689,422	586,929	742,926	1,407,694
Total Net Position	\$ 2,150,455	\$ 1,847,078	\$ 5,103,951	\$ 5,106,407	\$ 7,254,406	\$ 6,953,485

As can be seen in Table 2 on the next page, total revenues (excluding transfers) from governmental activities decreased by \$164,180 from \$1,805,064 in 2020 to \$1,640,884 in 2021, primarily due to reduction in grant funding. Total expenses from governmental activities increased by \$188,688 primarily due to debt issuance costs and increased personnel costs.

Total revenues (excluding transfers) from business-type activities decreased by \$282,467 from \$1,176,364 in 2020 to \$893,897 in 2021, primarily due to a decrease in grant revenue. Total expenses from business-type activities increased by \$1,990 from \$903,096 in 2020 to \$905,086.

Table 2
City of Somerville, Texas
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues						
Program Revenues						
Charges for services	\$ 141,374	\$ 144,306	\$ 862,968	\$ 842,116	\$ 1,004,342	\$ 986,422
Operating grants and contributions	4,013	19,681	-	-	4,013	19,681
Capital grants and contributions	306,118	453,596	29,075	331,981	335,193	785,577
General Revenues						
Property taxes	738,560	745,136	-	-	738,560	745,136
Sales taxes	313,908	297,425	-	-	313,908	297,425
Gross receipts	51,085	50,672	-	-	51,085	50,672
Hotel occupancy	23,379	15,217	-	-	23,379	15,217
Other	5,917	3,817	-	-	5,917	3,817
Transfers in (our)	(8,733)	41,933	8,733	(41,935)	-	(2)
Miscellaneous revenues	52,403	72,028	289	905	52,692	72,933
Investment earnings	4,127	3,186	1,565	1,362	5,692	4,548
Total Revenues	1,632,151	1,846,997	902,630	1,134,429	2,534,781	2,981,426
Expenses						
General government	546,936	419,171	-	-	546,936	419,171
Public safety	569,307	574,214	-	-	569,307	574,214
Highways and streets	90,418	74,949	-	-	90,418	74,949
Culture and recreation	59,870	48,200	-	-	59,870	48,200
Interest/cost on long-te	62,243	23,552	-	-	62,243	23,552
Water, sewer and sanit	-	-	905,086	903,096	905,086	903,096
Total Expenses	1,328,774	1,140,086	905,086	903,096	2,233,860	2,043,182
Change in Net Position	303,377	706,911	(2,456)	231,333	300,921	938,244
Net Position, Beginning of Y	1,847,078	1,140,167	5,106,407	4,875,074	6,953,485	6,015,241
Net Position, End of Year	\$ 2,150,455	\$ 1,847,078	\$ 5,103,951	\$ 5,106,407	\$ 7,254,406	\$ 6,953,485

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

THE CITY'S FUNDS

As of September 30, 2021, the governmental funds reported a fund balance of \$2,733,015. This is an increase of \$1,254,482 from \$1,478,533 as of September 30, 2020.

General Fund Budgetary Highlights

The City's Council annually adopts an operating budget. Total actual revenues were \$86,702 more than budgeted, primarily due to higher than anticipated property tax and sales tax revenue, offset by less than anticipated fines and court costs revenue.

Actual expenditures were over budget by \$225,566, primarily due to construction projects.

In total, the actual net decrease in fund balance was \$68,671, compared to a budgeted decrease of \$2,587 for 2021.

Capital Assets

As of September 30, 2021, the City had \$5,802,200 invested in capital assets.

Table 3
City of Somerville, Texas
Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 185,103	\$ 46,493	\$ -	\$ -	\$ 185,103	\$ 46,493
Buildings and improvements	196,023	196,023	17,298	17,298	213,321	213,321
Machinery and equipment	1,073,102	1,024,087	697,260	691,573	1,770,362	1,715,660
Streets and improvements	828,387	160,703	-	-	828,387	160,703
Software	17,554	17,554	-	-	17,554	17,554
Utility plants	-	-	8,193,444	8,173,019	8,193,444	8,173,019
Construction in progress	122,287	399,281	71,430	-	193,717	399,281
	2,422,456	1,844,141	8,979,432	8,881,890	11,401,888	10,726,031
Accumulated depreciation	(1,034,785)	(965,756)	(4,564,903)	(4,362,412)	(5,599,688)	(5,328,168)
Net Capital Assets	\$ 1,387,671	\$ 878,385	\$ 4,414,529	\$ 4,519,478	\$ 5,802,200	\$ 5,397,863

This year's major additions included:

Purchase of a lot for future police station	\$ 138,610
Draining and street improvements	255,316
Roadside park	113,556
Vehicle for the police department	54,515
Sanitary and water improvements	51,430

Debt

At year end, the City had \$2,141,179 in notes, capital leases and general obligation bonds payable with \$145,635 of long-term debt due within one year. More detailed information about the City's long-term liabilities is presented in the notes to the financial statements.

Table 4
City of Somerville, Texas
Outstanding Debt at Year-end

	Governmental Activities		Total	
	2021	2020	2021	2020
Notes payable	\$ 85,179	\$ 39,699	\$ 85,179	\$ 39,699
Capital leases	16,356	20,065	16,356	20,065
Bonds payable	2,056,000	617,000	2,056,000	617,000
Total	\$ 2,157,535	\$ 676,764	\$ 2,141,179	\$ 676,764

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional information, contact the City's business office at the City of Somerville, 600 Memory Lane, Somerville, TX 77879.

City of Somerville, Texas
Statement of Net Position
September 30, 2021

	Primary Government		
	Governmental	Business-type	Totals
	Activities	Activities	
Assets			
Cash and cash equivalents	\$ 1,296,692	\$ 712,549	\$ 2,009,241
Receivables (net)	181,316	97,047	278,363
Other assets	5,181	-	5,181
Restricted assets:			
Cash and cash equivalents	1,533,259	-	1,533,259
Internal balances	58,006	(58,006)	-
Prepays	6,250	-	6,250
Net pension asset	119,787	52,936	172,723
Due from other governments	3,889	-	3,889
Capital assets			-
Non-depreciable	307,390	71,430	378,820
Depreciable, net	1,080,281	4,343,099	5,423,380
Total assets	<u>\$ 4,592,051</u>	<u>\$ 5,219,055</u>	<u>\$ 9,811,106</u>
Deferred Outflows of Resources			
Deferred amounts related to pensions	18,116	8,006	26,122
Liabilities			
Accounts payable	41,117	39,689	80,806
Accrued expenses	19,769	3,318	23,087
Due to other funds	-	-	-
Customer deposits	-	59,813	59,813
Unearned revenue	181,503	-	181,503
Bonds and note payable, due within one year	141,534	-	141,534
Capital lease payable, due within one year	4,101	-	4,101
Bonds and note payable, long-term	1,999,645	-	1,999,645
Capital lease payable, long-term	12,255	-	12,255
Compensated absences, long-term	23,963	4,459	28,422
Total liabilities	<u>2,423,887</u>	<u>107,279</u>	<u>2,531,166</u>
Deferred inflows of resources			
Deferred amounts related to pensions	35,825	15,831	51,656
Net position			
Net investment in capital assets	1,151,442	4,414,529	4,958,541
Restricted for:			
Debt service	154,492	-	154,492
Infrastructure	1,307,601	-	1,307,601
Hotel/Motel occupancy tax	15,969	-	15,969
Municipal court	74,523	-	74,523
Somerville Parks Association	354	-	354
Unrestricted (deficit)	(553,926)	689,422	742,926
Total net position	<u>\$ 2,150,455</u>	<u>\$ 5,103,951</u>	<u>\$ 7,254,406</u>

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

City of Somerville, Texas
Statement of Activities
For the Year Ended September 30, 2021

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating		Governmental Activities	Primary Government	
			Grants and Contributions	Capital Grants and Contributions		Business-type Activities	Total
Primary government							
Governmental activities							
General government	\$ 546,936	\$ 15,014	\$ 4,013	\$ 192,552	\$ (335,357)	\$ -	\$ (335,357)
Public safety	569,307	126,360	-	-	(442,947)	-	(442,947)
Highways and streets	90,418	-	-	-	(90,418)	-	(90,418)
Culture and recreation	59,870	-	-	113,566	53,696	-	53,696
Interest and costs on long-term debt	62,243	-	-	-	(62,243)	-	(62,243)
Total governmental activities	1,328,774	141,374	4,013	306,118	(877,269)	-	(877,269)
Business-type activities							
Proprietary fund	905,086	862,968	-	29,075	-	(13,043)	(13,043)
Total business-type activities	905,086	862,968	-	29,075	-	(13,043)	(13,043)
Total primary government	2,233,860	1,004,342	4,013	335,193	(877,269)	(13,043)	(890,312)
General revenues							
Taxes							
Property					738,560	-	738,560
Sales					313,908	-	313,908
Gross receipts					51,085	-	51,085
Hotel occupancy					23,379	-	23,379
Other					5,917	-	5,917
Investment income					4,127	1,565	5,692
Other					52,403	289	52,692
Transfers					(8,733)	8,733	-
Total general revenues and transfers					1,180,646	10,587	1,191,233
Change in net position					303,377	(2,456)	300,921
Net position, beginning					1,847,078	5,106,407	6,953,485
Net position, ending					\$ 2,150,455	\$ 5,103,951	\$ 7,254,406

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

City of Somerville, Texas
Balance Sheet
Governmental Funds
September 30, 2021

	General	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 1,296,692	\$ -	\$ -	\$ -	\$ 1,296,692
Receivables (net of allowances for uncollectibles)					
Property tax	80,737	-	22,715	-	103,452
Sales tax	59,573	-	-	-	59,573
Municipal court	10,510	-	-	-	10,510
Other	7,781	-	-	-	7,781
Due from other governments	3,078	-	811	-	3,889
Due from other funds	63,382	-	-	-	63,382
Other assets	-	-	-	5,181	5,181
Cash, restricted	-	1,313,876	130,966	88,417	1,533,259
Total assets	\$ 1,521,753	\$ 1,313,876	\$ 154,492	\$ 93,598	\$ 3,083,719
Liabilities, deferred inflows of resources and fund balances					
Liabilities:					
Accounts payable	\$ 34,695	\$ 6,275	\$ -	\$ 147	\$ 41,117
Accrued liabilities	19,626	-	-	143	19,769
Unearned revenue	181,503	-	-	-	181,503
Due to other funds	-	-	-	5,376	5,376
Total liabilities	235,824	6,275	-	5,666	247,765
Deferred inflows of resources:					
Unavailable revenues	82,553	-	20,386	-	102,939
Total deferred inflows of resources	82,553	-	20,386	-	102,939
Fund balances:					
Restricted for:					
Debt service	-	-	134,106	-	134,106
Infrastructure	-	1,307,601	-	-	1,307,601
Hotel/Motel occupancy tax	-	-	-	15,969	15,969
Municipal court	-	-	-	74,523	74,523
Somerville Parks Association	-	-	-	354	354
Unassigned (deficit)	1,203,376	-	-	(2,914)	1,200,462
Total fund balances	1,203,376	1,307,601	134,106	87,932	2,733,015
Total liabilities, deferred inflows of resources and fund balances	\$ 1,521,753	\$ 1,313,876	\$ 154,492	\$ 93,598	\$ 3,083,719
Reconciliation of the balance sheet to the statement of net position:					
Fund balances of governmental funds					\$ 2,733,015
Amounts reported for governmental activities in the statements of net position are difference because:					
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.					
Governmental capital assets			\$ 2,422,456		
Less accumulated depreciation			(1,034,785)		1,387,671
Unavailable revenues reported in the governmental funds are not available to pay for current-period expenditures and, therefore, are deferred in the funds					102,939
Prepaid assets in governmental activities are not financial resources and therefore are not reported in the governmental funds					6,250
Deferred outflows are not receivable and deferred inflows and net pension asset are not payable in the current period and, therefore, are not reported in the governmental funds.					102,078
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.					
Notes, capital leases, and bonds payable			\$ (2,157,535)		
Compensated absences			(23,963)		(2,181,498)
Net position, governmental activities					\$ 2,150,455

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

City of Somerville, Texas
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2021

	General	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Fund
Revenues:					
Taxes					
Property	\$ 630,952	\$ -	\$ 109,120	\$ -	\$ 740,072
Sales	313,908	-	-	-	313,908
Gross receipts	51,085	-	-	-	51,085
Hotel/motel occupancy	-	-	-	23,379	23,379
Other	5,917	-	-	-	5,917
Licenses and permits	15,014	-	-	-	15,014
Fines and court costs	114,044	-	-	4,306	118,350
Investment income	3,595	-	294	238	4,127
Grant revenue	179,376	-	-	6,917	186,293
Donations	4,013	-	-	6,259	10,272
Other	49,999	-	-	4,300	54,299
Total revenues	1,367,903	-	109,414	45,399	1,522,716
Expenditures:					
Current:					
General government	543,465	-	-	3,242	546,707
Public safety	546,479	-	-	-	546,479
Highways and streets	59,844	-	-	-	59,844
Culture and recreation	5,315	-	-	52,830	58,145
Debt service:					
Principal	12,907	-	61,000	-	73,907
Interest	3,754	-	17,989	-	21,743
Issuance costs	-	40,500	-	-	40,500
Capital outlay:					
Highways and streets	176,665	100,469	-	-	277,134
Public safety	193,125	-	-	-	193,125
Total expenditures	1,541,554	140,969	78,989	56,072	1,817,584
Excess (deficiency) of revenues over (under) expenditures	(173,651)	(140,969)	30,425	(10,673)	(294,868)
Other financing sources:					
Proceeds from long-term debt	54,790	1,500,000	-	-	1,554,790
Insurance proceeds	3,293	-	-	-	3,293
Transfers in	46,897	-	-	-	46,897
Transfers out	-	(51,430)	-	(4,200)	(55,630)
Total other financing sources	104,980	1,448,570	-	(4,200)	1,549,350
Net change in fund balance	(68,671)	1,307,601	30,425	(14,873)	1,254,482
Fund balance, beginning	1,272,047	-	103,681	102,805	1,478,533
Fund balance, ending	<u>\$ 1,203,376</u>	<u>\$ 1,307,601</u>	<u>\$ 134,106</u>	<u>\$ 87,932</u>	<u>\$ 2,733,015</u>
Reconciliation of the statement of revenues, expenditures and changes in fund balances of the governmental funds to the statement of activities:					
Net change in fund balances - total governmental funds					\$ 1,254,482
Amounts reported for the governmental activities in the statement of activities are different because:					
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of these assets are depreciated over their estimated useful lives.					
Capital outlay				470,259	
Depreciation expense				(71,503)	
Donation of capital assets				113,566	
Proceeds from sale				(2,000)	
Loss on disposal				(1,025)	509,297
The repayment of principal of long-term debt consumes current financial resources of governmental funds, yet as no effect on net position					73,907
Governmental funds report long-term debt proceeds as other financing sources, yet has no effect on net position					(1,554,790)
Some expense reported in the statement of activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.					13,879
Some revenues in the statement of activities do not provide current financial resources, and, therefore, are not reported as revenues in the funds statements.					6,602
Change in net position, governmental activities					<u>\$ 303,377</u>

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

City of Somerville, Texas
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
General Fund
For the Year Ended September 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes				
Property	\$ 576,300	\$ 576,300	\$ 630,952	\$ 54,652
Sales	250,000	250,000	313,908	63,908
Gross receipts	63,700	63,700	51,085	(12,615)
Other	3,000	3,000	5,917	2,917
Licenses and permits	5,900	5,900	15,014	9,114
Fines and court costs	171,450	171,450	114,044	(57,406)
Investment income	1,000	1,000	3,595	2,595
Grant revenue	167,101	167,101	179,376	12,275
Donations	450	450	4,013	3,563
Other	42,300	42,300	49,999	7,699
Total revenues	<u>1,281,201</u>	<u>1,281,201</u>	<u>1,367,903</u>	<u>86,702</u>
Expenditures:				
Current:				
General government	565,545	565,545	543,465	22,080
Public safety	504,347	504,347	546,479	(42,132)
Highways and streets	50,000	50,000	59,844	(9,844)
Culture and recreation	1,500	1,500	5,315	(3,815)
Debt service:				
Principal	21,512	21,512	12,907	8,605
Interest	5,983	5,983	3,754	2,229
Capital outlay:				
Highways and streets	167,101	167,101	176,665	(9,564)
Public safety	-	-	193,125	(193,125)
Total expenditures	<u>1,315,988</u>	<u>1,315,988</u>	<u>1,541,554</u>	<u>(225,566)</u>
Excess (deficiency) of revenues over (under) expenditures	(34,787)	(34,787)	(173,651)	(138,864)
Other financing sources:				
Proceeds from long-term debt	-	-	54,790	54,790
Insurance proceeds	-	-	3,293	3,293
Transfers in	32,200	32,200	54,720	22,520
Transfers out	-	-	(7,823)	(7,823)
Total other financing sources	<u>32,200</u>	<u>32,200</u>	<u>104,980</u>	<u>72,780</u>
Net change in fund balance	(2,587)	(2,587)	(68,671)	(66,084)
Fund balance, beginning,	<u>1,272,047</u>	<u>1,272,047</u>	<u>1,272,047</u>	<u>-</u>
Fund balance, ending	<u>\$ 1,269,460</u>	<u>\$ 1,269,460</u>	<u>\$ 1,203,376</u>	<u>\$ (66,084)</u>

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

City of Somerville, Texas
Statement of Net Position
Proprietary Fund
September 30, 2021

	Business Type Activities
Assets	
Current assets:	
Cash and cash equivalents	\$ 712,549
Receivables, net of allowance for uncollectibles	97,047
Total current assets	<u>809,596</u>
Noncurrent assets:	
Net pension asset	52,936
Capital assets:	
Equipment and furniture	697,260
Water and wastewater distribution	8,193,444
Buildings and improvements	17,298
Construction in progress	71,430
Accumulated depreciation	<u>(4,564,903)</u>
Capital assets (net of accumulated depreciation)	<u>4,414,529</u>
Total noncurrent assets	<u>4,467,465</u>
Total assets	<u>\$ 5,277,061</u>
Deferred Outflows of Resources	
Deferred amounts related to pensions	8,006
Liabilities	
Current liabilities	
Accounts payable	\$ 39,689
Accrued liabilities	3,318
Due to other funds	58,006
Customer deposits	59,813
Total current liabilities	<u>160,826</u>
Noncurrent liabilities:	
Compensated absences, long-term	<u>4,459</u>
Total noncurrent liabilities	<u>4,459</u>
Total liabilities	<u>165,285</u>
Deferred inflows of resources	
Deferred amounts related to pensions	15,831
Net position	
Net investment in capital assets	4,414,529
Unassigned	689,422
Total net position	<u>\$ 5,103,951</u>

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

City of Somerville, Texas
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
September 30, 2021

	Business Type Activities
Operating revenues:	
Charges for water services	\$ 340,326
Charges for sewer services	258,306
Charges for solid waste services	264,336
Other revenue	289
Total operating revenue	<u>863,257</u>
Operating expenses:	
Salaries and wages	212,504
Purchased professional and technical services	310,679
Purchased property services	44,363
Other operating expenses	79,018
Supplies	56,031
Depreciation	202,491
Total operating expenses	<u>905,086</u>
Operating income (loss)	<u>(41,829)</u>
Nonoperating revenues (expenses)	
Interest income	1,565
Total nonoperating revenue	<u>1,565</u>
Change in net position before contributions and transfers	<u>(40,264)</u>
Capital contributions	29,075
Transfers in	51,430
Transfers out	(42,697)
Total transfers	<u>8,733</u>
Change in net position	<u>(2,456)</u>
Net position, beginning	<u>5,106,407</u>
Net position, ending	<u><u>\$ 5,103,951</u></u>

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

City of Somerville, Texas
Statement of Cash Flows
Proprietary Fund
September 30, 2021

	Business Type Activities
Cash flows from operating activities:	
Cash received from customers	\$ 874,191
Cash payments to suppliers for goods and services	(481,776)
Cash payments to employees for services	(222,295)
Net cash provided by (used in) operating activities	<u>170,120</u>
Cash flows from non-capital financing activities:	
Transfers out	(62,697)
Total transfers	<u>(62,697)</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(26,112)
Capital contributions	56,279
Net cash provided (used) by capital and related financing activities	<u>30,167</u>
Cash flows from investing activities:	
Interest on cash and investments	<u>1,565</u>
Net increase (decrease) in cash and equivalents	139,155
Cash and equivalents, beginning of year	<u>573,394</u>
Cash and cash equivalents, end of year	<u><u>\$ 712,549</u></u>
Unrestricted cash	712,549
Restricted cash	-
	<u><u>\$ 712,549</u></u>

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

City of Somerville, Texas
Statement of Cash Flows
Proprietary Fund
September 30, 2021

	Business Type Activities
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:	
Operating income (loss)	\$ (41,829)
Adjustments to reconcile to net cash provided by operating activities:	
Depreciation	202,491
Bad debt expense (recovery)	10,385
Increase (decrease) in cash resulting from changes in assets and liabilities:	
Accounts receivable	79
Net pension asset	(9,261)
Deferred outflows related to pensions	2,473
Accounts payable	6,184
Accrued liabilities	(233)
Deferred inflows related to pensions	(3,003)
Customer deposits	470
Due to other funds	2,364
	<u>\$ 170,120</u>

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

City of Somerville, Texas
Notes to Basic Financial Statements
September 30, 2021

Note 1. Summary of Significant Accounting Policies

The City of Somerville, Texas, is a municipal corporation incorporated under Article XI, Section 4 of the Constitution of the State of Texas. The City provides the following services: public safety (police and fire), public works, community services, water and sewer services, solid waste and general administrative services.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant policies established in GAAP and used by the City are discussed below.

A. Financial Reporting Entity

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 61. As defined by GASB 61, component units are legally separate entities that are included in the City's reporting entity because the City is financially accountable or closely related.

In 2016, Somerville Parks Association, a non-profit organization was formed as a 501(c)(3) organization to support the City of Somerville in implementing and conducting its charitable and educational projects to raise funds for community projects. For financial reporting purposes, Somerville Parks Association is reported as a blended component unit and non-major special revenue fund in the governmental funds.

B. Basis of Presentation

Government-wide financial statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

City of Somerville, Texas
Notes to Basic Financial Statements
September 30, 2021

Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund financial statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets liabilities revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental funds

General Fund

The General Fund is the primary operating fund. It accounts for all financial resources of the general government, except those legally or administratively required to be accounted for in other funds.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for and the payment of general long-term debt principal, interest and related costs.

Capital Projects Fund

The Capital Projects fund is used to account for the acquisition and construction of capital assets financed with general obligation debt.

Proprietary Fund

Water, Sewer and Sanitation Fund

The Water, Sewer, and Sanitation Fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic

City of Somerville, Texas
Notes to Basic Financial Statements
September 30, 2021

determination of revenue earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Proprietary funds distinguish operating revenues and expenses from non-operating 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. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Special Revenue Funds

The Special Revenue Funds are used to account for revenue sources that are legally restricted to expenditures for specific purposes. The City's non-major special revenue funds include Senior Citizens Center, Hotel/Motel, Court Technology, Court Security, and Senior Citizens Activity.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

City of Somerville, Texas
Notes to Basic Financial Statements
September 30, 2021

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

The proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used.

D. Budgets

Annual appropriated budgets are adopted for the general and enterprise funds. The budget for the general fund is prepared and adopted on a basis consistent with generally accepted accounting principles, which is the same basis of accounting used for financial reporting in these financial statements. Budgets are adopted by passage of a budget ordinance. All annual budget appropriations lapse at fiscal year-end.

Encumbrance accounting is a system under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded to reserve that portion of the applicable appropriation. Encumbrances are reported as reservations of fund balances since they do not constitute expenditures or liabilities. The City does not employ encumbrance accounting as it feels its current system is adequate to assure effective budgetary control and accountability and to facilitate effective cash planning and control.

E. Cash and Investments

For the purpose of the Statement of Net Position and the Statement of Cash Flows, “Cash and cash equivalents” consists of cash on hand, amounts in demand deposit accounts and interest-bearing checking accounts, as well as certificates of deposits with maturities of three months or less.

City of Somerville, Texas
Notes to Basic Financial Statements
September 30, 2021

State statutes authorize the City to invest in time deposits of its designated depositories, U.S. Government Securities, and investment pools managed by the state. Investments are carried at fair value which is based on quoted market prices. Interest income and changes in fair value are reported as investment income.

F. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. Any residual balances are classified as “due from other funds” and “due to other funds,” respectively, on the balance sheet and statement of Net Position.

G. Restricted Assets

Amounts in governmental funds which are legally identified for specific purposes either by City ordinance or contractual obligation are reflected as restricted assets. When an expense is incurred for purposes for which both restricted and unrestricted net position are available, restricted resources are used first to fund the expense.

H. Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide statements

All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. Interest incurred during construction is not capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets’ estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings and improvements	20 - 50 years
Utility lines/water wells	40 years
Infrastructure	40 - 50 years
Machinery and equipment	5 - 10 years

City of Somerville, Texas
Notes to Basic Financial Statements
September 30, 2021

When capital assets are disposed of, the cost and related accumulated depreciation are removed from the accounts and the appropriate gain or loss is recognized.

Fund financial statements

In the fund financial statements, capital assets used in governmental operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

I. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide financial statements.

J. Long-term Obligations

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds payable, notes payable, leases payable, and compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for the proprietary fund is the same in the fund statements as it is in the government-wide statements.

I. Fund Equity

Government-wide statements

Equity is classified as Net Position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

City of Somerville, Texas
Notes to Basic Financial Statements
September 30, 2021

b. Restricted Net Position – consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation.

c. Unrestricted Net Position – all other net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Classification of fund balances

The *nonspendable* fund balance includes the portion of net resources that cannot be spent because of their form or because they must be maintained intact. Resources not in spendable form include supplies inventories and prepaid items, long-term advances to other funds net of deferred interest revenue, long-term receivable net of deferred interest revenue, nonfinancial assets held for resale, and unrealized change in the fair value of investments.

Some resources are spendable but are legally or contractually required to be maintained intact. Such resources include the principal of an endowment.

The *restricted* fund balance includes net resources that can be spent only for the specific purposes stipulated by constitution, external resource providers (creditors, grantors, contributors), laws and regulations of other governments, or through enabling legislation. The enabling legislation authorizes the City to assess, levy, charge or otherwise mandate payment of resources from external resource providers; those resources can be used only for the specific purposes stipulated in the legislation. The City’s revenue generated through enabling legislation includes certain municipal court fees.

The *committed* fund balance includes spendable net resources that can only be used for specific purposes pursuant to constraints imposed by formal Council actions, no later than the close of the fiscal year. Those constraints remain binding unless removed or changed in the same manner employed to previously commit those resources.

The *assigned* fund balance includes amounts that are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed. Such intent should be expressed by the City Council or its designated officials to assign amounts to be used for specific purposes, but are neither restricted nor committed. Constraints imposed on the use of assigned amounts can be removed with no formal Council actions. The assigned fund balance is only reported in the General Fund.

The *unassigned* fund balance represents spendable net resources that have not been restricted, committed, or assigned to specific purposes.

City of Somerville, Texas
Notes to Basic Financial Statements
September 30, 2021

Spending Prioritization in Using Available Resources

When both restricted resources and other resources (i.e., committed, assigned, and unassigned) can be used for the same purpose, the City budget considers restricted resources to be spent first.

When committed, assigned, and unassigned resources can be used for the same purpose, the flow assumption in the City budget is to spend in the sequence of committed resources first, assigned second, and unassigned last.

L. Interfund Transfers

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions in expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

M. Pensions

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

Note 2. Legal Compliance – Budgets

The City's Mayor has ultimate responsibility for the budget and formulates the budget goals for the City under the direction of the City Council. In compliance with the state's uniform budget law, the Mayor files the proposed budget with the City Secretary and City Council before the 30th day prior to the date the City adopts its tax levy for the fiscal year. The City is required to publish a notice of a public hearing regarding the proposed budget and then hold that public hearing not less than 15 days after the budget is filed with the City Secretary and prior to the date the Council makes the tax levy. Once the hearing is concluded and before adoption of the proposed budget, the Council may make any changes it considers warranted

City of Somerville, Texas
Notes to Basic Financial Statements
September 30, 2021

by law or in the best interest of the taxpayers. The annual operating budget is then adopted through passage of an annual budget ordinance. Upon approval by the Council, the annual budget document becomes a matter of public record and is filed with the City Secretary.

The legal level of budgetary control is the fund; therefore, expenditures may not legally exceed budget appropriations at the fund level. To amend the total of a fund or to reclass line items within the fund, a budget amendment approved by the Council is required. The general fund, debt service fund, and the enterprise fund have legally adopted annual budgets. During the year, the City did not amend the budget.

Note 3. Deposits and Investments

Custodial credit risk 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. Of the bank balances, \$250,000 was covered by federal depository insurance at one institution and \$3,353,811 was collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

Note 4. Restricted Assets

At September 30, 2021, restrictions on cash and investments were as follows:

<u>Cash and Investments</u>	<u>Governmental Fund</u>
Restricted for:	
Somerville Park Association	\$ 354
Hotel/Motel occupancy tax	9,324
Municipal court	74,523
Streets and drainage	1,313,876
Debt service	130,966
Holiday meal donations	4,216
	<u>\$ 1,533,259</u>

City of Somerville, Texas
Notes to Basic Financial Statements
September 30, 2021

Note 5. Receivables

Receivables at September 30, 2021, consist of the following:

	Governmental Fund	Proprietary Fund	Total
Receivables:			
Taxes:			
Property	\$ 103,452	\$ -	\$ 103,452
Sales	59,573	-	59,573
Municipal court	10,510	-	10,510
Grant	7,781	6,000	13,781
Utility revenue	-	92,020	92,020
Less allowance for uncollectibles	-	(973)	(973)
	<u>\$ 181,316</u>	<u>\$ 97,047</u>	<u>\$ 278,363</u>

Property taxes attach as an enforceable lien on property as of February 1. Taxes are levied on October 1 and are payable by January 31, after which time they become delinquent and penalties and interest may be assessed by the City.

Note 6. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries commercial insurance.

City of Somerville, Texas
Notes to Basic Financial Statements
September 30, 2021

Note 7. Capital Assets

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

	Beginning Balance	Additions/ Completions	Retirements/ Adjustments	Ending Balance
<u>Governmental activities</u>				
Capital assets not being depreciated				
Land	\$ 46,493	\$ 138,610	\$ -	\$ 185,103
Construction in progress	399,281	122,287	(399,281)	122,287
Total capital assets not being depreciated	445,774	260,897	(399,281)	307,390
Capital assets being depreciated				
Buildings and improvements	196,023	-	-	196,023
Streets and infrastructure	160,703	268,403	399,281	828,387
Software	17,554	-	-	17,554
Machinery and equipment	1,024,087	54,515	(5,500)	1,073,102
Total at historical cost	1,398,367	322,918	393,781	2,115,066
Less accumulated depreciation for:				
Buildings and improvements	76,520	6,412	-	82,932
Streets and infrastructure	16,835	19,459	-	36,294
Software	15,359	1,755	-	17,114
Machinery and equipment	857,042	43,877	(2,474)	898,445
Total accumulated depreciation	965,756	71,503	(2,474)	1,034,785
Total capital assets being depreciated, net	432,611	251,415	396,255	1,080,281
Governmental activities capital assets, net	\$ 878,385	\$ 512,312	\$ (3,026)	\$ 1,387,671
<u>Business-type activities</u>				
Capital assets not being depreciated				
Construction in progress	\$ -	\$ 71,430	\$ -	\$ 71,430
Total capital assets not being depreciated	-	71,430	-	71,430
Capital assets being depreciated				
Buildings and improvements	17,298	-	-	17,298
Machinery and equipment	691,573	5,687	-	697,260
Water and wastewater distribution	8,173,019	20,425	-	8,193,444
Total at historical cost	8,881,890	26,112	-	8,908,002
Less accumulated depreciation for:				
Buildings and improvements	18,133	-	-	18,133
Machinery and equipment	397,274	16,225	-	413,499
Water and wastewater distribution	3,947,005	186,266	-	4,133,271
Total accumulated depreciation	4,362,412	202,491	-	4,564,903
Total capital assets being depreciated, net	4,519,478	(176,379)	-	4,343,099
Business-type activities, capital assets, net	\$ 4,519,478	\$ (104,949)	\$ -	\$ 4,414,529

City of Somerville, Texas
Notes to Basic Financial Statements
September 30, 2021

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

General government	\$ 7,073
Public safety	30,278
Culture and recreation	1,725
Public works	12,968
Highways and streets	19,459
	\$ 71,503

Note 8. Long-term Liabilities

Long-term liabilities outstanding at September 30, 2021 are comprised of the following:

<u>Long-term debt</u>	<u>Governmental activities</u>	<u>Business-type activities</u>
\$947,000, 2014 Combination Tax and Revenue Certificates of Obligation due in annual installments of \$52,000 to \$78,000 through February 15, 2029, interest rates 0.80% to 3.50%	\$ 556,000	\$ -
\$1,500,000, 2021 General Obligation Bonds due in annual installments of \$55,000 to \$155,000 through February 2036; interest rate 1.74%	1,500,000	-
\$48,510 note payable dated November 9, 2018, payable in annual payments of \$11,780, maturing November 9, 2023; interest rate 4.64%, secured by police car	30,389	-
\$54,790 note payable dated November 10, 2020, payable in annual payments of \$14,733, maturing December 2, 2024; interest rate 2.98% secured by police car	54,790	-
<u>Other long-term liabilities:</u>		
\$21,784 capital lease dated March 11, 2020, payable in monthly payments of \$464, maturing March 11, 2025; interest rate 10.108%	16,356	-
Compensated absences for accrued vacation	23,963	4,459
	\$ 2,181,498	\$ 4,459

Mr. Castaneda,

The good news is we are almost there, the bad news is, we did not understand your questions about the Ansul valve, and after speaking to the inspector have the following information for you. You may already be aware of this since you own other businesses similar to the one you propose to open here, but this is what will be required to complete the project and open for business.

The "Ansul valve" is a part of a fire suppression system required to be installed into a Type I hood (grease/open flame cooking). The valve has to be installed by a plumber which has been done. However, the valve serves no purpose if it is not connected to a mechanism that manually or automatically closes it when there is a fire. At this point in time, it is our understanding that the valve is not connected to an operating system.

The other parts of that system are the cylinders of flame suppressant which are mounted in the hood itself and a pull box or other activation device connected to both the valve and the cylinders. Ansul is a common brand of system, and it is typically installed by a fire suppression contractor. This contractor should also be able to install fire extinguishers on the walls as they are required.

Once this system is installed and operational it will need to be inspected by a city fire inspector. The inspector will be scheduled through the City. To expedite the process, we will not require you to pull an additional permit, but you will need to pay an additional inspection fee for the fire inspection. If you fail the inspection or if the inspector is not able to access the site at the agreed upon time/date, the charge for the reinspection will be \$100.00.

Once the fire inspection has been passed and all of the tags are on the fire suppression system and extinguishers, we will reschedule the final Certificate of Occupancy inspection. If you pass that inspection there will be no additional fee. If that inspection is failed, or if the inspector is not able to access the site at the agreed upon time/date, a reinspection fee will be required.

City of Somerville, Texas
Notes to Basic Financial Statements
September 30, 2021

Annual debt service requirements to maturity for the outstanding debt, including interest of \$327,778, are as follows:

Fiscal Year Ending September 30	Governmental activities	
2022	\$ 145,635	\$ 46,858
2023	147,945	42,530
2024	147,565	38,347
2025	141,390	34,155
2026	130,000	30,509
2027-2031	690,000	93,101
2032-2036	755,000	42,278
Total	<u>\$ 2,157,535</u>	<u>\$ 327,778</u>

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2021, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Certificates of obligation	\$ 607,000	\$ -	\$ 51,000	\$ 556,000	\$ 63,000
General obligations	10,000	1,500,000	10,000	1,500,000	55,000
Notes payable	39,699	54,790	9,310	85,179	23,534
Capital leases	20,065	-	3,709	16,356	4,101
Compensated absences	17,532	6,431	-	23,963	-
Governmental activities long-term liabilities	<u>\$ 694,296</u>	<u>\$ 1,561,221</u>	<u>\$ 74,019</u>	<u>\$ 2,181,498</u>	<u>\$ 145,635</u>
Business-type activities					
Compensated absences	\$ 4,459	\$ -	\$ -	\$ 4,459	\$ -
Business-type activities long-term liabilities	<u>\$ 4,459</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,459</u>	<u>\$ -</u>

The City entered into a lease agreement for copier equipment. This lease commitment qualifies as a capital lease for accounting purposes. The copier equipment is recorded at \$21,784, the fair value of the lease assets at the inception of the lease. Accumulated depreciation on the copier equipment totaled \$4,927 at September 30, 2021. The lease payable is due in monthly installments of \$506 through March 2025 and cannot be terminated early. The monthly lease installment includes approximately \$42 of maintenance expense.

City of Somerville, Texas
Notes to Basic Financial Statements
September 30, 2021

The following is a schedule of the future value and net present value of minimum lease payments under the capital lease at September 30, 2021.

Minimum Lease Payments			
Fiscal Year Ending September 30,	Lease Portion	Maintenance Portion	Total
2022	\$ 5,568	\$ 504	\$ 6,072
2023	5,568	504	6,072
2024	5,568	504	6,072
2025	2,784	252	3,036
	19,488	1,764	21,252
Less amount representing interest	(3,132)		
Present value of minimum lease payments	\$ 16,356		

Note 9. Interfund Transfers

Interfund transfers during the year ended September 30, 2021, were as follows:

Transfers In	Transfers Out			
	General	Proprietary	Capital Projects	Non-major Special Revenue
General	\$ -	\$ 42,697	\$ -	\$ 4,200
Proprietary	-	-	51,430	-
Total	\$ -	\$ 42,697	\$ 51,430	\$ 4,200

Note 10. Pension Plans

A. 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 agency 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 sent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas.

City of Somerville, Texas
Notes to Basic Financial Statements
September 30, 2021

TMRS' defined benefit pension plan is a tax-qualified plan under 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tnrs.com.

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

B. 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 benefits in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

Plan provisions for the City were as follows:

	Plan Year	
	2019	2020
Employee Deposit rate	5%	5%
Matching Ratio (City to Employee)	1.5 to 1	1.5 to 1
A member is vested after	5 years	5 years
Service retirement eligibility (expressed as age/years of service)	60/5, 0/25	60/5, 0/25
Updated Service Credit	100% repeating, transfers	100% repeating, transfers
Annuity Increase (to retirees)	70% of CPI repeating	70% of CPI repeating

Members can retire at certain ages, based on the years of service with the City.

The Service Retirement Eligibilities for the City are: 5 years/age 60, 25 years/any age.

City of Somerville, Texas
Notes to Basic Financial Statements
September 30, 2021

Employees covered by benefit terms.

At December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	17
Inactive employees entitled to but not yet receiving benefits	20
Active employees	16

C. Contribution

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 rate necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City were 5.21% and 5.48% in calendar years 2020 and 2021, respectively. The City's contributions to TMRS for the year ended September 30, 2021, were \$31,448, and were equal to the required contributions.

D. Net Pension Liability/Asset

The City's Net Pension Liability/Asset (NPL/NPA) was measured as of December 31, 2020, and the Total Pension Liability/Asset used to calculate the Net Pension Liability/Asset 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	3.5% per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

City of Somerville, Texas
Notes to Basic Financial Statements
September 30, 2021

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%.

For cities with fewer than twenty employees, more conservative methods and assumptions are used. First, lower termination rates are used for smaller cities, with maximum multipliers of 75% for employers with less than 6 members, 85% for employers with 6 to 10 members, and 100% for employers with 11 to 15 members and 110% for employers with less than 100 members.

There is also a load on the life expectancy for employers with less than 15 active members. The life expectancy will be loaded by decreasing the mortality rates by 1% for every active member less than 15. For example, an employer with 5 active members will have the baseline mortality tables multiplied by 90% (10 active members times 1%). The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2019, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2014 through December 31, 2018, first used in the December 31, 2019 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method.

Assumptions are reviewed annually. 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 is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. 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

City of Somerville, Texas
Notes to Basic Financial Statements
September 30, 2021

estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2020 are summarized in the following table.

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

Discount Rate

The discount rate used to measure the Total Pension Liability/Asset 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 the 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 plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability/Asset.

City of Somerville, Texas
Notes to Basic Financial Statements
September 30, 2021

<i>Change in Net Pension Liability</i>	Increase (Decrease)		
	Total Pension	Plan Fiduciary	Net Pension
	Liability	Net Position	Liability(Asset)
	(a)	(b)	(a) - (b)
Balance at 12/31/2019	\$ 1,267,062	\$ 1,404,817	\$ (137,755)
Changes for the year:			
Service Cost	67,626	-	67,626
Interest	85,950	-	85,950
Change of benefit terms	-	-	-
Difference between expected/actual experience	(23,831)	-	(23,831)
Changes of assumptions	-	-	-
Contributions-employer	-	27,038	(27,038)
Contributions-employee	-	31,809	(31,809)
Net investment income	-	106,583	(106,583)
Benefit payments, including refunds of employee contributions	(55,077)	(55,077)	-
Administrative expense	-	(690)	690
Other charges	-	(27)	27
Net changes	74,668	109,636	184,304
Balance at 12/31/20	<u>\$ 1,341,730</u>	<u>\$ 1,514,453</u>	<u>\$ (172,723)</u>

Sensitivity of the net position liability (asset) to changes in the discount rate

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability (asset)	\$ (6,425)	\$ (172,723)	\$ (310,603)

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 Somerville, Texas
Notes to Basic Financial Statements
September 30, 2021

F. 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 (benefit) of (\$1,025).

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 expected and actual economic experience	\$ 2,645	\$ 11,610
Changes in actuarial assumptions	168	-
Difference between projected and actual investment earnings	-	40,046
Contributions subsequent to the measurement date	23,309	-
Total	<u>\$ 26,122</u>	<u>\$ 51,656</u>

Contributions of \$23,309 made subsequent to the measurement date are reported as deferred outflows of resources related to pensions and will be recognized as a reduction of the net pension liability for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2021	\$ (23,783)
2022	719
2023	(23,430)
2024	(2,350)
Thereafter	-
Total	<u>\$ (48,844)</u>

City of Somerville, Texas
Notes to Basic Financial Statements
September 30, 2021

Note 11. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

In the course of operations, the city is subject to litigation from time to time. Although the amount of any liability with respect to such litigation cannot be determined, in the opinion of management, such liability will not have a material adverse effect on the City's financial condition.

Note 12. Related Party Transactions

In 2020, the City paid \$7,143 to a Council member's business.

Note 13. Net Investment in Capital Assets

Long-term debt has been issued by the General fund for the purchase and construction of Enterprise fund capital assets. The portion of debt related to the Enterprise fund capital assets is not deducted in the calculation of the amount of net investment in capital assets for governmental or business-type activities. However, this amount is included in the calculation of net investment in capital assets for the primary government as a whole.

Note 14. Commitments

In July 2021, the City approved a contract for the street, water, and sewer bond improvements totaling \$1,512,461. Construction had not commenced as of September 30, 2021.

Note 15. Subsequent Events

The City approved the purchase of equipment subsequent to year end, as shown below:

Dump Truck	\$ 82,912
Back Hoe	124,800
2022 Chevy Tahoe	57,245
Replacement Vehicle	53,108
	<u>\$ 318,065</u>

REQUIRED SUPPLEMENTARY INFORMATION

**City of Somerville
Texas Municipal Retirement System**

*Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Last 10 years
(unaudited)*

	2020	2019	2018	2017	2016	2015	2014
Total pension liability							
Service cost	\$ 67,626	\$ 63,462	\$ 59,444	\$ 56,728	\$ 57,277	\$ 54,444	\$ 47,522
Interest (on the total pension liability)	85,950	78,809	77,444	76,568	71,304	70,898	67,553
Changes of benefit terms	-	-	-	-	-	-	-
Difference between expected and actual experience	(23,831)	15,545	(66,500)	(59,289)	12,088	(14,413)	(7,897)
Change of assumptions	-	985	-	-	-	4,621	-
Benefit payments, including refunds of contributions	(55,077)	(55,095)	(49,259)	(75,506)	(49,310)	(97,571)	(28,153)
Net Change in Total Pension Liability	74,668	103,706	21,129	(1,499)	91,359	17,979	79,025
Total Pension Liability - Beginning	1,267,062	1,163,356	1,142,227	1,143,726	1,052,367	1,034,388	955,363
Total Pension Liability - Ending (a)	\$ 1,341,730	\$ 1,267,062	\$ 1,163,356	\$ 1,142,227	\$ 1,143,726	\$ 1,052,367	\$ 1,034,388
Plan Fiduciary Net Position							
Contributions - employer	\$ 27,038	\$ 31,884	\$ 31,470	\$ 29,258	\$ 30,794	\$ 30,437	\$ 27,266
Contributions - employee	31,809	30,599	27,752	27,091	28,513	26,793	25,200
Net investment income	106,583	187,153	(37,090)	153,187	69,377	1,574	56,476
Benefit payments, including refunds of employee contributions	(55,077)	(55,095)	(49,259)	(75,506)	(49,310)	(97,571)	(28,153)
Administrative expense	(690)	(1,058)	(717)	(794)	(784)	(959)	(590)
Other	(27)	(32)	(37)	(40)	(42)	(47)	(48)
Net Change in Plan Fiduciary Net Position	109,636	193,451	(27,882)	133,196	78,548	(39,773)	80,151
Plan Fiduciary Net Position - Beginning	1,404,817	1,211,366	1,239,248	1,106,052	1,027,504	1,067,277	987,126
Plan Fiduciary Net Position - Ending (b)	\$ 1,514,453	\$ 1,404,817	\$ 1,211,366	\$ 1,239,248	\$ 1,106,052	\$ 1,027,504	\$ 1,067,277
Net Pension Liability (Asset) - Ending (a) - (b)	\$ (172,723)	\$ (137,755)	\$ (48,010)	\$ (97,021)	\$ 37,674	\$ 24,863	\$ (32,889)
Plan Fiduciary Net Position as a Percentage of							
Total Pension Liability	112.87%	110.87%	104.13%	108.49%	96.71%	97.64%	103.18%
Covered Employee Payroll	636,183	611,975	555,031	541,818	552,866	535,868	504,001
Net Pension Liability (Asset) as a Percentage of							
Covered Employee Payroll	-27.15%	-22.51%	-8.65%	-17.91%	6.81%	4.64%	-6.53%

Notes to Schedule:

GASB 68 requires 10 fiscal years of data to be provided in this schedule.

As GASB 68 has been initially adopted for the 2014 plan year, historical data is presented beginning that period.

**City of Somerville
Texas Municipal Retirement System**

*Schedule of Contributions
Last 10 years
(unaudited)*

	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 27,038	\$ 31,884	\$ 31,470	\$ 29,258	\$ 30,794	\$ 30,437	\$ 28,319
Contributions in relation to the actuarially determined contributions	31,519	30,599	32,052	30,938	31,322	32,152	27,266
Contribution deficiency (excess)	\$ (4,481)	\$ 1,285	\$ (582)	\$ (1,680)	\$ (528)	\$ (1,715)	\$ 1,053
Covered Employee Payroll	636,183	611,975	555,031	541,818	552,866	535,868	504,001
Contributions as a percentage of covered employee payroll	4.95%	5.00%	5.77%	5.71%	5.67%	6.00%	5.41%

Notes to Schedule:

Valuation date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	N/A
Asset Valuation Method	10 year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.5% to 11.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018
Mortality	Post retirement; 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes There were no benefit changes during the year.

OTHER SUPPLEMENTARY INFORMATION

City of Somerville, Texas
Combining Balance Sheet
Non-major Governmental Funds
September 30, 2021

	Special Revenue						Total
	Senior Citizens Center	Hotel/ Motel	Court Technology	Court Security	Senior Citizens Activity	Somerville Parks Association	Non-major Governmental Funds
Assets							
Cash, restricted	\$ 4,215	\$ 9,324	\$ 14,232	\$ 60,291	\$ 1	\$ 354	\$ 88,417
Other assets	-	5,181	-	-	-	-	5,181
Due from other funds	-	1,722	-	-	-	-	1,722
Total assets	\$ 4,215	\$ 16,227	\$ 14,232	\$ 60,291	\$ 1	\$ 354	\$ 95,320
Liability and Fund Balances							
Liabilities:							
Accounts payable	\$ 32	\$ 115	\$ -	\$ -	\$ -	\$ -	\$ 147
Accrued liabilities	-	143	-	-	-	-	143
Due to other funds	7,098	-	-	-	-	-	7,098
Total liabilities	7,130	258	-	-	-	-	7,388
Fund balances:							
Restricted for:							
Hotel/Motel occupancy tax	-	15,969	-	-	-	-	15,969
Municipal court	-	-	14,232	60,291	-	-	74,523
Somerville Parks Association	-	-	-	-	-	354	354
Unassigned (deficit)	(2,915)	-	-	-	1	-	(2,914)
Total fund balances	(2,915)	15,969	14,232	60,291	1	354	87,932
Total liabilities and fund balances	\$ 4,215	\$ 16,227	\$ 14,232	\$ 60,291	\$ 1	\$ 354	\$ 95,320

City of Somerville, Texas
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-major Governmental Funds
For the fiscal year ended September 30, 2021

	Special Revenue						Total
	Senior Citizens Center	Hotel/ Motel	Court Technology	Court Security	Senior Citizens Activity	Somerville Parks Association	Non-major Governmental Funds
Revenues:							
Hotel/motel occupancy taxes	\$ -	\$ 23,379	\$ -	\$ -	\$ -	\$ -	\$ 23,379
Fines and court costs	-	-	1,999	2,307	-	-	4,306
Investment income	-	62	34	142	-	-	238
Grant revenue	6,917	-	-	-	-	-	6,917
Donations	6,259	-	-	-	-	-	6,259
Miscellaneous	4,300	-	-	-	-	-	4,300
Total revenues	17,476	23,441	2,033	2,449	-	-	45,399
Expenditures:							
Current:							
Culture and recreation	15,059	37,771	-	-	-	-	52,830
General government	-	-	2,338	904	-	-	3,242
Total expenditures	15,059	37,771	2,338	904	-	-	56,072
Excess (deficiency) of revenues over (under) expenditures	2,417	(14,330)	(305)	1,545	-	-	(10,673)
Other financing sources (uses):							
Transfers out	(4,200)	-	-	-	-	-	(4,200)
Total other financing sources (uses)	(4,200)	-	-	-	-	-	(4,200)
Net change in fund balances	(1,783)	(14,330)	(305)	1,545	-	-	(14,873)
Fund balances (deficit) at beginning of year	(1,132)	30,299	14,537	58,746	1	354	102,805
Fund balances (deficit) at end of year	\$ (2,915)	\$ 15,969	\$ 14,232	\$ 60,291	\$ 1	\$ 354	\$ 87,932