Financial Statements
September 30, 2020

City of Seymour, Texas

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Independent Auditor's Report

To the City Council
City of Seymour, Texas

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Seymour, 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 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.

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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, and each major fund of the City of Seymour, Texas, as of September 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof and budgetary comparison schedule 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 and required supplementary information on pages 3 through 8 and 42 through 46 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 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, grant agreements, and other matters. The purpose of that report is solely 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 effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Eide Bailly LLP

Seymour, Texas
January 19, 2022

In this section of the Annual Financial Report, we, the administration of the City of Seymour, Texas, discuss and analyze the City's financial activities for the fiscal year ended September 30, 2020. Please read it in conjunction with the independent auditor's report on page 1 and the City's Basic Financial Statements that begin on page 9.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These provide information about the activities of the City as a whole and present a longer-term view of the City's property and debt obligations and other financial matters. 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 activities, 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 proprietary activities, fund financial statements report on the electric, water, sewer, and RO fund.

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

The analysis of the City's overall financial condition and operations begins on page 9. Its primary purpose is to show whether the City is better off or worse 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, with the remainder reported as net position. The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (accrual basis of accounting).

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The City's revenues are divided into those provided by outside parties who share the costs of some programs, such as program revenues, and revenues provided by taxpayers (general revenues). All the City's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the City's net position and changes in them. The City's net position 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. To fully assess the overall health of the City, however, you should consider nonfinancial factors as well, such as changes in the City's population or its property tax base.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

Governmental activities–Most of the City's basic services are reported here, including street maintenance and public safety. Tax revenues and federal grants finance most of these activities.

Business-type activities–The City provides electricity, water and sewer service to its residents.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 11 and provide detailed information about the most significant funds–not the City as a whole. The City's two kinds of funds–governmental and proprietary–use different accounting approaches.

Governmental funds–Most of the City's basic services are reported in governmental funds. These funds use modified accrual basis of accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

Proprietary funds–The City reports these activities in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. The City's proprietary funds are the water, sewer, and RO fund and the electric fund, which are reported in the government-wide statements but contain more detail and additional information such as cash flows.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the City's governmental and business-type activities.

Net position of the City's governmental activities increased from $2,390,000 to $4,873,000. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was $21,000 on September 30, 2020. This increase in governmental activities net position was mostly due to an airport contribution of $2,806,000.

Table I
City of Seymour, Texas
NET POSITION
in thousands

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	$ 748	$ 1,030	$ 3,304	$ 3,099	$ 4,052	$ 4,129
Capital assets, net	4,765	1,788	8,232	6,437	12,997	8,225
Total assets	5,513	2,818	11,536	9,536	17,049	12,354
Deferred outflows of resources	49	153	47	146	96	299
Current liabilities	239	161	485	475	724	636
Long-term liabilities	366	404	5,792	3,741	6,158	4,145
Total liabilities	605	565	6,277	4,216	6,882	4,781
Deferred inflows of resources	83	16	77	14	160	30
Net Position						
Net Investment in capital assets	4,645	1,788	2,508	3,072	7,153	4,860
Restricted	208	169	896	1,358	1,104	1,527
Unrestricted	21	433	1,825	1,022	1,846	1,455
Total net position	$ 4,874	$ 2,390	$ 5,229	$ 5,452	$ 10,103	$ 7,842

Table I
City of Seymour, Texas
CHANGE IN NET POSITION
in thousands

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues						
Program Revenues						
Charges for services	$ 82	$ 106	$ 5,328	$ 5,308	$ 5,410	$ 5,414
Operating grants and contributions		120	-	-	-	120
Capital grants and contributions	2,836	71	-	36	2,836	107
General Revenues						
Property taxes	343	317	-	-	343	317
Sales tax & franchise tax	588	590	-	-	588	590
Investment earnings	17	27	34	59	51	86
Miscellaneous	89	47	-	-	89	47
Total revenue	3,955	1,278	5,362	5,403	9,317	6,681
Expenses						
General	449	460	-	-	449	460
Police	539	588	-	-	539	588
Fire	46	47	-	-	46	47
Street	322	369	-	-	322	369
Park/pool	187	171	-	-	187	171
Airport	78	3	-	-	78	3
Golf complex	213	229	-	-	213	229
Economic development	99	86	-	-	99	86
Water, sewer & RO plant	-	-	1,666	1,729	1,666	1,729
Electric fund	-	-	3,456	3,030	3,456	3,030
Total expenses	1,933	1,953	5,122	4,759	7,055	6,712
Change in net position before transfers	2,022	(675)	240	644	2,262	(31)
Transfers	463	612	(463)	(612)	-	-
Change in net position	2,485	(63)	(223)	32	2,262	(31)
Net Position, Beginning	2,390	2,453	5,452	5,420	7,842	7,873
Net Position, Ending	$ 4,874	$ 2,390	$ 5,229	$ 5,452	$10,103	$ 7,842

Governmental activities revenues increased by $2,677,000 due primarily to an airport contribution received in 2020, while business-type activities revenues decreased by $41,000 due primarily to decreases in grant revenues. Further, governmental activities expenses decreased by $20,000, mainly due to decreases in street expenses, while business-type activities expenses increased by $363,000 due to increases in purchased professional and technical services.

FUND FINANCIAL STATEMENTS

As the City completed the year, its general fund (as presented in the balance sheet on page 11) reported a fund balance of $597,000, a $354,000 decrease from last year's balance of $951,000. The primary reasons for these changes mirror the activities highlighted beginning on page 15.

The Council revised the City's general fund budget several times during the year to increase/decrease estimated revenues to more accurately reflect revised estimated totals to be collected, and to move funds from programs that did not need all the resources originally appropriated to them to programs with resource needs.

Significant negative general fund budget revenue variances were due to less grant revenue received than anticipated. Significant positive expenditure variances were due to budgeted park repairs being budgeted but not performed; negative expenditure variances were due to unbudgeted street repairs.

The City's water and sewer fund reported ending net position of $3,893,000, a decrease of $394,000 due to transfers out to other funds. The City's electric fund reported ending net position of $1,336,000, an increase of $171,000 due to current year operations.

CAPITAL ASSETS

At the end of 2020, the City had almost $25 million invested in a broad range of capital assets, including a city hall, water and sewer facilities, park, civic center, golf complex, police station, and equipment. Several additions of at least $5,000 per unit were made this year, in addition to construction in progress made to the airport runway of $2.8 million:

General	Enterprise
Portwood Pavilion Renovation - $5,646	Carport - $8,628
Storage Shed - $6,803	Neptune Metering Pump - $6,607
2000 JD Tractor - $5,750	(2) Sewer Pumps - $24,904
Toro 4500 Mower - $10,500	2019 Ford Pickup - $123,103
Motor Grader - $120,500	Water Meters - $989,336
Roof - Administration Building $29,752	Electric Meters - $746,341
Roof - Street Building $17,000	Lighting - Water $20,056
Lighting - Administration $17,423	- Electric $420,893
- Fire $10,763	
- Police $13,884	
- Park/ Pool $63,219	
- Street $7,822	

The City's fiscal year 2020 capital budget is $376,000 for various items such as Airport project ($50,000), Water/Sewer Selenium project ($200,000), Electric department various items ($53,000), Fire department ($20,000), Pool department for various improvements ($2,000), Park equipment ($3,000), Portwood Pavilion renovation ($28,000) and Golf department ($20,000). Also, the City has budgeted approximately $260,110 for debt repayment for construction of selenium project and water bonds - See Note 10.

LONG TERM DEBT

At year end, the City had $3,284,000 in bonds in the enterprise funds. In addition, the City obtained a $2,463,000 loan for water/electric meters as well as lighting. More detailed information about the City's indebtedness is presented in Note 10 to the financial statements.

NEXT YEAR'S BUDGETS AND RATES

Next year's General Fund budget is $2.2 million, the same as the originally adopted 2020 budget. If this estimate is realized, the City's budgetary General Fund balance is expected to be unchanged by the close of 2021.

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 questions about this report or need additional financial information, contact the City Secretary at 301 N. Washington, Seymour, Texas.

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents - unrestricted	$ 145,046	$ 2,878,765	$ 3,023,811
Cash and cash equivalents - restricted	239,040	725,057	964,097
Receivables, net	57,103	6,067	63,170
Interfund balances	306,243	(306,243)	-
Capital assets			
Land	162,015	180,563	342,578
Buildings, net	986,006	-	986,006
Machinery and equipment, net	693,868	8,051,691	8,745,559
Construction in progress	2,923,541	-	2,923,541
Total assets	5,512,862	11,535,900	17,048,762
Deferred Outflows of Resources			
Deferred outflows - OPEB	12,599	12,937	25,536
Deferred outflows - pension	36,347	34,464	70,811
Total deferred outflows of resources	48,946	47,401	96,347
Liabilities			
Accounts payable	103,735	276,280	380,015
Accrued compensated absences	135,380	51,479	186,859
Noncurrent liabilities			
Due within one year	15,368	164,073	179,441
Due in more than one year	105,132	5,560,082	5,665,214
Total OPEB Liability	81,339	70,872	152,211
Net pension liability	164,241	153,979	318,220
Total liabilities	605,195	6,276,765	6,881,960
Deferred Inflows of Resources			
Deferred inflows - OPEB	5,277	3,408	8,685
Deferred inflows - pension	77,908	73,870	151,778
Total deferred inflows of resources	83,185	77,278	160,463
Net Position			
Net investment in capital assets	4,644,930	2,508,099	7,153,029
Restricted for debt service	-	337,972	337,972
Restricted for capital improvements	207,722	558,552	766,274
Unrestricted	20,776	1,824,635	1,845,411
Total net position	$ 4,873,428	$ 5,229,258	$ 10,102,686

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	$ 448,600	$ 983	$ -	$ -
Police	539,071	4,964	-	30,426
Fire	45,644	-	-	-
Streets	321,859	-	-	-
Park/pool	186,696	-	-	-
Airport	78,001	7,006	-	2,805,710
Golf complex	212,916	4,635	-	-
Economic development	99,066	64,359	-	-
Total governmental activities	1,931,853	81,947	-	2,836,136
Business-type activities				
Water, sewer & RO plant	1,666,277	1,667,381	-	-
Electric fund	3,456,161	3,660,696	-	-
Total business-type activities	5,122,438	5,328,077	-	-
Total primary government	$ 7,054,291	$ 5,410,024	$ -	$ 2,836,136
General Revenues				
Taxes				
Property taxes, levied for general purposes				
Sales taxes				
Franchise taxes				
Penalty and interest				
Gain on sale of capital asset				
Miscellaneous revenue				
Investment earnings				
Transfers				
Total general revenues and transfers				
Change in Net Position				
Net Position, Beginning				
Net Position, Ending				

See Notes to Financial Statements

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
$ (447,617)	$ -	$ (447,617)
(503,681)	-	(503,681)
(45,644)	-	(45,644)
(321,859)	-	(321,859)
(186,696)	-	(186,696)
2,734,715	-	2,734,715
(208,281)	-	(208,281)
(34,707)	-	(34,707)
986,230	-	986,230
-	1,104	1,104
-	204,535	204,535
-	205,639	205,639
986,230	205,639	1,191,869
343,481	-	343,481
271,791	-	271,791
312,489	-	312,489
3,409	-	3,409
15,237	-	15,237
70,316	-	70,316
17,290	34,261	51,551
463,014	(463,014)	-
1,497,027	(428,753)	1,068,274
2,483,257	(223,114)	2,260,143
2,390,171	5,452,372	7,842,543
$ 4,873,428	$ 5,229,258	$ 10,102,686

City of Seymour, Texas
Balance Sheet – Governmental Fund (Exhibit C-1)
September 30, 2020

	General Fund
Assets	
Cash and cash equivalents - unrestricted	$ 145,046
Cash and cash equivalents - restricted	239,040
Taxes receivable	26,299
Allowance for uncollectible taxes (credit)	(13,149)
Due from other funds	306,243
Receivables (net)	43,953
Total assets	$ 747,432
Liabilities	
Accounts payable	$ 100,776
Compensated absences payable	33,845
Customer deposits	2,959
Total liabilities	137,580
Deferred Inflows of Resources	
Unavailable revenue - property tax	13,149
Total deferred inflows of resources	13,149
Fund Balances	
Restricted for capital improvements	207,722
Unassigned	388,981
Total fund balances	596,703
Total liabilities, deferred inflows and fund balances	$ 747,432

Total Fund Balances - Governmental Fund	$	596,703
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund balance sheet.		4,765,430
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental fund. As a result, these liabilities decrease net position:		
Accrued compensated absences		(101,535)
Capital lease payable		(120,500)
Included in liabilities is the recognition of the City's net pension liability in the amount of $164,241, a deferred inflow of resources of $77,908 and a deferred outflow of resources of $36,347. This results in a decrease in net position.		(205,802)
Included in liabilities is the recognition of the City's total OPEB liability in the amount of $81,339, a deferred inflow of resources of $5,277 and a deferred outflow of resources of $12,599. This results in a decrease in net position.		(74,017)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable property tax revenue as revenue. The net effect of this reclassification is to increase net position.		13,149
Net position of governmental activities	$	4,873,428

	General Fund
Revenues	
Taxes	
Property taxes	$ 344,837
General sales and use taxes	271,791
Franchise tax	312,420
Licenses and permits	2,053
Intergovernmental revenue and grants	30,426
Charges for services	79,312
Fines	4,964
Investment earnings	17,290
Rents and royalties	983
Other revenue	77,297
Total revenues	1,141,373
Expenditures	
Current	
General government	435,869
Public safety	
Police	490,973
Fire	38,056
Streets	299,267
Park/pool	109,973
Airport	78,001
Golf complex	183,571
Economic development	98,823
Capital outlay	
Capital outlay	373,456
Total expenditures	2,107,989
Excess (Deficiency) of Revenues Over (Under) Expenditures	(966,616)
Other Financing Sources (Uses)	
Transfers in	463,014
Proceeds from sale of capital assets	28,750
Issuance of capital lease	120,500
Total other financing sources (uses)	612,264
Net Change in Fund Balances	(354,352)
Fund Balance, October 1 (Beginning)	951,055
Fund Balance, September 30 (Ending)	$ 596,703

See Notes to Financial Statements

Net Change in Fund Balances - Total Governmental Fund	$	(354,352)
Amounts reported for governmental activities in the statement of activities are different because:		
Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of removing the current year capital outlay is to increase net position.		373,456
Contributed infrastructure increases capital assets in the government-wide financial statements.		2,805,710
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(188,053)
The net book value of capital assets sold reduces net position.		(13,513)
The issuance of long-term debt provides current financial resources to governmental funds, whereas this increases liabilities in the government-wide financial statements.		(120,500)
Certain pension expenditures that are recorded in the fund financial statements must be recorded as deferred outflows of resources. Contributions made after the measurement date caused the change in net position to increase in the amount of $30,367. The City's unrecognized deferred inflows and outflows for TMRS as of the measurement date must be amortized and the City's pension expense must be recognized. These cause the change in net position to decrease in the amount of $35,430.		(5,063)
Certain OPEB expenditures that are recorded in the fund financial statements must be recorded as deferred outflows of resources. Contributions made after the measurement date caused the change in net position to increase in the amount of $1,346. The City's unrecognized deferred inflows and outflows for TMRS as of the measurement date must be amortized and the City's OPEB expense must be recognized. These cause the change in net position to decrease in the amount of $9,498.		(8,152)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred inflows of resources as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy. The net effect of these reclassifications and recognitions is to decrease net position.		(6,276)
Change in Net Position of Governmental Activities	$	2,483,257

City of Seymour, Texas

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund

(Exhibit C-5)

Year Ended September 30, 2020

	Budgeted Amounts		Actual Amounts (GAAP basis)	Variance With Final Budget Positive or (Negative)
	Original	Final		
Revenues				
Taxes				
Property taxes	$ 468,904	$ 368,904	$ 344,837	$ (24,067)
General sales and use taxes	241,334	241,334	271,791	30,457
Franchise tax	286,638	286,638	312,420	25,782
Licenses and permits	6,000	6,000	2,053	(3,947)
Intergovernmental revenue and grants	869,746	375,746	30,426	(345,320)
Charges for services	94,804	94,804	79,312	(15,492)
Fines	26,235	26,235	4,964	(21,271)
Investmet earnings	20,125	20,125	17,290	(2,835)
Rents and royalties	1,000	1,000	983	(17)
Other revenue	77,327	77,327	77,297	(30)
Total revenues	2,092,113	1,498,113	1,141,373	(356,740)
Expenditures				
Current				
General government	321,321	421,321	435,869	(14,548)
Public safety				
Police	490,702	490,702	490,973	(271)
Fire protection	48,350	48,350	38,056	10,294
Streets	279,324	279,324	299,267	(19,943)
Parks/pools	152,073	152,073	109,973	42,100
Airport	74,700	74,700	78,001	(3,301)
Golf complex	175,685	175,685	183,571	(7,886)
Economic development	100,069	100,069	98,823	1,246
Capital outlay				
Capital outlay	775,369	181,369	373,456	(192,087)
Total expenditures	2,417,593	1,923,593	2,107,989	(184,396)
Deficit of Revenues Over Expenditures	(325,480)	(425,480)	(966,616)	(541,136)
Other Financing Sources (Uses)				
Transfers in	452,481	452,481	463,014	10,533
Proceeds from sale of capital assets	-	-	28,750	28,750
Issuance of capital lease	-	-	120,500	120,500
Transfers out (use)	(106,000)	(6,000)	-	6,000
Total other financing sources (uses)	346,481	446,481	612,264	165,783
Net Change in Fund Balance	21,001	21,001	(354,352)	375,353
Fund Balance, October 1 (Beginning)	951,055	951,055	951,055	-
Fund Balance, September 30 (Ending)	$ 972,056	$ 972,056	$ 596,703	$ 375,353

See Notes to Financial Statements

	Business-Type Activities - Enterprise Funds		
	Water, Sewer, & RO Plant	Electric Fund	Total Enterprise Funds
Assets			
Current assets			
Cash and cash equivalents - unrestricted	$ 1,467,211	$ 1,411,554	$ 2,878,765
Cash and cash equivalents - restricted	481,972	243,085	725,057
Accounts receivable	2,618	3,449	6,067
Total current assets	1,951,801	1,658,088	3,609,889
Noncurrent Assets			
Capital assets			
Land	180,563	-	180,563
Machinery and equipment, net	6,632,884	1,418,807	8,051,691
Total noncurrent assets	6,813,447	1,418,807	8,232,254
Total assets	8,765,248	3,076,895	11,842,143
Deferred Outflows of Resources			
Deferred outflow - OPEB liability	7,790	5,147	12,937
Deferred outflow related to pension plan	21,569	12,895	34,464
Total deferred outflows of resources	29,359	18,042	47,401
Liabilities			
Current liabilities			
Accounts payable	49,562	226,718	276,280
Compensated absences payable	38,797	12,682	51,479
Due to other funds	295,134	11,109	306,243
Bonds and loan payable - current	109,903	54,170	164,073
Total current liabilities	493,396	304,679	798,075
Noncurrent Liabilities			
Bonds and loan payable - noncurrent	4,207,036	1,341,145	5,548,181
Lease payable - Skid Steer	11,901	-	11,901
Total OPEB liability	43,916	26,956	70,872
Net pension liability	96,930	57,049	153,979
Total noncurrent liabilities	4,359,783	1,425,150	5,784,933
Total liabilities	4,853,179	1,729,829	6,583,008

	Business-Type Activities - Enterprise Funds		
	Water, Sewer, & RO Plant	Electric Fund	Total Enterprise Funds
Deferred Inflows of Resources			
Deferred inflow - OPEB liability	1,835	1,573	3,408
Deferred inflow related to pension plan	46,232	27,638	73,870
Total deferred inflows of resources	48,067	29,211	77,278
Net Position			
Net investment in capital assets	2,484,607	23,492	2,508,099
Restricted for debt service	337,972	-	337,972
Restricted for capital improvements	514,489	44,063	558,552
Unrestricted	556,293	1,268,342	1,824,635
Total net position	$ 3,893,361	$ 1,335,897	$ 5,229,258

	Business-Type Activities - Enterprise Funds		
	Water, Sewer, & RO Plant	Electric Fund	Total Enterprise Funds
Operating Revenues			
Charges for sanitation services	$ 716,980	$ -	$ 716,980
Charges for water services	735,189	-	735,189
Charges for electricity service	-	3,604,472	3,604,472
Service charges	12,015	8,321	20,336
Water tower restoration fees	73,075	-	73,075
Other revenue	130,122	47,903	178,025
Total operating revenues	1,667,381	3,660,696	5,328,077
Operating Expenses			
Personal services - salaries and wages	416,110	254,994	671,104
Purchased professional & technical services	538,194	2,468,448	3,006,642
Purchased property services	-	202,208	202,208
Other operating expenses	192,246	291,355	483,601
Water tower maintenance	47,545	-	47,545
Depreciation	393,810	163,668	557,478
Total operating expenses	1,587,905	3,380,673	4,968,578
Operating Income	79,476	280,023	359,499
Nonoperating Revenues (Expenses)			
Investment earnings	25,834	8,427	34,261
Interest expense	(78,372)	(75,488)	(153,860)
Total nonoperating revenue (expenses)	(52,538)	(67,061)	(119,599)
Income Before Transfers	26,938	212,962	239,900
Transfers out	(421,456)	(41,558)	(463,014)
Change in Net Position	(394,518)	171,404	(223,114)
Total Net Position - October 1 (Beginning)	4,287,879	1,164,493	5,452,372
Total Net Position - September 30 (Ending)	$ 3,893,361	$ 1,335,897	$ 5,229,258

	Business-Type Activities - Enterprise Funds		
	Water, Sewer, & RO Plant	Electric Fund	Total Enterprise Funds
Operating Activities			
Cash received from user charges	$ 1,544,278	$ 3,629,540	$ 5,173,818
Cash received from miscellaneous revenue	130,122	47,903	178,025
Cash payments to employees for services	(340,597)	(318,756)	(659,353)
Cash payments for other operating expenses	(807,468)	(3,080,172)	(3,887,640)
Net Cash from Operating Activities	526,335	278,515	804,850
Noncapital Financing Activities			
Increase (decrease) in interfund payables	252,126	40,509	292,635
Transfers out	(421,456)	(41,558)	(463,014)
Net Cash from (used for) Noncapital Financing Activities	(169,330)	(1,049)	(170,379)
Capital and Related Financing Activities			
Acquisition of capital assets	(1,061,532)	(1,290,337)	(2,351,869)
Principal paid on revenue bonds and capital lease	(105,178)	(39,406)	(144,584)
Interest paid on revenue bonds	(78,372)	(75,488)	(153,860)
Issuance of capital-related note	1,068,073	1,434,721	2,502,794
Net Cash from (used for) Capital and Related Financing Activities	(177,009)	29,490	(147,519)
Investing Activities			
Interest and dividends on investments	25,834	8,427	34,261
Net Change in Cash and Cash Equivalents	205,830	315,383	521,213
Cash and Cash Equivalents - October 1 (Beginning)	1,743,353	1,339,256	3,082,609
Cash and Cash Equivalents - September 30 (Ending)	$ 1,949,183	$ 1,654,639	$ 3,603,822

	Business-Type Activities - Enterprise Funds		
	Water, Sewer, & RO Plant	Electric Fund	Total Enterprise Funds
Reconciliation of Operating Income to Net Cash from Operating Activities			
Operating income	$ 79,476	$ 280,023	$ 359,499
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	393,810	163,668	557,478
Effect of increases and decreases in current assets and liabilities			
Decrease (increase) in receivables	7,019	16,747	23,766
Decrease (increase) in deferred outflows	56,540	41,668	98,208
Increase (decrease) in Total OPEB liability	7,771	4,646	12,417
Increase (decrease) in accounts payable	(29,483)	(118,161)	(147,644)
Increase (decrease) in net pension liability	(28,306)	(134,070)	(162,376)
Increase (decrease) in deferred inflows	39,508	23,994	63,502
Net Cash from Operating Activities	$ 526,335	$ 278,515	$ 804,850

Note 1 - Summary of Significant Accounting Policies

The City of Seymour, Texas is a governmental unit operating under the applicable laws and regulations of the State of Texas. It is governed by a mayor and five city council members (the "Council") elected by registered voters of the City. 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); and it complies with the requirements of contracts and grants of agencies from which it receives funds. The more significant accounting policies established in GAAP and used by the City are discussed below.

Reporting Entity

The Council is elected by the public to make decisions, appoint managers, and significantly influence operations. It also has the primary accountability for fiscal matters. There are no component units included within the reporting entity.

Note 2 - Government-Wide and Fund Financial Statements

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the City's nonfiduciary activities. Governmental activities include programs supported primarily by taxes and grants. Business-type activities include operations generally financed in whole or in part with fees charged to external customers for electricity, water and sewer sales.

The Statement of Activities demonstrates how other people or entities that participate in programs the City operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the City. Examples include electricity, water and sewer charges. The "grants and contributions" column includes amounts paid by organizations outside the City to help meet the operational or capital requirements of a given function. If a revenue is not a program revenue, it is a general revenue used to support all of the City's functions. Taxes are always general revenues. The City does not allocate indirect expenses in the statement of activities.

Interfund activities between the governmental fund and proprietary funds appear as due to/due from on the Governmental Fund Balance Sheet and Proprietary Funds Statement of Net Position and as other financing sources and uses on the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance and on the Proprietary Funds Statement of Revenues, Expenses, and Changes in Net Position. Interfund activities between the governmental fund and proprietary funds remain on the government-wide financial statements and appear on the government-wide Statement of Net Position as internal balances and on the Statement of Activities as transfers.

The fund financial statements provide reports on the financial condition and results of operations for two fund categories – governmental and proprietary. The City considers the general and enterprise funds as major funds and reports their financial condition and results of operations in separate columns.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are nonoperating.

Note 3 - Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets and liabilities (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. Revenues the City considers to be available are those collected within 60 days of the current fiscal year.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant.

Fund Accounting

The City reports the following major governmental fund:

The General Fund – The general fund is the City's primary operating fund.

The City reports the following major enterprise funds:

Water, Sewer, and RO Fund – This fund provides water, sewer and sanitation services to City residents.

Electric Fund – This fund provides electric service to City residents.

Governmental Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts that can be spent only for specific purposes because of the City's state or federal laws, or externally imposed conditions by grantors or creditors. The City's restricted fund balances are listed on page 24.

Unassigned – All amounts not included in other spendable classifications.

The City has no formal minimum fund balance policy.

Note 4 - Other Accounting Policies

1. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures, accordingly, actual results could differ from those estimates.

2. For purposes of the statement of cash flows for proprietary fund types, the City considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

3. Inventories are not recorded by the City as balances are not material. Supplies are recorded as expenditures as they are purchased.

4. In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

5. Capital assets, which include land, buildings, and equipment, are reported in the applicable governmental activities or business-type activities columns in the government-wide financial statements and in the proprietary fund type statement of net position. Capital assets are defined by the City as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, machinery and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	40
Machinery and equipment	10–20

6. Restricted fund balance/net position includes the following:

	General		Enterprise Funds	
Restricted fund balance/net position				
Debt service	$ -		$ 337,972	
Capital improvements	207,722	(a)	558,552	(b)
	$ 207,722		$ 896,524	

A) Playground Equipment ($11,347), Municipal tech fees ($15,203), Police Fed. Forfeiture ($5,068), Airport Reserve ($606), Downtown Lighting ($4,208), Vehicle Reserve ($120,970), SECO Grant ($4,024), Shopko ($46,296).

B) Water & Sewer System ($395,732), Water selenium project ($61,945), Tree Trimming – Power Lines ($44,063), Vehicle reserve ($56,812).

7. Deferred outflows/inflows of resources are separate elements of the financial statements. The City has deferred inflows of resources, unavailable revenue from property taxes, and for its deferred inflow related to pension and OPEB as described in Notes 12 and 14. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City has deferred outflow of resources related to pension and OPEB as described in Notes 12 and 14.

8. Pensions – The fiduciary net position of the Texas Municipal Retirement System (TMRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TMRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

9. Where the City has both restricted and unrestricted net position available for use, its policy is to use unrestricted funds first. Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. When fund balance resources are available for a specific purpose in more than one classification, it is the City's policy to use unassigned funds first.

10. OPEB - The fiduciary net position of the TMRS Supplemental Death Benefits Plan (SDBP) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, and information about assets, liabilities and additions to/deductions from SDBP's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

11. In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category. The City has deferred outflows of resources related to pensions as described in Note 12. The City also has deferred outflows of resources related to its Supplemental Death Benefits Plan as described in Note 14.

Note 5 - Stewardship, Compliance, and Accountability

Budgetary Data

The City Council adopts a budget for the general fund and is required to present the originally adopted and final amended budgeted revenues and expenditures. The City compares the final amended budget to actual revenues and expenditures. The general fund budgetary comparison schedule appears in Exhibit C-5. Expenditures exceeded appropriations by $184,396, partially due to issuance of capital lease not being budgeted; however, fund balance was available to cover the overage.

The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

1. Prior to October 2019, the City prepared a budget.

2. A Council meeting is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.

3. The budget is legally enacted through passage of a resolution by the Council. Once a budget is approved, it can only be amended by approval of a majority of the members of the Council. Because the City has a policy of careful budgetary control, several amendments were necessary during the year.

Note 6 - Detailed Notes on All Funds

Deposits and Investments

Cash Deposits

At September 30, 2020 the City's bank balance (cash and certificates of deposits) in its depository bank was $4,080,632. The City's cash deposits at September 30, 2020 and during the year were entirely covered by FDIC or securities pledged held by the City's depository bank in the City's name.

City Policies and Legal and Contractual Provisions Governing Deposits

State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent.

Investments

City Policies and Legal and Contractual Provisions Governing Investments

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds.

Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the City was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures. GASB Statement 40 also requires the entity to disclose their policy related to credit risk. The City currently does not have policies in place for the items below. The following disclosures provide information about the City:

a) Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the City was not exposed to credit risk, as funds were only invested in interest bearing demand deposit accounts and non-interest-bearing demand deposit accounts.

b) Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the financial institution's trust department or agent but not in the City's name. At year end, the City was not exposed to custodial credit risk.

c) Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the City was not exposed to concentration of credit risk.

d) Interest Rate Risk

The City invests only in demand deposit accounts; thus, interest rate risk is not considered to be significant.

e) Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the City was not exposed to foreign currency risk.

Note 7 - Property Taxes

Property taxes are levied on October 1. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1, at which time a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Revenue is recognized when collections are made within the current period. The tax rate set to finance general government services for the year ended September 30, 2020 was $0.50141 per $100 valuation.

Allowances for uncollectible taxes within the general fund are based on historical experience in collecting property taxes and currently are estimated at $13,149, 50% of the tax receivable balance.

Note 8 - Interfund Transfers and Balances

Net interfund transfers for the year ended September 30, 2020 from the enterprise funds to the general fund totaled $463,014 to reimburse for overhead expenses and to fund lighting upgrades.

Interfund balances were comprised of the following at September 30, 2020 due to timing differences for services owed.

	Due from other fund	Due to other fund	Transfers in	Transfers out
General Fund	$ 306,243	$ -	$ 463,014	$ -
Water, sewer & RO fund	-	295,134	-	421,456
Electric fund	-	11,109	-	41,558
	$ 306,243	$ 306,243	$ 463,014	$ 463,014

Note 9 - Capital Assets

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

	Governmental Activities			
	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities				
Land	$ 162,015	$ -	$ -	$ 162,015
Buildings	1,437,872	229,903	-	1,667,775
Machinery and equipment	2,262,705	143,553	(16,891)	2,389,367
Construction in progress	117,831	2,805,710	-	2,923,541
Total at historic cost	3,980,423	3,179,166	(16,891)	7,142,698
Less accumulated depreciation for				
Buildings	(623,659)	(58,110)	-	(681,769)
Machinery and equipment	(1,568,934)	(129,943)	3,378	(1,695,499)
Total accumulated depreciation	(2,192,593)	(188,053)	3,378	(2,377,268)
Governmental activities capital assets, net	$ 1,787,830	$ 2,991,113	$ (13,513)	$ 4,765,430

	Business-Type Activities			
	Beginning Balance	Additions	Retirements	Ending Balance
Business-Type Activities				
Land	$ 180,563	$ -	$ -	$ 180,563
Construction in progress	2,772,267	12,000	(2,784,267)	-
Machinery and equipment	12,171,475	5,124,137	-	17,295,612
Total at historic cost	15,124,305	5,136,137	(2,784,267)	17,476,175
Less accumulated depreciation for Machinery and equipment	(8,686,442)	(557,479)	-	(9,243,921)
Business-type activities capital assets, net	$ 6,437,863	$ 4,578,658	$ (2,784,267)	$ 8,232,254

Depreciation expense was charged to governmental functions as follows:

General government	$ 16,180
Police	36,826
Fire	7,588
Streets	21,893
Park/ pool	76,664
Golf complex	28,902
Total depreciation expense	$ 188,053

Note 10 - Long-Term Obligations

Bonds Payable

Series 1999 Utility System Revenue Bonds totaling $1,971,000 were issued in prior years for the RO water treatment plant. Interest rate 4 ½%, semi-annual interest payments due March 1 and September 1, and annual principal payments due September 1 with a maturity date of September 2038.

Series 2017 Combination Tax and Surplus Revenue Certificates of Obligation totaling $2,115,000 were issued February 23, 2017 for construction of a selenium project for water disposal. Interest rate 2.441%, semi-annual interest payments due March 1 and September 1, and annual principal payments due March 1 with a maturity date of September 2048.

As a condition of both bonds, the City is required to maintain a reserve account equal to one year's bond payment, and to fund an additional reserve account monthly in an amount sufficient to cover the current year's payments. The additions to the reserve accounts are transferred from enterprise fund revenues. The City was in compliance with these covenants as of September 30, 2020.

Loan Payable

The City entered into an Energy Conservation contract with Ameresco on May 24, 2019 totaling $2,502,794 for new electric and water meters along with new lighting upgrades all thru the City. Interest rate 3.56%, semi-annual interest and principal payments are due August 1 and February 1st with a maturity date of August 1, 2039.

Description	Amounts Original Issue	Payable Amounts Outstanding 10/1/2019	Issued	Retired	Outstanding 9/30/2020	Due Within One Year
Governmental Activities						
Capital lease payable	$ 120,500	$ -	$ 120,500	$ -	$ 120,500	$ 15,368
Business-Type Activities						
WW/SS Surplus Revenue Bonds						
1999 Series	$ 1,971,000	$ 1,325,000	$ -	$ 46,000	$ 1,279,000	$ 48,000
Certificate of Obligation -						
2017 Series	2,115,000	2,060,000	-	55,000	2,005,000	55,000
Bond discount		(43,538)	-	1,501	(42,037)	-
Capital lease payable	54,894	24,483		5,679	18,804	6,903
AMI Obligation Loan	2,502,794	-	2,502,794	39,406	2,463,388	54,170
	6,643,688	3,365,945	2,502,794	147,586	5,724,155	164,073
Total long-term obligations	$ 6,643,688	$ 3,365,945	$ 2,502,794	$ 147,586	$ 5,724,155	$ 179,441

Debt Service Requirements

Debt service requirements on long-term bonds and note payable are as follows:

Year Ended September 30	Business-Type Activities		
	Principal	Interest	Total
2021	$ 157,170	$ 102,938	$ 260,108
2022	135,778	100,223	236,001
2023	173,183	97,318	270,501
2024	182,265	94,225	276,490
2025	192,750	90,950	283,700
2026-2030	1,132,251	397,572	1,529,823
2031-2035	1,524,852	283,253	1,808,105
2036-2040	1,529,139	145,001	1,674,140
2041-2045	430,000	66,924	496,924
2046-2048	290,000	11,611	301,611
Totals	$ 5,747,388	$ 1,390,015	$ 7,137,403

Note 11 - Commitments Under Leases

The City purchased a Skid Steer for $54,894 under a capital lease agreement with American National Leasing with annual payments due each September beginning in 2019. The City paid a down payment of $25,000 which left a financed balance of $29,894 at 4.99% interest. After current year payment of $6,903, the balance is $18,804. Cost and accumulated depreciation for asset under capital lease total $54,894 and $16,468, respectively.

The City purchased a motor grader for $120,500 under a capital lease agreement with Governmental Capital Corporation with annual payments due each December beginning in 2020, interest at 3.76%. Lease matures in fiscal year 2027. Cost for asset under capital lease totals $120,500 in governmental activities.

Future minimum lease payments are as follows:

Year Ending September 30	Amount
2021	$ 26,802
2022	26,802
2023	26,802
2024	19,899
2025	19,899
2026-2027	39,798
Total	160,002
Less portion representing interest	20,698
Present value of minimum lease payments	$ 139,304

Long-Term Debt

	Beginning Balance	Issued	Retired	Outstanding Balance	Due within One year
Capital Lease Payable	$ 24,483	$ 120,500	$ 5,679	$ 139,304	$ 22,271

Note 12 - Defined Benefit Pension Plan

Plan Description

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

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

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven 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.

The plan provisions are adopted by the governing body of each city, within the options available in the state statutes governing TMRS. The City has elected that members can retire at age 60 and above with 5 or more years of service or with 20 years of service regardless of age. Members may work for more than one TMRS city during their career. If a member is vested in one TMRS city, he or she is immediately vested upon employment with another TMRS city. Similarly, once a member has met the eligibility requirements for retirement in a TMRS city, he or she is eligible in other TMRS cities as well.

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

Inactive employees or beneficiaries currently receiving benefits	27
Inactive employees entitled to but not yet receiving benefits	26
Active employees	29
Total	82

Contributions

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

Employees for the City were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City were 7.59% and 7.38% in calendar years 2020 and 2019, respectively. The City's contributions to TMRS for the year ended September 30, 2020 were $77,166 and were equal to the required contributions.

Net Pension Liability

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

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

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

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

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

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 and 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 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	30.00%	5.30%
Core Fixed Income	10.00%	1.25%
Non-Core Fixed Income	20.00%	4.14%
Real Return	10.00%	3.85%
Real Estate	10.00%	4.00%
Absolute Return	10.00%	3.48%
Private Equity	10.00%	7.75%
Total	100.00%	

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

Changes in the Net Pension Liability:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) – (b)
Balance at December 31, 2018	$ 4,573,112	$ 3,921,260	$ 651,852
Changes for the year			
Service Cost	104,529	-	104,529
Interest	303,098	-	303,098
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(12,041)	-	(12,041)
Changes of assumptions	16,996	-	16,996
Contributions – employer	-	77,594	(77,594)
Contributions – employee	-	66,227	(66,227)
Net investment income	-	605,921	(605,921)
Benefit payments, including refunds of employee contributions	(270,068)	(270,068)	-
Administrative expense	-	(3,425)	3,425
Other changes	-	(103)	103
Net changes	142,514	476,146	(333,632)
Balance at December 31, 2019	$ 4,715,626	$ 4,397,406	$ 318,220

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability (Asset)	$ 897,396	$ 318,220	$ (162,013)

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

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

For the year ended September 30, 2020, the City recognized pension expense of $74,166.

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	$ -	$ (14,209)
Changes in actual assumptions	11,651	-
Difference between projected and actual investment earnings	-	(137,569)
Contributions subsequent to the measurement date	59,160	-
Total	$ 70,811	$ (151,778)

$59,160 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30	
2021	$ (44,740)
2022	(39,379)
2023	12,240
2024	(68,248)
	$ (140,127)

Note 13 - Firemen's Relief and Retirement Fund

Plan Description

The City provides pension benefits for all its firemen through a contributory, defined plan. The Firemen's Relief and Retirement Fund (the Fund) operated under an act passed in 1937 by the Texas State Legislature and adopted by the City's firemen. Benefits are determined on a "formula" or a "final salary" plan. The City currently funds the plan by paying $504 per year for each firefighter (25), contributions for the year totaled $12,600. However, Baylor County reimburses the City for one-half of these contributions.

Members can receive a service retirement at ages 55 and above with 20 or more years of service. Members are eligible for actuarially reduced early retirement benefits beginning at the age 50, provided the employee has accrued at least 20 years of service. The plan also provides death and disability benefits. Members who terminate their service and are non-vested are entitled to the excess of the member's contributions over any benefit previously received.

Since the City has no statutory obligation for future funding of this plan, net pension liability is not accrued on these financial statements.

Note 14 - Other Post-Employment Benefits

Plan Description

The City also participates in a single employer, defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees.

Benefits Provided

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered another postemployment benefit (OPEB) and is a fixed amount of $7,500. As the SDBF covers both active and retired employees, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan. Texas Local Government Code Section 177.001 assigns the authority to establish and amend benefit provisions to the City Council. At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	21
Inactive employees entitled to but not yet receiving benefits	5
Active employees	29
Total	55

Contributions

The City contributes to the SDBF program at a contractually required rate. An annual actuarial valuation is performed, and the contractual rate is equal to the cost of providing one-year term life insurance. The premium rate is expressed as a percentage of the covered payroll of members employed by the participating employer. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect.

The SDBF program is voluntary, and employers can cease participation by adopting an ordinance before November 1 of any year to be effective the following January 1. Therefore, the funding policy of the program is to ensure that adequate resources are available to meet all insurance benefit payments for the upcoming year. It is not the intent of the funding policy to pre-fund retiree term life insurance during employees' entire careers. The City's contribution, which equaled the required contribution, was as follows for the year ended September 30, 2020:

Employer rate		0.39%
Employer contributions	$	3,551

Actuarial Assumptions

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

Inflation	2.50%
Salary increases	3.50% to 11.5% including inflation
Discount rate*	2.75%
Mortality rates – service retirees	Based on the 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates – disabled retirees	Based on the 2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who beome disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

* A discount rate of 2.75% was used based on the 20-Year Municipal GO AA Index as of December 31, 2019.

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

The SDBF program is treated as an unfunded OPEB plan because the SDBF trust covers both actives and retirees and the assets are not segregated for these groups.

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

At September 30, 2020, the City reported a total OPEB liability of $152,211 measured at December 31, 2019. For the year ended September 30, 2020, the City recognized OPEB expense of $13,962.

As of December 31, 2019, the discount rate used in the development of the total OPEB liability was 2.75% compared to 3.71% as of December 31, 2018.

Changes in the total OPEB liability for the measurement year ended December 31, 2019 are as follows:

Changes in Total OPEB Liability	Total OPEB Liability
Balance at December 31, 2018	$ 126,698
Changes for the year	
Service cost	4,746
Interest on total OPEB liability	4,766
Changes of benefit terms	-
Difference between expected and actual experiences	(4,930)
Effect of assumption changes or inputs	22,145
Benefit payments*	(1,214)
Balance as of December 31, 2019	$ 152,211

*Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Discount Rate Sensitivity Analysis

The following presents the total OPEB liability of the City, calculated using the discount rate of 2.75%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.75%) or 1 percentage point higher (3.75%) than the current rate.

	1% Decrease in Discount Rate (1.75%)	Discount Rate (2.75%)	1% Increase in Discount Rate (3.75%)
City's total OPEB liability	$ 179,679	$ 152,211	$ 130,456

At December 31, 2019, the City reported its deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 2,010	$ (3,867)
Changes in actual assumptions	20,798	(4,818)
Contributions subsequent to the measurement date	2,728	-
Total	$ 25,536	$ (8,685)

Deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ended September 30, 2021 in the amount of $2,728. The other net amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB, excluding contributions made subsequent to the measurement date, will be recognized in OPEB expense as follows:

Year Ended September 30	
2021	$ 4,450
2022	4,450
2023	2,914
2024	2,309
	$ 14,123

Note 15 - Compensated Absences

The City's policy provides for a maximum carryover to future years for each employee of 80 hours vacation and 720 hours sick leave. Balance at September 30, 2020 was $135,380 for governmental activities and $51,479 for business-type activities. Of the governmental activities total, the City estimates that one-fourth ($33,845) will be paid during the upcoming year and has accrued such in the general fund balance sheet. The remaining balance is accrued as a government-wide liability. 100% of enterprise fund total is accrued.

Note 16 - Health Care Coverage

During the year ended September 30, 2020, employees of the City were covered by a health insurance plan (the Plan). The City currently pays premiums of $635 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement. The contract between the City and the licensed insurer is renewable October 1, and terms of coverage and premium costs are included in the contractual provisions. The latest financial statements available for Texas Municipal League are filed with Texas State Board of Insurance, Austin, Texas and are public records.

Self-Insured Workers Compensation

The City participates in a worker's compensation coverage pool with Texas Municipal League Intergovernmental Risk Pool (TML) during the year. TML's annual financial statements can be found on their website at www.tmlirp.org.

Note 17 - Risk Management

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters. During the fiscal year 2020, the City purchased commercial insurance to cover general liabilities. There were no significant reductions in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three (3) fiscal years.

Note 18 - Contingencies

During the year ended September 30, 2020, the City has been impacted by the effects of the world-wide coronavirus pandemic. The City continues to closely monitor its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the full impact to the City's financial position and results of operations is not known.

Note 19 - Subsequent Event

Due to the major winter storm that hit the State of Texas in February 2021, the price of energy experienced record price increases for an extended period of time. Due to these price increases, the City of Seymour's Electric Fund owes their wholesale power provider in excess of $1 million partially due to energy surcharges. As a result, in September 2021, the Council approved issuance of $1,000,000 in Public Property Finance Contractual Obligations, Taxable Series 2021, at 2.5% maturing in 2031 to pay for these electricity charges.

Required Supplementary Information
September 30, 2020

City of Seymour, Texas

	Year Ended December 31, 2019	Year Ended December 31, 2018
Total Pension Liability		
Service Cost	$ 104,529	$ 112,876
Interest on the Total Pension Liability	303,098	293,096
Changes of Benefit Terms	-	-
Difference between Expected and Actual Experience	(12,041)	(1,974)
Changes of Assumptions	16,996	-
Benefit Payments, including refunds of employee contributions	(270,068)	(233,226)
Net change in Total Pension Liability	142,514	170,772
Total Pension Liability - Beginning	4,573,112	4,402,340
Total Pension Liability - Ending (a)	$ 4,715,626	$ 4,573,112
Plan Fiduciary Net Position		
Contributions - Employer	$ 77,594	$ 93,590
Contributions - Employee	66,227	70,991
Net Investment Income	605,921	(123,238)
Benefit Payments, including refunds of employee contributions	(270,068)	(233,226)
Administrative Expense	(3,425)	(2,383)
Other	(103)	(124)
Net Change in Plan Fiduciary Net Position	476,146	(194,390)
Plan Fiduciary Net Position - Beginning	3,921,260	4,115,650
Plan Fiduciary Net Position - Ending (b)	$ 4,397,406	$ 3,921,260
Net Pension Liability, ending = (a) - (b)	$ 318,220	$ 651,852
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	93.25%	85.75%
Covered Payroll	$ 1,103,787	$ 1,183,187
Net Pension Liability as a Percentage of Covered Payroll	28.83%	55.09%

Note: The information from this schedule corresponds with the period covered as of the Plan's measurement dates of December 31. Plan information was unavailable prior to 2014. Ten years will ultimately be displayed.

See Notes to Required Supplementary Information

Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
$ 107,133	$ 102,451	$ 90,833	$ 88,399
286,402	276,749	277,072	268,240
-	-	-	-
(55,882)	6,699	(17,727)	(38,582)
-	-	2,513	-
(249,492)	(240,963)	(192,400)	(193,824)
88,161	144,936	160,291	124,233
4,314,179	4,169,243	4,008,952	3,884,719
$ 4,402,340	$ 4,314,179	$ 4,169,243	$ 4,008,952
$ 89,520	$ 78,874	$ 75,826	$ 78,121
67,308	64,299	59,628	58,297
512,538	240,485	5,332	198,759
(249,492)	(240,963)	(192,400)	(193,824)
(2,657)	(2,716)	(3,248)	(2,075)
(134)	(146)	(160)	(171)
417,083	139,833	(55,022)	139,107
3,698,567	3,558,734	3,613,756	3,474,649
$ 4,115,650	$ 3,698,567	$ 3,558,734	$ 3,613,756
$ 286,690	$ 615,612	$ 610,509	$ 395,196
93.49%	85.73%	85.36%	90.14%
$ 1,121,808	$ 1,071,658	$ 970,069	$ 993,794
25.56%	57.44%	62.93%	39.77%

Year Ending September 30,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a Percentage of Covered Payroll
2014	$ 75,826	$ 75,826	$ -	$ 1,096,654	6.91%
2015	78,121	78,121	-	993,794	7.86%
2016	89,812	89,812	-	970,069	9.26%
2017	67,529	67,529	-	1,071,658	6.30%
2018	97,607	97,607	-	1,183,528	8.25%
2019	82,584	82,584	-	1,139,700	7.25%
2020	77,166	77,166	-	1,023,464	7.54%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the governmental entity's respective fiscal years as opposed to the time periods covered by the measurement dates ending December 31 for the respective fiscal years.

	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017
Total OPEB Liability			
Service cost	$ 4,746	$ 6,981	$ 5,946
Interest on total OPEB liability	4,766	4,117	4,035
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(4,930)	3,320	-
Change of assumptions	22,145	(7,956)	8,388
Benefit payments/refunds of contributions	(1,214)	(1,302)	(1,234)
Net change in total OPEB liability	25,513	5,160	17,135
Total OPEB liability, beginning	126,698	121,538	104,403
Total OPEB liability, ending	$ 152,211	$ 126,698	$ 121,538
Covered payroll	$ 1,103,787	$ 1,183,187	$ 1,121,808
Total OPEB liability as a percentage of covered payroll	13.79%	10.71%	10.83%

Note: The information from this schedule corresponds with the period covered as of the Plan's measurement dates of December 31. Plan information was unavailable prior to 2017. Ten years will ultimately be displayed.

No assets are accumulated in a trust as defined by GASB 75. Benefits are on a pay as you go basis.

Note 1 - Net Pension Liability - Texas Municipal Retirement System

Assumptions

The following methods and assumptions were used to determine contribution rates:

Valuation date	Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.
Actuarial Cost Method	Entry age normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	25 years
Asset Valuation Method	10 year smoothed market; 12% soft corridor
Inflation	2.5%
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.
Notes	There were no benefit changes during the year.

Note 2 - Total OPEB Liability – Texas Municipal Retirement System

The following methods and assumptions were used to determine contribution rates:

Valuation date	Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.
Actuarial Cost Method	Entry age normal
Inflation	2.5%
Discount Rate	2.75%
Salary Increases	3.5% to 11.5%, including inflation
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 rate- service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rate- disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

Other Supplementary Information
September 30, 2020

City of Seymour, Texas

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CPAs & BUSINESS ADVISORS

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the City Council
City of Seymour, Texas

We have audited, 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, the financial statements of the governmental activities, the business-type activities and each major fund of the City of Seymour, 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 and have issued our report thereon dated January 19, 2022.

Internal Control over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

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

Ede Bailly LLP

Seymour, Texas
January 19, 2022