

CITY OF SOMERVILLE, TEXAS  
Financial Statements  
with  
Report of Independent Auditor  
For the Year Ended September 30, 2020

CITY OF SOMERVILLE, TEXAS  
Financial Statements  
For the Year Ended September 30, 2020

TABLE OF CONTENTS

Introductory Section

Title Page	
Table of Contents	

Financial Section

Independent Auditor's Report	1
Management's Discussion and Analysis	4
Basic Financial Statements	
Government-Wide Financial Statements:	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	11
Reconciliation of the Balance Sheet to the Statement of Net Position	11
Statement of Revenues, Expenditures, and Changes in Fund Balances	12
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	12
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	13
Proprietary Funds:	
Statement of Net Position	14
Statement of Revenues, Expenses, and Changes in Fund Net Position	15
Statement of Cash Flows	16
Notes to the Financial Statements	18
Required supplementary information:	
Texas Municipal Retirement System Schedule of Changes in Net Pension Liability and Ratios	40
Texas Municipal Retirement System Schedule of Contributions	41
Other supplementary information:	
Combining Financial Statements - Non-major Governmental	
Combining Balance Sheet	43
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	44

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

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial 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, 2020, 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 40, and the TMRS schedule of contributions on page 41 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 July 7, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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  
July 7, 2021



## 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, 2020. 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 \$6,953,485 (*net position*). Of this amount, \$2,024,769 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net position increased by \$938,244.
- The City's governmental funds reported ending fund balances of \$1,478,532, which was an increase of \$153,543 from the prior year.
- The City's proprietary funds reported combined net position of \$5,106,407, which was an increase of \$231,333 from the prior year.
- The City's long-term liabilities at year-end totaled \$676,764, of which \$74,680 represents debt due and payable in the next year.

### 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, deferred outflows of resources, liabilities, and deferred inflows of resources) 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 \$706,911, from \$1,140,167 in 2019 to \$1,847,078 in 2020. The increase in the governmental activities net position was primarily due to the excess of revenues over expenses in order for the City to assign money to capital projects.

The net position of the business-type activities increased by \$231,333 from \$4,875,074 in 2019 to \$5,106,407 in 2020. The increase in business-type activities net position was primarily due to the reduction in expenses caused by COVID-19 cutbacks.

**Table 1**  
City of Somerville, Texas  
Statement of Net Position

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 1,786,523	\$ 1,546,027	\$ 696,142	\$ 683,959	\$ 2,482,665	\$ 2,229,986
Capital assets	878,385	463,654	4,519,478	4,339,158	5,397,863	4,802,812
Total Assets	2,664,908	2,009,681	5,215,620	5,023,117	7,880,528	7,032,798
Deferred outflows of resources	22,572	53,151	10,479	35,484	33,051	88,635
Current liabilities	180,901	215,775	96,717	154,302	277,618	370,077
Non-current liabilities	619,616	669,793	4,459	4,459	624,075	674,252
Total Liabilities	800,517	885,568	101,176	158,761	901,693	1,044,329
Deferred inflows of resources	39,885	37,097	18,516	24,766	58,401	61,863
Net Position:						
Net investment in capital assets	818,696	415,144	4,519,478	4,339,158	5,338,174	4,754,302
Restricted	207,617	217,302	-	-	207,617	217,302
Unrestricted	820,765	507,721	586,929	535,916	1,407,694	1,043,637
Total Net Position	\$ 1,847,078	\$ 1,140,167	\$ 5,106,407	\$ 4,875,074	\$ 6,953,485	\$ 6,015,241

As can be seen in Table 2 on the next page, total revenues (excluding transfers) from governmental activities increased by \$438,060 from \$1,367,004 in 2019 to \$1,805,064 in 2020 primarily due to an increase in grant revenue. Total expenses from governmental activities increased by \$75,849 primarily due to an increase in the police department salaries.

Total revenues (excluding transfers) from business-type activities increased by \$294,749 from \$881,615 in 2019 to \$1,176,364 in 2020 primarily due to an increase in grant revenue. Total expenses from business-type activities decreased by \$149,325 from \$1,052,421 in 2019 to \$903,096 in 2020 primarily due to a decrease in salary and supplies costs.

**Table 2**  
City of Somerville, Texas  
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
<b>Revenues</b>						
Program Revenues						
Charges for services	\$ 144,306	\$ 181,234	\$ 842,116	\$ 864,003	\$ 986,422	\$ 1,045,237
Operating grants and contributions	19,681	6,771	-	-	19,681	6,771
Capital grants and contributions	453,596	77,135	331,981	14,965	785,577	92,100
General Revenues						
Property taxes	745,136	701,346	-	-	745,136	701,346
Sales taxes	297,425	260,775	-	-	297,425	260,775
Gross receipts	50,672	52,382	-	-	50,672	52,382
Hotel occupancy	15,217	17,567	-	-	15,217	17,567
Other	3,817	2,917	-	-	3,817	2,917
Transfers in (out)	41,933	51,936	(41,935)	(51,936)	(2)	-
Miscellaneous revenues	72,028	62,663	905	2,300	72,933	64,963
Investment earnings	3,186	4,214	1,362	347	4,548	4,561
<b>Total Revenues</b>	<b>1,846,997</b>	<b>1,418,940</b>	<b>1,134,429</b>	<b>829,679</b>	<b>2,981,426</b>	<b>2,248,619</b>
<b>Expenses</b>						
General government	480,357	560,314	-	-	480,357	560,314
Public safety	574,214	393,762	-	-	574,214	393,762
Highways and streets	13,763	44,371	-	-	13,763	44,371
Culture and recreation	48,200	42,709	-	-	48,200	42,709
Interest/cost on long-term debt	23,552	23,081	-	-	23,552	23,081
Water, sewer and sanitation	-	-	903,096	1,052,421	903,096	1,052,421
<b>Total Expenses</b>	<b>1,140,086</b>	<b>1,064,237</b>	<b>903,096</b>	<b>1,052,421</b>	<b>2,043,182</b>	<b>2,116,658</b>
<b>Change in Net Position</b>	<b>706,911</b>	<b>354,703</b>	<b>231,333</b>	<b>(222,742)</b>	<b>938,244</b>	<b>131,961</b>
<b>Net Position, Beginning of Year</b>	<b>1,140,167</b>	<b>785,464</b>	<b>4,875,074</b>	<b>5,097,816</b>	<b>6,015,241</b>	<b>5,883,280</b>
<b>Net Position, End of Year</b>	<b>\$ 1,847,078</b>	<b>\$ 1,140,167</b>	<b>\$ 5,106,407</b>	<b>\$ 4,875,074</b>	<b>\$ 6,953,485</b>	<b>\$ 6,015,241</b>

## THE CITY'S FUNDS

As of September 30, 2020, the governmental funds reported a fund balance of \$1,478,532. This is an increase of \$153,543 from \$1,324,990 as of September 30, 2019.

### General Fund Budgetary Highlights

The City's Council annually adopts an operating budget. Total actual revenues were \$523,347 more than budgeted, primarily due to higher than anticipated grant revenue.

Actual expenditures were over budget by \$404,850, primarily due to construction projects funded by the unanticipated grant revenues.

In total, the actual net increase in fund balance was \$164,589, compared to a budgeted increase of \$10,373 for 2020.

### Capital Assets

As of September 30, 2020, the City had \$5,397,863 invested in capital assets.

**Table 3**  
City of Somerville, Texas  
Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 46,493	\$ 46,493	\$ -	\$ -	\$ 46,493	\$ 46,493
Buildings and improvement	196,023	196,023	17,298	17,298	213,321	213,321
Machinery and equipment	1,024,087	907,957	691,573	691,573	1,715,660	1,599,530
Streets and improvements	160,703	160,703	-	-	160,703	160,703
Software	17,554	17,554	-	-	17,554	17,554
Utility plants	-	-	8,173,019	7,725,931	8,173,019	7,725,931
Construction in progress	399,281	51,622	-	64,297	399,281	115,919
	1,844,141	1,380,352	8,881,890	8,499,099	10,726,031	9,879,451
Accumulated depreciation	(965,756)	(916,698)	(4,362,412)	(4,159,941)	(5,328,168)	(5,076,639)
Net Capital Assets	<u>\$ 878,385</u>	<u>\$ 463,654</u>	<u>\$4,519,478</u>	<u>\$ 4,339,158</u>	<u>\$ 5,397,863</u>	<u>\$ 4,802,812</u>

This year's major additions included:

Anita Heights street drainage projects in progress - paid for with General fund resources	\$ 347,660
Bobcat track loader - paid for with General fund resources	66,159
Mollie subdivision water line extension project - paid for with Proprietary fund resources	32,367
35' Spiraflo clarifier skirt assembly - paid for with Proprietary fund resources	47,133
2018 Post Oak Savannah Grant Conservation District - Phase III Water Line Highway 36 - paid for with Proprietary fund resources	414,722

## Debt

At year end, the City had \$676,764 in notes, capital leases and general obligation bonds payable with \$70,971 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		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Notes payable	\$ 39,699	\$ 48,510	\$ -	\$ -	\$ 39,699	\$ 48,510
Capital leases	20,065	-	-	-	20,065	-
Bonds payable	617,000	736,000	-	-	617,000	736,000
Total	<u>\$ 676,764</u>	<u>\$ 784,510</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 676,764</u>	<u>\$ 784,510</u>

## 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, 150 8<sup>th</sup> Street, Somerville, TX 77879.



**City of Somerville, Texas**  
**Statement of Net Position**  
**September 30, 2020**

	Primary Government		
	Governmental Activities	Business-type Activities	Totals
<b>Assets</b>			
Cash and cash equivalents	\$ 1,133,794	\$ 569,462	\$ 1,703,256
Receivables (net)	273,012	134,715	407,727
Other assets	5,186	-	5,186
Restricted assets:			
Cash and cash equivalents	203,787	3,932	207,719
Internal balances	55,642	(55,642)	-
Prepays	11,250	-	11,250
Net pension asset	94,080	43,675	137,755
Due from other governments	9,772	-	9,772
Capital assets			-
Non-depreciable	445,774	-	445,774
Depreciable, net	432,611	4,519,478	4,952,089
Total assets	<u>\$ 2,664,908</u>	<u>\$ 5,215,620</u>	<u>\$ 7,880,528</u>
<b>Deferred Outflows of Resources</b>			
Deferred amounts related to pensions	22,572	10,479	33,051
<b>Liabilities</b>			
Accounts payable	93,091	33,504	126,595
Accrued expenses	13,130	3,870	17,000
Due to other funds	-	-	-
Customer deposits	-	59,343	59,343
Bonds and note payable, due within one year	70,971	-	70,971
Capital lease payable, due within one year	3,709	-	3,709
Compensated absences, due within one year	-	-	-
Noncurrent liabilities			
Bonds and note payable, long-term	585,728	-	585,728
Capital lease payable, long-term	16,356	-	16,356
Compensated absences, long-term	17,532	4,459	21,991
Total liabilities	<u>800,517</u>	<u>101,176</u>	<u>901,693</u>
<b>Deferred inflows of resources</b>			
Deferred amounts related to pensions	39,885	18,516	58,401
<b>Net position</b>			
Net investment in capital assets	818,696	4,519,478	4,721,099
Restricted for:			
Debt service	103,681	-	103,681
Hotel/Motel occupancy tax	30,299	-	30,299
Municipal court	73,283	-	73,283
Somerville Parks Association	354	-	354
Unrestricted (deficit)	820,765	586,929	2,024,769
Total net position	<u>\$ 1,847,078</u>	<u>\$ 5,106,407</u>	<u>\$ 6,953,485</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, 2020**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Business-type Activities
<b>Primary government</b>						
Governmental activities						
General government	\$ 480,357	\$ 13,812	\$ 19,681	\$ 453,596	\$ 6,732	\$ 6,732
Public safety	574,214	130,494	-	-	(443,720)	(443,720)
Highways and streets	13,763	-	-	-	(13,763)	(13,763)
Culture and recreation	48,200	-	-	-	(48,200)	(48,200)
Interest and costs on long-term debt	23,552	-	-	-	(23,552)	(23,552)
Total governmental activities	1,140,086	144,306	19,681	453,596	(522,503)	(522,503)
<b>Business-type activities</b>						
Proprietary fund	903,096	842,116		331,981		271,001
Total business-type activities	903,096	842,116	-	331,981	-	271,001
Total primary government	2,043,182	986,422	19,681	785,577	(522,503)	(251,502)
<b>General revenues</b>						
Taxes						
Property					745,136	745,136
Sales					297,425	297,425
Gross receipts					50,672	50,672
Hotel occupancy					15,217	15,217
Other					3,817	3,817
Investment income					1,362	4,548
Other					905	72,933
Transfers					(41,935)	(2)
Total general revenues and transfers					(39,668)	1,189,746
Change in net position					231,333	938,244
Net position, beginning					1,140,167	6,015,241
Net position, ending					\$ 1,847,078	\$ 6,953,485

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

**City of Somerville, Texas**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2020**

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 1,133,794	\$ -	\$ -	\$ 1,133,794
Receivables (net of allowances for uncollectibles)				
Property tax	73,697	26,355	-	100,052
Sales tax	51,051	-	-	51,051
Municipal court	2,500	-	-	2,500
Grant	119,409	-	-	119,409
Due from other governments	7,711	2,061	-	9,772
Due from other funds	61,018	-	-	61,018
Other assets	-	-	5,185	5,185
Cash, restricted	-	100,060	103,727	203,787
<b>Total assets</b>	<b>\$ 1,449,180</b>	<b>\$ 128,476</b>	<b>\$ 108,912</b>	<b>\$ 1,686,568</b>
<b>Liabilities, deferred inflows of resources and fund balances</b>				
Liabilities:				
Accounts payable	\$ 92,359	\$ -	\$ 732	\$ 93,091
Accrued liabilities	13,130	-	-	13,130
Due to other funds	-	-	5,375	5,375
<b>Total liabilities</b>	<b>105,489</b>	<b>-</b>	<b>6,107</b>	<b>111,596</b>
Deferred inflows of resources:				
Unavailable revenues	71,645	24,795	-	96,440
<b>Total deferred inflows of resources</b>	<b>71,645</b>	<b>24,795</b>	<b>-</b>	<b>96,440</b>
Fund balances:				
Restricted for:				
Debt service	-	103,681	-	103,681
Hotel/Motel occupancy tax	-	-	30,299	30,299
Municipal court	-	-	73,283	73,283
Somerville Parks Association	-	-	354	354
Unassigned (deficit)	1,272,046	-	(1,131)	1,270,915
<b>Total fund balances</b>	<b>1,272,046</b>	<b>103,681</b>	<b>102,805</b>	<b>1,478,532</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 1,449,180</b>	<b>\$ 128,476</b>	<b>\$ 108,912</b>	<b>\$ 1,686,568</b>
Reconciliation of the balance sheet to the statement of net position:				
Fund balances of governmental funds				\$ 1,478,532
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	\$ 1,844,141			
Less accumulated depreciation	(965,756)			878,385
Unavailable revenues reported in the governmental funds are not available to pay for current-period expenditures and, therefore, are deferred in the funds				96,440
Prepaid assets in governmental activities are not financial resources and therefore are not reported in the governmental governmental funds.				11,250
Deferred outflows and net pension asset are not receivable and deferred inflows are not payable in the current period and, therefore, are not reported in the governmental funds.				76,767
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	\$ (676,764)			
Compensated absences	(17,532)			(694,296)
Net position, governmental activities				\$ 1,847,078

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, 2020**

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
<b>Taxes</b>				
Property	\$ 604,463	\$ 144,897	\$ -	\$ 749,360
Sales	297,425	-	-	297,425
Gross receipts	50,672	-	-	50,672
Hotel/motel occupancy	-	-	15,217	15,217
Other	3,817	-	-	3,817
Licenses and permits	13,812	-	-	13,812
Fines and court costs	135,867	-	5,205	141,072
Investment income	2,692	209	285	3,186
Grant revenue	453,596	-	8,490	462,086
Donations	7,779	-	3,412	11,191
Miscellaneous	-	-	-	-
Other	67,504	-	4,524	72,028
<b>Total revenues</b>	<b>1,637,627</b>	<b>145,106</b>	<b>37,133</b>	<b>1,819,866</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	421,324	-	3,444	424,768
Public safety	580,741	-	-	580,741
Highways and streets	61,186	-	-	61,186
Culture and recreation	39	-	46,436	46,475
<b>Debt service:</b>				
Principal	10,530	119,000	-	129,530
Interest	3,347	20,205	-	23,552
<b>Capital outlay:</b>				
General government	105,346	-	-	105,346
Highways and streets	347,660	-	-	347,660
Public safety	10,784	-	-	10,784
<b>Total expenditures</b>	<b>1,540,957</b>	<b>139,205</b>	<b>49,880</b>	<b>1,730,042</b>
Excess (deficiency) of revenues over (under) expenditures	96,670	5,901	(12,747)	89,824
<b>Other financing sources (uses):</b>				
Proceeds from long-term debt	21,784	-	-	21,784
Transfers in	46,135	-	-	46,135
Transfers out	-	-	(4,200)	(4,200)
<b>Total other financing sources</b>	<b>67,919</b>	<b>-</b>	<b>(4,200)</b>	<b>63,719</b>
<b>Net change in fund balance</b>	<b>164,589</b>	<b>5,901</b>	<b>(16,947)</b>	<b>153,543</b>
Fund balance, beginning,	1,107,458	97,780	119,752	1,324,990
Fund balance, ending	<u>\$ 1,272,047</u>	<u>\$ 103,681</u>	<u>\$ 102,805</u>	<u>\$ 1,478,533</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 \$ 153,543

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

Depreciation expense on capital assets is reported in the statement of activities, but they do not require  
the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure  
in governmental funds. (49,059)

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. 463,790

The repayment of principal of long-term debt consumes current financial resources of governmental  
funds, yet has no effect on net position. 129,530

Governmental funds report long-term debt proceeds as other financing sources, yet as no effect on net position. (21,784)

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. 45,692

Some revenues in the statement of activities do not provide current financial resources, and, therefore, are  
not reported as revenues in the funds statements. (14,801)

Change in net position, governmental activities \$ 706,911

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, 2020**

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues:				
Taxes				
Property	\$ 521,300	\$ 521,300	\$ 604,463	\$ 83,163
Sales	257,000	257,000	297,425	40,425
Gross receipts	63,950	63,950	50,672	(13,278)
Other	3,000	3,000	3,817	817
Licenses and permits	6,000	6,000	13,812	7,812
Fines and court costs	173,150	173,150	135,867	(37,283)
Investment income	1,200	1,200	2,692	1,492
Grant revenue	-	-	453,596	453,596
Donations	1,000	1,000	7,779	6,779
Other	87,680	87,680	67,504	(20,176)
Total revenues	<u>1,114,280</u>	<u>1,114,280</u>	<u>1,637,627</u>	<u>523,347</u>
Expenditures:				
Current:				
General government	504,811	504,811	421,324	83,487
Public safety	542,896	542,896	580,741	(37,845)
Highways and streets	72,000	72,000	61,186	10,814
Culture and recreation	-	-	39	(39)
Debt service:		-		-
Principal	12,700	12,700	10,530	2,170
Interest	3,700	3,700	3,347	353
Capital outlay:				-
General government	-	-	105,346	(105,346)
Highways and streets	-	-	347,660	(347,660)
Public safety	-	-	10,784	(10,784)
Total expenditures	<u>1,136,107</u>	<u>1,136,107</u>	<u>1,540,957</u>	<u>(404,850)</u>
Excess (deficiency) of revenues over (under) expenditures	(21,827)	(21,827)	96,670	118,497
Other financing sources:				
Proceeds from long-term debt	-	-	21,784	21,784
Transfers in	32,200	32,200	46,135	13,935
Total other financing sources	<u>32,200</u>	<u>32,200</u>	<u>67,919</u>	<u>35,719</u>
Net change in fund balance	10,373	10,373	164,589	154,216
Fund balance, beginning,	1,107,458	1,107,458	1,107,458	-
Fund balance, ending	<u>\$ 1,117,831</u>	<u>\$ 1,117,831</u>	<u>\$ 1,272,047</u>	<u>\$ 154,216</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, 2020**

	Business Type Activities
Assets	
Current assets:	
Cash and cash equivalents	\$ 569,462
Receivables, net of allowance for uncollectibles	134,715
Total current assets	<u>704,177</u>
Restricted assets:	
Cash and cash equivalents	3,932
Total restricted assets	<u>3,932</u>
Noncurrent assets:	
Net pension asset	43,675
Capital assets:	
Equipment and furniture	691,573
Water and wastewater distribution	8,173,019
Buildings and improvements	17,298
Accumulated depreciation	(4,362,412)
Capital assets (net of accumulated depreciation)	<u>4,519,478</u>
Total noncurrent assets	<u>\$ 4,567,085</u>
Total assets	<u>\$ 5,271,262</u>
Deferred Outflows of Resources	
Deferred amounts related to pensions	10,479
Liabilities	
Current liabilities	
Accounts payable	\$ 33,504
Accrued liabilities	3,870
Due to other funds	55,642
Customer deposits	59,343
Total current liabilities	<u>152,359</u>
Noncurrent liabilities:	
Compensated absences, long-term	4,459
Total noncurrent liabilities	<u>4,459</u>
Total liabilities	<u>156,818</u>
Deferred inflows of resources	
Deferred amounts related to pensions	18,516
Net position	
Investment in capital assets	4,519,478
Unassigned	586,929
Total net position	<u>\$ 5,106,407</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, 2020**

	Business Type Activities
Operating revenues:	
Changes for water services	\$ 337,852
Charges for sewer services	245,961
Charges for solid waste services	258,303
Other revenue	905
Total operating revenue	<u>843,021</u>
Operating expenses:	
Salaries and wages	199,131
Purchased professional and technical services	329,659
Purchased property services	60,872
Other operating expenses	67,716
Supplies	43,247
Depreciation	202,471
Total operating expenses	<u>903,096</u>
Operating income (loss)	<u>(60,075)</u>
Nonoperating revenues (expenses)	
Grant proceeds	331,981
Interest income	1,362
Total nonoperating revenue	<u>333,343</u>
Change in net position before transfers	273,268
Transfers out	<u>(41,935)</u>
Total transfers	<u>(41,935)</u>
Change in net position	231,333
Net position, beginning	<u>4,875,074</u>
Net position, ending	<u><u>\$ 5,106,407</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, 2020**

	Business Type Activities
Cash flows from operating activities:	
Cash received from customers	\$ 845,687
Cash payments to suppliers for goods and services	(504,092)
Cash payments to employees for services	(205,334)
Net cash provided by (used in) operating activities	<u>136,261</u>
Cash flows from non-capital financing activities:	
Transfers out	(41,935)
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(382,791)
Grant proceeds	331,981
Net cash provided (used) by capital and related financing activities	<u>(50,810)</u>
Cash flows from investing activities:	
Interest on cash and investments	<u>1,362</u>
Net increase in cash and equivalents	44,878
Cash and equivalents, beginning of year	<u>528,516</u>
Cash and cash equivalents, end of year	<u><u>\$ 573,394</u></u>
Unrestricted cash	569,462
Restricted cash	3,932
	<u><u>\$ 573,394</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, 2020**

	Business Type Activities
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:	
Operating income (loss)	\$ (60,075)
Adjustments to reconcile to net cash provided by operating activities:	
Depreciation	202,471
Bad debt expense (recovery)	(363)
Increase (decrease) in cash resulting from changes in assets and liabilities:	
Accounts receivable	1,870
Net pension asset	(24,455)
Deferred outflows related to pensions	25,005
Accounts payable	(2,598)
Accrued liabilities	(504)
Deferred inflows related to pensions	(6,250)
Customer deposits	1,160
Net cash provided by (used in) operating activities	<u>\$ 136,261</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, 2020**

**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, 2020**

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.

**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 determination of revenue earned, expenses incurred and/or net income is appropriate for

**City of Somerville, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2020**

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, 2020**

**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, 2020**

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, 2020**

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, 2020**

- 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, 2020**

*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, 2020**

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. Deposits of the City are insured or collateralized with securities held by the City, its agent, or by the pledging financial institution's trust department or agent in the name of the City or applicable public trust. Deposits were adequately covered at September 30, 2020.

**Note 4. Restricted Assets**

At September 30, 2020, restrictions on cash and investments were as follows:

<u>Cash and Investments</u>	<u>Governmental Fund</u>	<u>Proprietary Fund</u>
Restricted for:		
Somerville Park Association	\$ 354	\$ -
Hotel/Motel occupancy tax	25,874	-
Municipal court	73,283	-
Debt service	100,060	-
Senior Citizens Center	4,215	-
Equipment and improvements	-	3,932
	<u>\$ 203,786</u>	<u>\$ 3,932</u>



**City of Somerville, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2020**

**Note 5. Receivables**

Receivables at September 30, 2020, consist of the following:

	Governmental <u>Fund</u>	Proprietary <u>Fund</u>	<u>Total</u>
Receivables:			
Taxes:			
Property	\$ 100,052	\$ -	\$ 100,052
Sales	51,051	-	51,051
Municipal court	2,500	-	2,500
Grant	119,409	33,205	152,614
Utility revenue	-	102,483	102,483
Less allowance for uncollectibles	-	(973)	(973)
	<u>\$ 273,012</u>	<u>\$ 134,715</u>	<u>\$ 407,727</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, 2020**

**Note 7. Capital Assets**

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

	Beginning Balance	Additions/ Completions	Retirements/ Adjustments	Ending Balance
<u>Governmental activities</u>				
Capital assets not being depreciated				
Land	\$ 46,493	\$ -	\$ -	\$ 46,493
Construction in progress	51,622	347,659	-	399,281
Total capital assets not being depreciated	98,115	347,659	-	445,774
Capital assets being depreciated				
Buildings and improvements	196,023	-	-	196,023
Streets and infrastructure	160,703	-	-	160,703
Software	17,554	-	-	17,554
Machinery and equipment	907,957	116,130	-	1,024,087
Total at historical cost	1,282,237	116,130	-	1,398,367
Less accumulated depreciation for:				
Buildings and improvements	68,490	8,030	-	76,520
Streets and infrastructure	10,926	5,909	-	16,835
Software	13,604	1,755	-	15,359
Machinery and equipment	823,678	33,364	-	857,042
Total accumulated depreciation	916,698	49,058	-	965,756
Total capital assets being depreciated, net	365,539	67,072	-	432,611
Governmental activities capital assets, net	\$ 463,654	\$ 414,731	\$ -	\$ 878,385
<u>Business-type activities</u>				
Capital assets not being depreciated				
Construction in progress	\$ 64,297	\$ -	\$ 64,297	\$ -
Total capital assets not being depreciated	64,297	-	64,297	-
Capital assets being depreciated				
Buildings and improvements	17,298	-	-	17,298
Machinery and equipment	691,573	-	-	691,573
Water and wastewater distribution	7,725,931	447,088	-	8,173,019
Total at historical cost	8,434,802	447,088	-	8,881,890
Less accumulated depreciation for:				
Buildings and improvements	18,133	-	-	18,133
Machinery and equipment	380,319	16,955	-	397,274
Water and wastewater distribution	3,761,489	185,516	-	3,947,005
Total accumulated depreciation	4,159,941	202,471	-	4,362,412
Total capital assets being depreciated, net	4,274,861	244,617	-	4,519,478
Business-type activities, capital assets, net	\$ 4,339,158	\$ 244,617	\$ 64,297	\$ 4,519,478

**City of Somerville, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2020**

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

General government	\$ 6,419
Public safety	24,845
Culture and recreation	1,725
Public works	10,161
Highways and streets	5,909
	<u>\$ 49,059</u>

**Note 8. Long-term Liabilities**

Long-term liabilities outstanding at September 30, 2020 are comprised of the following:

	Governmental activities	Business-type activities
<u>Long-term debt</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%	\$ 607,000	\$ -
\$346,000, 2014 General Obligation Refunding Bonds due in annual installments of \$10,000 to \$60,000 through February 15, 2021; interest rate 2.85%	10,000	-
\$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	39,699	-
<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%	20,065	-
Compensated absences for accrued vacation	17,532	4,459
	<u>\$ 694,296</u>	<u>\$ 4,459</u>

Annual debt service requirements to maturity for the outstanding debt, including interest of \$102,894, are as follows:

Fiscal Year Ending September 30	Principal	Interest
2021	\$ 74,680	\$ 21,656
2022	77,535	19,241
2023	79,454	16,623
2024	79,391	13,799
2025	70,704	10,978
2026 - 2029	295,000	20,597
Total	<u>\$ 676,764</u>	<u>\$ 102,894</u>

**City of Somerville, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2020**

**Changes in Long-Term Liabilities**

Long-term liability activity for the year ended September 30, 2020, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Certificates of obligation	\$ 666,000	\$ -	\$ 59,000	\$ 607,000	\$ 51,000
General obligations	70,000	-	60,000	10,000	10,000
Notes payable	48,510	-	8,811	39,699	9,971
Capital leases	-	21,784	1,719	20,065	3,709
Compensated absences	20,052	-	2,520	17,532	-
Governmental activities long-term liabilities	<u>\$ 804,562</u>	<u>\$ 21,784</u>	<u>\$ 132,050</u>	<u>\$ 694,296</u>	<u>\$ 74,680</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 \$1,815 at September 30, 2020. 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.

The following is a schedule of the future value and net present value of minimum lease payments under the capital lease at September 30, 2020.

Minimum Lease Payments			
Fiscal Year Ending September 30,	Lease Portion	Maintenance Portion	Total
2021	\$ 5,568	\$ 504	\$ 6,072
2022	5,568	504	6,072
2023	5,568	504	6,072
2024	5,568	504	6,072
2025	2,784	252	3,036
	<u>25,056</u>	<u>2,268</u>	<u>27,324</u>
Less amount representing interest	<u>4,991</u>		
Present value of minimum lease payments	<u>\$ 20,065</u>		

**City of Somerville, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2020**

**Note 9. Interfund Transfers**

Interfund transfers during the year ended September 30, 2020, were as follows:

Transfers In	Transfers Out		
	General	Proprietary	Non-major Special Revenue
General	\$ -	\$ 41,935	\$ 4,200
Total	\$ -	\$ 41,935	\$ 4,200

**Note 10. Pension Plans**

**A. Plan Description**

The City participates as one of 888 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an 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. 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.tmrs.com](http://www.tmrs.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 statues 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.

**City of Somerville, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2020**

Plan provisions for the City were as follows:

	2018	2019
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.

*Employees covered by benefit terms.*

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

Inactive employees or beneficiaries currently receiving benefits	13
Inactive employees entitled to but not yet receiving benefits	19
Active employees	15

**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 4.25% and 5.21% in calendar years 2019 and 2020, respectively. The City's contributions to TMRS for the year ended September 30, 2020, were \$30,767, and were equal to the required contributions.

**City of Somerville, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2020**

**D Net Pension Liability/Asset**

The City's Net Pension Liability/Asset (NPL/NPA) was measured as of December 31, 2019, 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, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

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

**City of Somerville, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2020**

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 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)
Domestic Equity	17.5%	4.30%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.39%
Real Return	10.0%	3.78%
Real Estate	10.0%	4.44%
Absolute Return	10.0%	3.56%
Private Equity	5.0%	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.



**City of Somerville, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2020**

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.

<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 12/31/2018	\$ 1,163,356	\$ 1,211,366	\$ (48,010)
Changes for the year:			
Service Cost	63,462	-	63,462
Interest	78,809	-	78,809
Change of benefit terms	-	-	-
Difference between expected and actual experience	15,545	-	15,545
Changes of assumptions	985	-	985
Contributions-employer	-	31,884	(31,884)
Contributions-employee	-	30,599	(30,599)
Net investment income	-	187,153	(187,153)
Benefit payments, including refunds of employee contributions	(55,095)	(55,095)	-
Administrative expense	-	(1,058)	1,058
Other charges	-	(32)	32
Net changes	103,706	193,451	297,157
Balance at 12/31/19	<u>\$ 1,267,062</u>	<u>\$ 1,404,817</u>	<u>\$ (137,755)</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 percentage-point lower (5.75%) or 1 percentage-point higher (7.75 %) than the current rate.

	1% Decrease in		1% Increase in	
	Discount Rate (5.75%)	Discount Rate (6.75%)	Discount Rate (7.75%)	
City's net pension liability (asset)	\$ 23,968	\$ (137,755)	\$ (271,469)	

*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.tnrs.com](http://www.tnrs.com).

**City of Somerville, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2020**

**E. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended September 30, 2020, the City recognized pension expense (benefit) of (\$6,857).

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 9,095	\$ 15,122
Change in actuarial assumptions	576	-
Differences between projected and actual investment earnings	-	43,279
Contributions subsequent to the measurement date	23,380	-
Total	<u>\$ 33,051</u>	<u>\$ 58,401</u>

Contributions of \$23,380 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, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2020	\$ (20,902)
2021	(9,821)
2022	3,071
2023	(21,078)
Thereafter	-
Total	<u>\$ (48,730)</u>

**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

**City of Somerville, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2020**

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. Commitments**

In 2015, the City entered into a 60-month agreement for a copier. Rental expense for the copier under this lease was \$1,913 in 2020. As described in Note 8, when the 2015 lease expired, a new 60-month lease was obtained and is classified as a capital lease.

**Note 13. Related Party Transactions**

In 2020, the City paid \$8,907 to a Council member's business.

**Note 14. Net Investment in Capital Assets**

In the prior years, long-term debt was 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 15. Coronavirus**

The Coronavirus (COVID-19) pandemic has impacted the nation as a whole, leading to consumer uncertainties and financial setbacks for many businesses and individuals. During the year ended September 30, 2020, the City was eligible for \$83,105 in funding of which was received subsequent to year end. The funds received has been reflected as grant revenue in the accompanying financial statements.

**Note 16. Subsequent Events**

In December 2020, the Council approved the financing of a police department vehicle in the amount of \$54,515.

**City of Somerville, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2020**

In December 2020, the Council approved a contract for the resurfacing of 11<sup>th</sup> Street and Avenue C in the amount of \$35,000.

In December 2020, the Council approved a contract related to the Anita Heights Subdivision in the amount of \$166,487.

In May 2021, the Council approved the purchase of property on 9<sup>th</sup> Street in the amount of \$132,000.

## 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)*

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

**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)*

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

	Special Revenue						Total
	Senior Citizens Center	Hotel/ Motel	Court Technology	Court Security	Senior Citizens Activity	Somerville Parks Association	Non-major Governmental Funds
<b>Assets</b>							
Cash, restricted	\$ 4,215	\$ 25,874	\$ 14,537	\$ 58,746	\$ 1	\$ 354	\$ 103,727
Other assets	-	5,185	-	-	-	-	5,185
Total assets	\$ 4,215	\$ 31,059	\$ 14,537	\$ 58,746	\$ 1	\$ 354	\$ 108,912
<b>Liability and Fund Balances</b>							
<b>Liabilities:</b>							
Accrued liabilities	\$ 732	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 732
Due to other funds	4,615	760	-	-	-	-	5,375
Total liabilities	5,347	760	-	-	-	-	6,107
<b>Fund balances:</b>							
Restricted for:							
Hotel/Motel occupancy tax	-	30,299	-	-	-	-	30,299
Municipal court	-	-	14,537	58,746	-	-	73,283
Somerville Parks Association	-	-	-	-	-	354	354
Unassigned (deficit)	(1,132)	-	-	-	1	-	(1,131)
Total fund balances	(1,132)	30,299	14,537	58,746	1	354	102,805
Total liabilities and fund balances	\$ 4,215	\$ 31,059	\$ 14,537	\$ 58,746	\$ 1	\$ 354	\$ 108,912

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, 2020

	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	\$ -	\$ 15,217	\$ -	\$ -	\$ -	\$ -	\$ 15,217
Fines and court costs	-	-	2,507	2,698	-	-	5,205
Investment income	1	105	36	142	1	-	285
Grant revenue	8,490	-	-	-	-	-	8,490
Donations	3,412	-	-	-	-	-	3,412
Miscellaneous	4,516	-	-	-	8	-	4,524
Total revenues	16,419	15,322	2,543	2,840	9	-	37,133
Expenditures:							
Current:							
Culture and recreation	13,589	32,847	-	-	-	-	46,436
General government	-	-	3,230	214	-	-	3,444
Total expenditures	13,589	32,847	3,230	214	-	-	49,880
Excess (deficiency) of revenues over (under) expenditures	2,830	(17,525)	(687)	2,626	9	-	(12,747)
Other financing sources (uses):							
Transfers out	(3,076)	-	-	-	(1,124)	-	(4,200)
Total other financing sources (uses)	(3,076)	-	-	-	(1,124)	-	(4,200)
Net change in fund balances	(246)	(17,525)	(687)	2,626	(1,115)	-	(16,947)
Fund balances (deficit) at beginning of year	(886)	47,824	15,224	56,120	1,116	354	119,752
Fund balances (deficit) at end of year	\$ (1,132)	\$ 30,299	\$ 14,537	\$ 58,746	\$ 1	\$ 354	\$ 102,805