

**OFFICIAL NOTICE OF SALE,  
OFFICIAL BID FORM,  
AND  
PRELIMINARY OFFICIAL STATEMENT**

**\$3,000,000\***



**CITY OF SMITHVILLE, TEXAS  
(Bastrop County, Texas)**

**TAX NOTES, SERIES 2023**

**To be Designated by the City as  
"QUALIFIED TAX-EXEMPT OBLIGATIONS"**

**Bids due  
Monday, September 11, 2023  
at  
12:00 (Noon) P.M. Central Time**

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\*Preliminary, subject to change based on bid structures. See "THE NOTES – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE NOTES" in the Official Notice of Sale.

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This Official Notice of Sale does not alone constitute an invitation for bids but is merely notice of sale of the Notes defined and described herein. The invitation for bids on the Notes is being made by means of this Official Notice of Sale, the Official Bid Form and the Preliminary Official Statement.

## OFFICIAL NOTICE OF SALE

**The Issuer will designate the Notes as “Qualified Tax-Exempt Obligations” for financial institutions.**

**\$3,000,000\***

**CITY OF SMITHVILLE, TEXAS**

**(A political subdivision of the State of Texas located in Bastrop County, Texas)**

**TAX NOTES, SERIES 2023**

**NOTES OFFERED FOR SALE AT COMPETITIVE BID:** The City Council (the “City Council”) of the City of Smithville, Texas (the “City” or the “Issuer”) is offering for sale at competitive bid its \$3,000,000\* Tax Notes, Series 2023 (the “Notes”).

**BIDS BY INTERNET:** Interested bidders may, at their option and risk, submit their bid by electronic media, as described below, by 12:00 (Noon) P.M. Central Time, on September 11, 2023. Bidders submitting a bid by internet shall not be required to submit signed Official Bid Forms prior to the award. Any prospective bidder that intends to submit an electronic bid must submit its electronic bid via the facilities of the i-Deal, LLC Parity System (“PARITY”) and should, as a courtesy, register with PARITY by 9:00 A.M., Central Time, on September 11, 2023 indicating their intent to submit a bid by internet.

In the event of a malfunction in the electronic bidding process, bidders may submit their bids by email to mmcliney@samcocapital.com. If there is a malfunction of the electronic bidding process and a bidder submits a bid via email, please call 210-832-9760 to notify the Financial Advisor (defined below) of the incoming bid. Any bid received after the scheduled time for their receipt will not be accepted.

The official time for the receipt of bids shall be the time maintained by PARITY. All electronic bids shall be deemed to incorporate the provisions of this Official Notice of Sale, Official Bid Form and the Preliminary Official Statement. To the extent that any instructions or directions set forth in PARITY conflict with this Official Notice of Sale, the terms of this Official Notice of Sale shall control. For further information about the PARITY System, potential bidders may contact PARITY, c/o Ipreo Holdings LLC, 1359 Broadway, New York, New York 10018, 212-849-5021.

An electronic bid made through the facilities of PARITY shall be deemed an irrevocable offer to purchase the Notes on the terms provided in this Official Notice of Sale, and shall be binding upon the bidder as if made by a signed sealed bid delivered to the City. The City shall not be responsible for any malfunction or mistake made by, or as a result of the use of PARITY, the use of such facilities being at the sole risk of the prospective bidder.

**OPENING OF BIDS:** Bids will be opened and publicly read at 12:00 (Noon) P.M. Central Time, on Monday, September 11, 2023, following which the bids will be evaluated by SAMCO Capital Markets, Inc. (the “Financial Advisor”) and the City Council shall provide final approval of the award at a City Council meeting later that evening. The Mayor of the City or his representative shall award the Notes as described in the section entitled “AWARD AND SALE OF THE NOTES” below.

**AWARD AND SALE OF THE NOTES:** By 1:00 P.M. (noon) Central Time, on the date set for receipt of bids, the Mayor of the City or his representative shall award the Notes to **the low qualified bidder (the “Winning Bidder”), as described in the section entitled “CONDITIONS OF SALE – Basis of Award” herein subject to final approval of the City Council which will take action to adopt an ordinance (the “Ordinance”)** authorizing the issuance and awarding sale of the Notes or will reject all bids promptly at a scheduled meeting to commence at 6:00 P.M. Central Time on Monday, September 11, 2023. The City reserves the right to reject any or all bids and to waive any irregularities, except time of filing.

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*\*Preliminary, subject to change based on bid structures. See “THE NOTES – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE NOTES” herein.*

## THE NOTES

**DESCRIPTION OF CERTAIN TERMS OF THE NOTES:** The Notes will be dated October 1, 2023 (the “Dated Date”) with interest to accrue from the Dated Date and be payable initially on February 1, 2024, and semiannually on each August 1 and February 1 thereafter until stated maturity. The Notes will be issued as fully registered Notes in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York. DTC will act as securities depository (the “Securities Depository”). Book-entry interests in the Notes will be made available for purchase in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of the Notes (“Beneficial Owners”) will not receive physical delivery of Notes representing their interest in the Notes purchased. So long as DTC or its nominee is the registered owner of the Notes, the principal of and interest on the Notes will be payable by BOKF, NA, Dallas, Texas, as Paying Agent/Registrar, to the Securities Depository, which will in turn remit such principal and interest to its Participants, which will in turn remit such principal and interest to the Beneficial Owners of the Notes. (See “BOOK-ENTRY-ONLY SYSTEM” in the Official Statement.) The Notes will be stated to mature on February 1 in each of the following years in the following amounts:

### MATURITY SCHEDULE (Due February 1)

<u>Stated Maturity</u>	<u>Principal Amount*</u>
2024	\$110,000
2025	430,000
2026	455,000
2027	470,000
2028	490,000
2029	510,000
2030	535,000

**ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE NOTES:** The City reserves the right to increase or decrease the principal (maturity) amount of any maturity of the Notes, including the elimination of a maturity or maturities; provided, however, that the aggregate principal (denominational) amount of the Notes shall not exceed \$3,000,000. Notice of any such changes shall be given to the successful bidder as soon as practicable following the notification of award, as described below, and this Notice of Sale may be amended at the sole discretion of the City to reflect such increase or decrease. The City will attempt to maintain total per bond underwriter spread when adjusting maturities. No such adjustment will have the effect of altering the basis upon which the best bid is determined. The successful bidder may not withdraw its bids or change the rates bid or any initial reoffering prices as a result of any changes made to the principal (denominational) amounts.

**SERIAL NOTES:** Bidders must provide that all of the Notes be issued as serial maturities.

**OPTIONAL REDEMPTION:** The Notes may not be redeemed prior to stated maturity.

**SECURITY FOR PAYMENT:** The Notes are being issued pursuant to the Constitution and general laws of the State of Texas (the “State”), particularly Chapter 1431, Texas Government Code, as amended, and an ordinance (the “Ordinance”) to be adopted by the City Council on September 11, 2023. The Notes payable from the levy and collection of a direct and continuing ad valorem tax levied on all taxable property within the City, within the limits prescribed by law, as provided in the Ordinance.

**OTHER TERMS AND COVENANTS:** Other terms of the Ordinance and the various covenants of the City contained in the Ordinance are described in the Official Statement, to which reference is made for all purposes.

**SUCCESSOR PAYING AGENT/REGISTRAR:** The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. In the Ordinance, the City covenants to provide a Paying Agent/Registrar at all times while the Notes are outstanding, and any Paying Agent/Registrar selected by the City shall be a commercial bank or trust company organized under the laws of the United States and any state and duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Notes. The Paying Agent/Registrar will maintain the Security Register containing the names and addresses of the registered owners of the Notes.

\* Preliminary, subject to change.

In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the City, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar, selected at the sole discretion of the City, shall be qualified as described in the Preliminary Official Statement. Upon a change in the Paying Agent/Registrar for the Notes, the City agrees to promptly cause written notice thereof to be sent to each registered owner of the Notes by United States mail, first-class, postage prepaid.

#### CONDITIONS OF SALE

**TYPES OF BIDS AND INTEREST RATES:** The Notes will be sold in one block on an "All or None" basis, and at a price of not less than their par value, plus accrued interest on the Notes from the Dated Date of the Notes to the date of Initial Delivery (defined herein) of the Notes. **No bid producing a cash premium on the Notes that results in a dollar price of less than 103% will be considered; provided, however, that any bid is subject to adjustment as described under the caption "ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS".** Bidders are invited to name the rate(s) of interest to be borne by the Notes, provided that each rate bid must be in a multiple of 1/8 of 1% or 1/20 of 1% and the net effective interest for the Notes (calculated in the manner required by Chapter 1204, as amended, Texas Government Code) must not exceed 15%. **The highest rate bid may not exceed the lowest rate bid by more than 300 basis points (or 3% in rate). No limitation is imposed upon bidders as to the number of rates or changes which may be used.** All Notes of one stated maturity must bear one and the same rate. No bids involving supplemental interest rates will be considered.

**BASIS OF AWARD:** The sale of the Notes will be awarded to the bidder making a bid that conforms to the specifications herein (the "Winning Bidder" or "Purchaser") and which produces the lowest True Interest Cost (defined herein) rate to the City. The "True Interest Cost" rate is that rate which, when used to compute the total present value as of the Dated Date of all debt service payments on the Notes on the basis of semi-annual compounding, produces an amount equal to the sum of the par value of the Notes plus the premium bid, (but not interest accrued from the Dated Date to the date of their initial delivery to the Purchaser). In the event of a bidder's error in interest cost rate calculations, the interest rates, and premium, set forth in the Official Bid Form will be considered as the intended bid.

In order to provide the City with information required to enable it to comply with certain conditions of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Notes (the "Code"), relating to the excludability of interest on the Notes from the gross income of their owners, the Purchaser will be required to complete, execute, and deliver to the City (on or before the date of initial delivery of the Notes) a certification as to their initial offering prices of the Notes (the "Issue Price Certificate") substantially in the form and to the effect attached hereto or accompanying this Official Notice of Sale. (See "ESTABLISHMENT OF ISSUE PRICE" herein.)

#### **ESTABLISHMENT OF ISSUE PRICE:**

(a) The Winning Bidder shall assist the City in establishing the issue price of the Notes and shall execute and deliver to the City by the Delivery Date an "issue price" or similar certificate setting forth the reasonably expected initial offering price to the public, together with the supporting pricing wires or equivalent communications, such issue price certificate substantially in the form attached hereto, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Winning Bidder, the City, and Cantu Harden Montoya LLP, the City's Bond Counsel (but not to the extent that would preclude the establishment of issue price of the Notes under applicable federal regulations). All actions to be taken by the City under this Official Notice of Sale to establish the issue price of the Notes may be taken on behalf of the City by the City's Financial Advisor and any notice or report to be provided to the City may be provided to the City's Financial Advisor.

(b) The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Notes) will apply to the initial sale of the Notes (the "competitive sale requirements") because:

- (1) the City shall disseminate this Official Notice of Sale to potential underwriters (defined below) in a manner that is reasonably designed to reach potential underwriters;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the City may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and

- (4) the City anticipates awarding the sale of the Notes to the bidder who submits a firm offer to purchase the Notes at the highest price (or lowest interest cost), as set forth in this Official Notice of Sale.

Any bid submitted pursuant to this Official Notice of Sale shall be considered a firm offer for the purchase of the Notes, as specified in the bid.

(c) In the event that the competitive sale requirements are not satisfied, the City shall so advise the Winning Bidder. In such event, the City intends to treat the initial offering price to the public (defined below) as of the sale date (defined below) of each maturity of the Notes as the issue price of that maturity (the “hold-the-offering-price rule”). The City shall promptly advise the Winning Bidder, at or before the time of award of the Notes, if the competitive sale requirements were not satisfied, in which case the hold-the-offering-price rule shall apply to the Notes. **Bids will not be subject to cancellation in the event that the competitive sale requirements are not satisfied and the hold-the-offering-price rule applies.** In the event that the competitive sale requirements are not satisfied, resulting in the application of the hold-the-price rule, the issue price certificate shall be modified as necessary in the reasonable judgment of Bond Counsel and the City.

(d) By submitting a bid, the Winning Bidder shall (i) confirm that the underwriters have offered or will offer the Notes to the public on or before the date of award at the offering price or prices (the “initial offering price”), or at the corresponding yield or yields, set forth in the bid submitted by the Winning Bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Notes, that the underwriters will neither offer nor sell unsold Notes of any maturity to which the hold-the-offering-price rule applies to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5<sup>th</sup>) business day after the sale date; or
- (2) the date on which the underwriters have sold at least 10% of that maturity of the Notes to the public at a price that is no higher than the initial offering price to the public.

The Winning Bidder shall promptly advise the City when the underwriters have sold 10% of that maturity of the Notes to the public at a price that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5<sup>th</sup>) business day after the sale date.

(e) If the competitive sale requirements are not satisfied, then until the 10% test has been satisfied as to each maturity of the Notes, the Winning Bidder agrees to promptly report to the City the prices at which the unsold Notes of that maturity have been sold to the public. That reporting obligation shall continue, whether or not the Delivery Date has occurred, until the 10% test has been satisfied as to the Notes of that maturity or until all Notes of that maturity have been sold. The 10% test shall be considered satisfied with respect to a maturity when at least 10% of the Notes of that maturity have been sold to the public at a particular price.

(f) The City acknowledges that, in making the representation set forth above, the Winning Bidder will rely on (i) the agreement of each underwriter to comply with the hold-the-offering-price rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Notes to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Notes to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Notes.

(g) By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Notes to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to (A) report the prices at which it sells to the public the unsold Notes of each maturity allotted to it until it is notified by the Winning Bidder that either the 10% test has been satisfied as to the Notes of that

maturity or all Notes of that maturity have been sold to the public and (B) to comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the Winning Bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of the Notes to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Notes to the public to require each broker-dealer that is a party to such retail distribution agreement to (A) report the prices at which it sells to the public the unsold Notes of each maturity allotted to it until it is notified by the Winning Bidder or such underwriter that either the 10% test has been satisfied as to the Notes of that maturity or all Notes of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the Winning Bidder or such underwriter and as set forth in the related pricing wires.

(h) Sales of any Notes to any person that is a related party (defined below) to an underwriter shall not constitute sales to the public for purposes of this Official Notice of Sale. Further, for purposes of this section of the Official Notice of Sale entitled "ESTABLISHMENT OF ISSUE PRICE":

- (1) "public" means any person other than an underwriter or a related party,
- (2) "underwriter" means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Notes to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Notes to the public),
- (3) a purchaser of any of the Notes is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (4) "sale date" means the date that the Notes are awarded by the City to the Winning Bidder.

**ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS:** See "THE NOTES – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE NOTES" for a description of the City's reservation of the right to increase or decrease the principal (maturity) amount of any maturity of the Notes, including the elimination of a maturity or maturities.

**GOOD FAITH DEPOSIT:** A bank cashier's check payable to the order of "City of Smithville, Texas" in the amount of \$60,000, which is 2% of the par value of the Notes (the "Good Faith Deposit"), is required. The Good Faith Deposit will be retained uncashed by the City until the Notes are delivered, and at that time it will be returned to the Purchaser uncashed on the date of delivery of the Notes; however, should the Purchaser fail or refuse to take up and pay for the Notes, said Good Faith Deposit is to be cashed by the City and the proceeds accepted as full and complete liquidated damages. The above mentioned Good Faith Deposit may accompany the bid, or it may be submitted separately; however, if submitted separately, it shall be made available to the City prior to the opening of the bids and shall be accompanied by instructions from the bank on which it is drawn which will authorize its use as a Good Faith Deposit by the Purchaser who shall be named in such instructions. No interest will be paid or allowed on any Good Faith Deposit. The checks accompanying all other bids will be returned immediately after the bids are opened and the award of the sale of the Notes has been made.

**ADDITIONAL CONDITION OF AWARD — DISCLOSURE OF INTERESTED PARTY FORM:**

It is the obligation of the City to receive information from Winning Bidder if bidder is not a publicly traded business entity (a "Privately Held Bidder"). Pursuant to Texas Government Code Section 2252.908 (the "Interested Party Disclosure Act"), the City may not award the Notes to a Winning Bidder which is a Privately Held Bidder unless such party submits a Note of Interested Parties Form 1295 (the "Disclosure Form") to the City as prescribed by the Texas Ethics Commission ("TEC"). In the event that a Privately Held Bidder's bid for the Notes is the best bid received, the City, acting through its financial advisor, will promptly notify the winning Privately Held Bidder. That notification will serve as the City's conditional verbal acceptance of the bid, and

will obligate the winning Privately Held Bidder to establish (unless such winning Privately Held Bidder has previously so established) an account with the TEC, and promptly file a completed Disclosure Form, as described below, in order to allow the City to complete the award.

Process for completing the Disclosure Form. For purposes of illustration, the Disclosure Form is attached hereto, and reference should be made to such form for the following information needed to complete it: (a) item 2 - name of the governmental entity (City of Smithville, Texas) and (b) item 3 - the identification number assigned to this contract by the City (Smithville TN2023) and description of the goods or services (Purchase of the City of Smithville, Texas Tax Notes, Series 2023). The Interested Party Disclosure Act and the rules adopted by the TEC with respect thereto (the "Disclosure Rules") require a non-publicly traded business entity contracting with the City to complete the Disclosure Form electronically at <https://www.ethics.state.tx.us/main/file.htm>, print, sign, and deliver, in physical form, the certified Disclosure Form that is generated by the TEC's "electronic portal" to the City. The executed Disclosure Form must be sent by email to the City's financial advisor at [mmcliney@samcocapital.com](mailto:mmcliney@samcocapital.com) and to the City's bond counsel at [acantu@chmllp.com](mailto:acantu@chmllp.com), as soon as possible following the notification of conditional verbal acceptance and prior to the final written award.

Preparations for completion, and the significance of, the reported information. In accordance with the Interested Party Disclosure Act, the information reported by the winning Privately Held Bidder must be declared by an authorized agent of the Privately Held Winning Bidder. No exceptions may be made to that requirement. The Interested Party Disclosure Act and the Disclosure Form provides that such acknowledgment is made "under penalty of perjury." Consequently, a winning Privately Held Bidder should take appropriate steps prior to completion of the Disclosure Form to familiarize itself with the Interested Party Disclosure Act, the Disclosure Rules and the Disclosure Form. Time will be of the essence in submitting the form to the City, and no final award will be made by the City regarding the sale of the Notes until a completed Disclosure Form is received. If applicable, the City reserves the right to reject any bid that does not satisfy the requirement of a completed Disclosure Form, as described herein. Neither the City nor its consultants have the ability to verify the information included in a Disclosure Form, and neither party has an obligation nor undertakes responsibility for advising any bidder with respect to (1) the bidder's obligation to submit the Disclosure Form or (2) the proper completion of the Disclosure Form. Consequently, an entity intending to bid on the Notes should consult its own advisors to the extent it deems necessary and be prepared to submit the completed form, if required, promptly upon notification from the City that its bid is the conditional winning bid. Instructional videos on logging in and creating a certificate are provided on the TEC's website at <https://www.ethics.state.tx.us/filinginfo/1295>.

**ADDITIONAL CONDITION OF AWARD - REQUIRED CERTIFICATIONS AND VERIFICATIONS BY WINNING BIDDER:**

Section 2271.002 (No Boycott of Israel) Verifications. Each bidder, through submittal of an executed Official Bid Form, represents that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and, to the extent the Official Notice of Sale and Official Bid Form is a contract for goods or services, will not boycott Israel during the term of this agreement. The foregoing verification is made solely to comply with Section 2271.002, Texas Government Code, as amended, and to the extent such Section does not contravene applicable Texas or federal law. As used in the foregoing verification, "boycott Israel" means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes. Each bidder, through submittal of an executed Official Bid Form, understands "affiliate" to mean an entity that controls, is controlled by, or is under common control with our company and exists to make a profit.

Section 2252.152 (Sanctioned Company) Representations. Each bidder, through submittal of an executed Official Bid Form, represents that neither it nor any parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Texas Government Code, and posted on any of the following pages of such officer's internet website: <https://comptroller.texas.gov/purchasing/docs/sudan-list.pdf>; <https://comptroller.texas.gov/purchasing/docs/iran-list.pdf>, or <https://comptroller.texas.gov/purchasing/docs/fto-list.pdf>. The foregoing representation is made solely to comply with Section 2252.152, Texas Government Code, and to the extent such Section does not contravene applicable Texas or federal law and excludes our company and each parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization. Each bidder, through submittal of an executed Official Bid Form, understands "affiliate" to mean any entity that controls, is controlled by, or is under common control with our company and exists to make a profit.



Section 2274.002 (No Discrimination Against Fossil-Fuel Companies) Verifications. To the extent the Official Bid Form constitutes a contract for goods or services for which a written verification statement is required under Section 2274.002 (as added by Senate Bill 13 in the 87th Texas Legislative Session), Texas Government Code, as amended, each bidder, through submittal of an executed Official Bid Form, represents and verifies that it and its parent company, wholly- or majority- owned subsidiaries, and other affiliates, if any, do not boycott energy companies and, will not boycott energy companies during the term of the contract. The foregoing verification is made solely to comply with Section 2274.002, Texas Government Code, as amended, to the extent Section 2274.002, Texas Government Code does not contravene applicable Texas or federal law. As used in the foregoing verification, “boycott energy companies” shall mean, without an ordinary business purpose, refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations with a company because the company (A) engages in the exploration, production, utilization, transportation, sale, or manufacturing of fossil fuel-based energy and does not commit or pledge to meet environmental standards beyond applicable federal and state law; or (B) does business with a company described by (A) above. Each bidder, through submittal of an executed Official Bid Form, understands “affiliate” to mean any entity that controls, is controlled by, or is under common control with our company and exists to make a profit.

Section 2274.002 (No Discrimination Against Firearm Entities or Firearm Trade Associations) Verifications. To the extent the Official Bid Form constitutes a contract for goods or services for which a written verification statement is required under Section 2274.002 (as added by Senate Bill 19 in the 87th Texas Legislative Session, “SB 19”), Texas Government Code, as amended, each bidder, through submittal of an executed Official Bid Form, verifies that it and its parent company, wholly- or majority- owned subsidiaries, and other affiliates, if any,

- a) do not have a practice, policy, guidance or directive that discriminates against a firearm entity or firearm trade association; and
- b) will not discriminate during the term of the contract against a firearm entity or firearm trade association.

The foregoing verification is made solely to comply with Section 2274.002, Texas Government Code, as amended, to the extent Section 2274.002, Texas Government Code does not contravene applicable Texas or federal law. Each bidder, through submittal of an executed Official Bid Form, understands “affiliate” to mean any entity that controls, is controlled by, or is under common control with our company and exists to make a profit.

As used in the foregoing verification and the following definitions,

- a) ‘discriminate against a firearm entity or firearm trade association,’ a term defined in Section 2274.001(3), Texas Government Code (as enacted by such Senate Bill), (A) means, with respect to the firearm entity or firearm trade association, to (i) refuse to engage in the trade of any goods or services with the firearm entity or firearm trade association based solely on its status as a firearm entity or firearm trade association, (ii) refrain from continuing an existing business relationship with the firearm entity or firearm trade association based solely on its status as a firearm entity or firearm trade association, or (iii) terminate an existing business relationship with the firearm entity or firearm trade association based solely on its status as a firearm entity or firearm trade association and (B) does not include (i) the established policies of a merchant, retail seller, or platform that restrict or prohibit the listing or selling of ammunition, firearms, or firearm accessories and (ii) a company’s refusal to engage in the trade of any goods or services, decision to refrain from continuing an existing business relationship, or decision to terminate an existing business relationship (aa) to comply with federal, state, or local law, policy, or regulations or a directive by a regulatory agency or (bb) for any traditional business reason that is specific to the customer or potential customer and not based solely on an entity’s or association’s status as a firearm entity or firearm trade association,
- b) ‘firearm entity,’ a term defined in Section 2274.001(6), Texas Government Code (as enacted by such Senate Bill), means a manufacturer, distributor, wholesaler, supplier, or retailer of firearms (defined in Section 2274.001(4), Texas Government Code, as enacted by such Senate Bill, as weapons that expel projectiles by the action of explosive or expanding gases), firearm accessories (defined in Section 2274.001(5), Texas Government Code, as enacted by such Senate Bill, as devices specifically designed or adapted to enable an individual to wear, carry, store, or mount a firearm on the individual or on a conveyance and items used in conjunction with or mounted on a firearm that are not essential to the basic function of the firearm, including detachable firearm magazines), or ammunition (defined in Section 2274.001(1), Texas Government Code, as enacted by such Senate Bill, as a loaded cartridge case, primer, bullet, or propellant powder with or without a projectile) or a sport shooting range (defined in Section 250.001, Texas Local Government Code, as a business establishment, private club, or association that operates an area for the discharge or other use of firearms for silhouette, skeet, trap, black powder, target, self-defense, or similar recreational shooting), and

- c) 'firearm trade association,' a term defined in Section 2274.001(7), Texas Government Code (as enacted by such Senate Bill), means any person, corporation, unincorporated association, federation, business league, or business organization that (i) is not organized or operated for profit (and none of the net earnings of which inures to the benefit of any private shareholder or individual), (ii) has two or more firearm entities as members, and (iii) is exempt from federal income taxation under Section 501(a), Internal Revenue Code of 1986, as an organization described by Section 501(c) of that code.

**Standing Letter Requirement.** In submitting a bid, a bidder represents to the City that it has or will file with the Texas Attorney General's Office a standing letter that conforms to the requirements set forth in the All Bond Counsel Letter dated September 22, 2021 (the "All Bond Counsel Letter"), and that it has no reason to believe that the City may not be entitled to rely on the standing letter on file. Bidder agrees that it will not rescind its standing letter at any time before the delivery of the Notes unless same is immediately replaced with a standing letter meeting the requirements of the above-described All Bond Counsel Letter.

The City reserves the right, in its sole discretion, to reject any bid from a bidder that does not have such standing letter on file as of the deadline for bids for the Notes. In the event that a bidder does not have such standing letter on file at the time of submission of a bid, the bidder agrees to file such standing letter with the Municipal Advisory Council of Texas and the Texas Attorney General's Office by the earlier of: (a) two (2) hours after submitting its bid, and (b) the deadline for bids for the Notes.

In the event the Initial Purchaser should fail or refuse to take up and pay for the Notes in accordance with the bid, or it is determined that after the acceptance of its bid by the City that the Initial Purchaser was found not to satisfy the requirements described herein under "Standing Letter Requirement" and as a result the Texas Attorney General will not deliver its approving opinion of the Notes, then the Good Faith Deposit shall be cashed and accepted by the City as full and complete liquidated damages.

**Additional Evidence of Compliance with State Law.** In addition to the above verifications made by submitting a bid, each bidder agrees, should it be the winning bidder, to cooperate with the City and take any action necessary to further verify and confirm compliance with State law. Such actions may include providing the City with a stand-alone letter (addressed directly to the City and the Attorney General of the State of Texas), in a form acceptable to the City, executed by its general counsel, a managing director, chief compliance officer, or other comparable officer acceptable to the City, providing further verification and confirmation of compliance with the matters set forth above.

**IMPACT OF BIDDING SYNDICATE ON AWARD:** For purposes of contracting for the sale of the Notes, the entity signing the bid form as Purchaser shall be solely responsible for the payment of the purchase price of the Notes. The Purchaser may serve as a syndicate manager and contract under a separate agreement with other syndicate members. However, the City is not a party to that agreement and any information provided regarding syndicate managers would be for informational purposes only.

#### **OFFICIAL STATEMENT**

To assist the Purchaser in complying with Rule 15c2-12, as amended (the "Rule"), of the United States Securities and Exchange Commission ("SEC"), the City and the Purchaser contract and agree, by the submission and acceptance of the winning bid, as follows:

**COMPLIANCE WITH RULE:** The City has approved and authorized distribution of the accompanying Preliminary Official Statement for dissemination to potential purchasers of the Notes, but does not presently intend to prepare any other document or version thereof for such purpose, except as described below. Accordingly, the City deems the accompanying Preliminary Official Statement to be final as of its date, within the meaning of the Rule, except for information relating to the offering prices, interest rates, final debt service schedule, selling compensation, identity of the Purchaser and other similar information, terms and provisions to be specified in the competitive bidding process. The Purchaser shall be responsible for promptly informing the City of the initial offering yields of the Notes.

The City agrees to provide, or cause to be provided, to the Purchaser, the Preliminary Official Statement and the Official Statement and any amendments or supplements thereto in a "designated electronic format" (or printed format with respect to the final Official Statement) as may be required for the Purchaser to comply with the Rule or the rules of the Municipal Securities Rulemaking Board ("MSRB"). The City consents to the distribution of such documents in a "designated electronic format." Upon receipt, the Purchaser shall promptly file the Official Statement with the MSRB in accordance with the applicable MSRB rules.

The City will complete and authorize distribution of the Official Statement identifying the Purchaser and containing information omitted from the Preliminary Official Statement. The City does not intend to amend or supplement the Official Statement otherwise, except to take into account certain subsequent events, if any, as described below. By delivering the final Official Statement or any amendment or supplement thereto in the requested quantity to the Purchaser on or after the sale date, the City intends the same to be final as of such date, within the meaning of Section 15c2-12(b)(3) of the Rule. Notwithstanding the foregoing, the City makes no representation concerning the absence of material misstatements or omissions from the Official Statement, except only as and to the extent under "CERTIFICATION OF THE OFFICIAL STATEMENT" as described below. To the best knowledge and belief of the City, the Official Statement contains information, including financial information or operating data, concerning every entity, enterprise, fund, account, or person that is material to an evaluation of the offering of the Notes.

**FINAL OFFICIAL STATEMENT:** In addition to delivering the Official Statement in a "designated electronic format", the City will furnish to the Purchaser, within seven (7) days after the sale date, an aggregate maximum of fifty (50) copies of the Official Statement, together with information regarding interest rates and other terms relating to the reoffering of the Notes, in accordance with Section 15c2-12(b)(3) of the Rule. The Purchaser may arrange, at its own expense, to have the Official Statement reproduced and printed if it requires more than 50 copies and may also arrange, at its own expense and responsibility, for completion and perfection of the first or cover page of the Official Statement so as to reflect interest rates and other terms and information related to the reoffering of the Notes. The Purchaser will be responsible for providing information concerning the City and the Notes to subsequent purchasers of the Notes, and the City will undertake no responsibility for providing such information other than to make the Official Statement available to the Purchaser as provided herein. The City agrees to provide, or cause to be provided, to the Purchaser the Preliminary Official Statement and the Official Statement and any amendments or supplements thereto in a "designated electronic format" (or printed format with respect to the final Official Statement) as may be required for the Purchaser to comply with the Rule or the rules of the MSRB. The City consents to the distribution of such documents in a "designated electronic format". Upon receipt, the Purchaser shall promptly file the Official Statement with the MSRB in accordance with the MSRB Rule G-32. The City's obligation to supplement the Official Statement to correct key representations determined to be materially misleading, after the date of the Official Statement, shall terminate upon initial delivery of the Notes to the Purchaser, unless the Purchaser notifies, in writing, the City that less than all of the Notes have been sold to ultimate customers on or before such date, in which case the obligation will extend for an additional period of time (but not more than 90 days after the sale date) until all of the Notes have been sold to ultimate customers.

**CHANGES TO OFFICIAL STATEMENT:** If, subsequent to the date of the Official Statement, the City learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Purchaser of any adverse event which causes the Official Statement to be materially misleading, and unless the Purchaser elects to terminate its obligation to purchase the Notes, as described below under "DELIVERY AND ACCOMPANYING DOCUMENTS - CONDITIONS TO DELIVERY", the City will promptly prepare and supply to the Purchaser an appropriate amendment or supplement to the Official Statement satisfactory to the Purchaser and in a "designated electronic format"; provided, however, that the obligation of the City to do so will terminate when the City delivers the Notes to the Purchaser, unless the Purchaser notifies the City on or before such date that less than all of the Notes have been sold to ultimate customers, in which case the City's obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the City delivers the Notes) until all of the Notes have been sold to ultimate customers.

**CERTIFICATION OF THE OFFICIAL STATEMENT:** At the time of payment for and delivery of the hereinafter defined Initial Note (the "Delivery Date"), the Purchaser will be furnished a certificate, executed by proper officials of the City, acting in their official capacities, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in its Official Statement, and any addenda, supplement or amendment thereto, for the Notes, on the date of such Official Statement, on the date of sale of said Notes and the acceptance of the best bid therefore, and on the date of the initial delivery thereof, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements including financial data, of or pertaining to entities, other than the City, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the City since the date of the last financial statements of the City appearing in the Official Statement. The Official Statement and Official Notice of Sale will be approved as to form and content and the use thereof in the offering of the Notes will be authorized, ratified and approved by the City Council of the City on the date of sale, and the Purchaser will be furnished, upon request, at the time of payment for and the delivery of the Notes, a certified copy of such approval, duly executed by the proper officials of the City.

**CONTINUING DISCLOSURE AGREEMENT:** The City will agree in the Ordinance to provide certain periodic information and notices of certain events in accordance with the Rule, as described in the Official Statement under "CONTINUING DISCLOSURE OF INFORMATION". The Purchaser's obligation to accept and pay for the Notes is conditioned upon delivery to the Purchaser or its agent of a certified copy of the Ordinance containing the agreement described under such heading.

**COMPLIANCE WITH PRIOR UNDERTAKINGS:** During the past five years, the City has complied in all material respects with all continuing disclosure agreements made in accordance with the Rule.

### **DELIVERY AND ACCOMPANYING DOCUMENTS**

**INITIAL DELIVERY OF INITIAL NOTE:** The initial delivery of the Notes to the Purchaser on the "Delivery Date", will be accomplished by the issuance of either (i) a single fully registered Note in the total principal amount of \$3,000,000 (preliminary, subject to change) payable in stated installments to the Purchaser and numbered T-1, or (ii) as one (1) fully registered Note for each year of stated maturity in the applicable principal amount and denomination, to be numbered consecutively from R-1 and upward (in either case, the "Initial Note"), signed by manual or facsimile signature of the Mayor and the City Secretary approved by the Attorney General of Texas, and registered and manually signed by an authorized representative of the Comptroller of Public Accounts of the State of Texas. Initial Delivery (defined below) of the Notes will be at the corporate trust office of the Paying Agent/Registrar. Upon delivery of the Initial Note, they shall be immediately canceled and one Note for each stated maturity will be registered in the name of Cede & Co. and deposited with DTC in connection with DTC's Book-Entry-Only System. Payment for the Initial Note must be made in immediately available funds for unconditional credit to the City, or as otherwise directed by the City. The Purchaser will be given six (6) business days' notice of the time fixed for delivery of the Notes. It is anticipated that Initial Delivery of the Initial Note can be made on or about October 11, 2023, but if for any reason the City is unable to make delivery by October 11, 2023, then the City shall immediately contact the Purchaser and offer to allow the Purchaser to extend for an additional thirty (30) days its obligation to take up and pay for the Notes. If the Purchaser does not so elect within six (6) business days thereafter, then the Good Faith Deposit will be returned, and both the City and the Purchaser shall be relieved of further obligation. In no event shall the City be liable for any damages by reason of its failure to deliver the Notes, provided such failure is due to circumstances beyond the City's reasonable control.

**EXCHANGE OF INITIAL NOTES FOR DEFINITIVE NOTES:** Upon payment for the Initial Note at the time of such delivery, the Initial Note is to be canceled by the Paying Agent/Registrar and registered definitive Notes delivered in lieu thereof, in multiples of \$5,000 for each stated maturity, in accordance with written instructions received from the Purchaser and/or members of the Purchaser's syndicate. Such Notes shall be registered by the Paying Agent/Registrar. It shall be the duty of the Purchaser and/or members of the Purchaser's syndicate to furnish to the Paying Agent/Registrar, at least five days prior to the delivery of the Initial Note, final written instructions identifying the names and addresses of the registered owners, the stated maturities, interest rates, and denominations. The Paying Agent/Registrar will not be required to accept changes in such written instructions after the five day period, and if such written instructions are not received by the Paying Agent/Registrar five days prior to the delivery, the cancellation of the Initial Note and delivery of registered definitive Notes may be delayed until the fifth day next following the receipt of such written instructions by the Paying Agent/Registrar.

**CUSIP NUMBERS:** It is anticipated that CUSIP identification numbers will be printed on the Notes, but neither the failure to print such number on any Note nor any error with respect thereto shall constitute cause for a failure or refusal by the Purchaser to accept delivery of and pay for the Notes in accordance with the terms of the Official Bid Form and this Official Notice of Sale. All expenses in relation to the printing of CUSIP numbers on the Notes shall be paid by the City; however, the CUSIP Service Bureau's charge for the assignment of the numbers shall be paid by the Purchaser.

**CONDITIONS TO DELIVERY:** The obligation to take up and pay for the Notes is subject to the following conditions: the issuance of an approving opinion of the Attorney General of Texas, the Purchaser's acknowledgment of the receipt of the Initial Note, the Purchaser's receipt of the legal opinions of Bond Counsel and the no-litigation certificate, and the non-occurrence of the events described below under the caption "No Material Adverse Change", all as described below. In addition, if the City fails to comply with its obligations described under "FINAL OFFICIAL STATEMENT" above, the Purchaser may terminate its contract to purchase the Notes by delivering written notice to the City within five (5) days thereafter.

**NO MATERIAL ADVERSE CHANGE:** The obligation of the Purchaser to take up and pay for the Notes, and of the City to deliver the Initial Note, are subject to the condition that, up to the time of delivery of and receipt of payment for the Initial Note, there shall have been no material adverse change in the affairs of the City subsequent to the date of sale from that set forth in the Preliminary Official Statement, as it may have been finalized, supplemented or amended through the date of delivery.

**LEGAL OPINIONS:** The Notes are offered when, as and if issued, subject to the approval of certain legal matters by the Attorney General of the State of Texas and Bond Counsel (see discussion "LEGAL MATTERS - Legal Opinions and No-Litigation Certificate" in the Preliminary Official Statement).

**CHANGE IN TAX-EXEMPT STATUS:** At any time before the Notes are tendered for initial delivery to the Purchaser, the Purchaser may withdraw its bid if the interest on obligations such as the Notes shall be declared to be includable in the gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes, either by U.S. Treasury regulations, by ruling or administrative guidance of the Internal Revenue Service, by a decision of any federal court, or by the terms of any federal income tax legislation enacted subsequent to the date of this Official Notice of Sale.

**QUALIFIED TAX-EXEMPT OBLIGATIONS:** The City will designate the Notes as "Qualified Tax-Exempt Obligations" for financial institutions (see discussion under "TAX MATTERS – Qualified Tax-Exempt Obligations" in the Preliminary Official Statement).

## GENERAL CONSIDERATIONS

**FUTURE REGISTRATION:** The Notes may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Note may be assigned by the execution of an assignment form on the Notes or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Note or Notes will be delivered by the Paying Agent/Registrar in lieu of the Notes being transferred or exchanged at the corporate trust office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk, and expense. To the extent possible, new Notes issued in an exchange or transfer of Notes will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Notes to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or its duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Notes registered and delivered in an exchange or transfer shall be in denominations of \$5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount and interest rate as the Notes surrendered for exchange or transfer.

**RECORD DATE:** The record date ("Record Date") for determining the party to whom the semiannual interest on the Notes is payable on any interest payment date is the fifteenth day of the month next preceding such interest payment date.

**RATING:** A municipal bond rating application has been made to S&P Global Ratings ("S&P"). The outcome of the results will be made available to the Purchaser as soon as possible. (See "OTHER PERTINENT INFORMATION - Ratings" in the Preliminary Official Statement). An explanation of the significance of such a rating may be obtained from S&P. The rating of the Notes by S&P reflects only the view of S&P at the time the rating is given, and the City makes no representations as to the appropriateness of the rating. There is no assurance that the rating will continue for any given period of time, or that the rating will not be revised downward or withdrawn entirely by S&P, if, in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Notes.

**SALE OF ADDITIONAL NOTES:** The City currently has no plans to issue additional ad valorem tax supported debt in the next 12 months.

**REGISTRATION AND QUALIFICATION OF NOTES FOR SALE:** No registration statement relating to the Notes has been filed with the SEC under the Securities Act of 1933, as amended (the "Act"), in reliance upon exemptions provided in such Act. The Notes have not been approved or disapproved by the SEC, nor has the SEC passed upon the accuracy or adequacy of the Official Statement. Any representation to the contrary is a criminal offense. The Notes have not been registered or qualified under the Securities Act of Texas in reliance upon exemptions contained therein, nor have the Notes been registered or qualified under the securities acts of any other jurisdiction. The City assumes no responsibility for registration or qualification of the Notes under the securities laws of any jurisdiction in which the Notes may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Notes shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

It is the obligation of the Purchaser to register or qualify the sale of the Notes under the securities laws of any jurisdiction which so requires. The City agrees to cooperate, at the Purchaser's written request and expense and within reasonable limits, in registering or qualifying the Notes, or in obtaining an exemption from registration or qualification in any state where such action is necessary, but will in no instance execute a general consent to service of process in any state that the Notes are offered for sale.

**ADDITIONAL COPIES:** Subject to the limitations described herein, an electronic copy of this Official Notice of Sale, the Official Bid Form, and the Official Statement may be obtained from [www.samco.postos.com](http://www.samco.postos.com).

The City Council has approved the form and content of the Official Notice of Sale, the Official Bid Form, and the Official Statement and authorized the use thereof in its initial offering of the Notes. On the date of the sale, the Notes will, in the Ordinance authorizing the issuance of the Notes, reconfirm its approval of the form and content of the Official Statement, and any addenda, supplement, or amendment thereto, and authorize its further use in the reoffering of the Notes by the Purchaser.

/s/

\_\_\_\_\_  
Mayor,  
City of Smithville

ATTEST:

/s/

\_\_\_\_\_  
City Secretary,  
City of Smithville

September 11, 2023

**OFFICIAL BID FORM**

Honorable Mayor and City Council  
 City of Smithville  
 317 Main Street  
 Smithville, Texas 78957

September 11, 2023

Dear Ladies and Gentlemen:

Subject to the terms of your Official Notice of Sale and Preliminary Official Statement dated September 1, 2023, which terms are incorporated by reference to this proposal (and which are hereto agreed as evidenced by on submission of this bid), we hereby submit the following bid for \$3,000,000 (preliminary, subject to change) City of Smithville, Texas Tax Notes, Series 2023, dated September 1, 2023 (the "Notes").

For said legally issued Notes, we will pay you \$\_\_\_\_\_ (being a price of no less than 103% of par value) plus accrued interest from their date to the date of delivery to us for Notes maturing February 1 and bearing interest per annum as follows:

Year of Stated Maturity	Principal Amount at Stated Maturity	Coupon %
2024	\$110,000	
2025	430,000	
2026	455,000	
2027	470,000	
2028	490,000	
2029	510,000	
2030	535,000	

Our calculation (which is not part of this bid) of the True Interest Cost from \_\_\_\_\_ % the above is:

We are (are not) having the Notes of the following maturities \_\_\_\_\_ insured by \_\_\_\_\_ at a premium of \$ \_\_\_\_\_. The premium will be paid by the Winning Bidder. Any fees due to Rating Agencies, other than S&P Global Ratings ("S&P"), as a result of said insurance will be paid by the Winning Bidder. The City will pay the fee due to S&P.

**ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS:** As a condition to our submittal of this bid for the Notes, we acknowledge the following: The City reserves the right to increase or decrease the principal (maturity) amount of any maturity of the Notes, including the elimination of a maturity or maturities; provided, however, that the aggregate principal (denominational) amount of the Notes shall not exceed \$3,000,000. Notice of any such changes shall be given to the successful bidder as soon as practicable following the notification of award, as described below, and this Official Notice of Sale may be amended at the sole discretion of the City to reflect such increase or decrease. The City will attempt to maintain total per bond underwriter spread when adjusting maturities. No such adjustment will have the effect of altering the basis upon which the best bid is determined. The successful bidder may not withdraw its bids or change the rates bid or any initial reoffering prices as a result of any changes made to the principal (denominational) amounts.

The Initial Note shall be registered in the name of \_\_\_\_\_, which will, upon payment for the Notes, be cancelled by the Paying Agent/Registrar. The Notes will then be registered in the name of Cede & Co. (DTC's partnership nominee), under the Book-Entry-Only System.

Cashier's Check of the \_\_\_\_\_ Bank, \_\_\_\_\_, Texas, in the amount of \$60,000, which represents our Good Faith Deposit (is attached hereto) or (has been made available to you prior to the opening of this Bid), and is submitted in accordance with the terms as set forth in the Official Notice of Sale, said check is to be returned to the Purchaser.

We agree to accept delivery of the Notes utilizing the Book-Entry-Only System through DTC and make payment for the Initial Note in immediately available funds at the Corporate Trust Division, BOKF NA, Dallas Texas, not later than 10:00 A.M., Central Time, on Wednesday, October 11, 2023, or thereafter on the date the Notes are tendered for delivery, pursuant to the terms set forth in the Official Notice of Sale. It will be the obligation of the purchaser of the Notes to complete and file the DTC Eligibility Questionnaire. The undersigned agrees to the provisions of the Official Notice of Sale under the heading "CONDITIONS OF SALE – ESTABLISHMENT OF ISSUE PRICE" and, as evidenced thereof, agrees to complete, execute, and deliver to the City, by the Delivery Date, a certificate relating to the "issue price" of the Bonds in the form and to the effect attached to or accompanying the Official Notice of Sale, with such changes thereto as may be acceptable to Bond Counsel for the City. (See "CONDITIONS OF SALE – ESTABLISHMENT OF ISSUE PRICE" in the Official Notice of Sale.)

Through submittal of this executed Official Bid Form, the undersigned verifies that (i) except to the extent otherwise required by applicable Federal law (ii) it does not and will not "boycott Israel" and is not on the Texas Comptroller's list concerning "foreign terrorist organizations" prepared and maintained thereby under applicable Texas law (iii) it does not and will not discriminate against a firearm entity or trade association, (iv) does not and will not boycott energy companies, and (v) has or will file with the Texas Attorney General's Office a Standing Letter related to the foregoing that the foregoing that conforms to the Texas Attorney General's All Bond Counsel Letter dated September 22, 2021, all as more fully provided in the Official Notice of Sale under the heading "ADDITIONAL CONDITION OF AWARD -REQUIRED CERTIFICATES AND VERIFICATIONS BY WINNING BIDDER".

For purposes of contracting for the sale of the Notes, the entity signing the bid form as Purchaser shall be solely responsible for the payment of the purchase price of the Notes. The Purchaser may serve as a syndicate manager and contract under a separate agreement with other syndicate members. However, the City is not a party to that agreement and any information provided regarding syndicate managers would be for informational purposes only.

Upon notification of conditional verbal acceptance, the undersigned will, if required by applicable Texas law as described in the Official Notice of Sale under the heading "ADDITIONAL CONDITION OF AWARD – DISCLOSURE OF INTERESTED PARTY FORM", complete an electronic form of the Certificate of Interested Parties Form 1295 (the "Disclosure Form") through the Texas Ethics Commission's (the "TEC") electronic portal and the resulting certified Disclosure Form that is generated by the TEC's electronic portal will be printed, signed, and sent by email to the City's financial advisor at [mmcliney@samcocapital.com](mailto:mmcliney@samcocapital.com) and Bond Counsel at [acantu@chmllp.com](mailto:acantu@chmllp.com). The undersigned understands that the failure to provide the certified Disclosure Form will prohibit the City from providing final written award of the enclosed bid.

By: \_\_\_\_\_  
Authorized Representative  
\_\_\_\_\_  
Telephone Number  
\_\_\_\_\_  
Email Address

ACCEPTANCE CLAUSE

The above and foregoing bid is hereby in all things accepted by the City of Smithville, Texas, subject to and in accordance with the Official Notice of Sale and Official Bid Form, this 11<sup>th</sup> day of September 2023.

\_\_\_\_\_  
Mayor, City of Smithville, Texas

ATTEST:

\_\_\_\_\_  
City Secretary, City of Smithville



**\$3,000,000\***  
**CITY OF SMITHVILLE, TEXAS**  
**TAX NOTES, SERIES 2023**

**ISSUE PRICE CERTIFICATE**

The undersigned, on behalf of \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_ (the "Purchaser"), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the "Notes") of the City of Smithville, Texas (the "Issuer").

***Reasonably Expected Initial Offering Price.***

- (a) As of the Sale Date, the reasonably expected initial offering prices of the Notes to the Public by the Purchaser are the prices listed in Schedule A (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Maturities of the Notes used by the Purchaser in formulating its bid to purchase the Notes. Attached as Schedule B is a true and correct copy of the bid provided by the Purchaser to purchase the Notes.
- (b) The Purchaser was not given the opportunity to review other bids prior to submitting its bid.
- (c) The bid submitted by the Purchaser constituted a firm offer to purchase the Notes.

***Defined Terms.***

- (a) *Maturity* means Notes with the same credit and payment terms. Notes with different maturity dates, or Notes with the same maturity date but different stated interest rates, are treated as separate Maturities.
- (b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.
- (c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Notes. The Sale Date of the Notes is September 11, 2023.
- (d) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Notes to the Public (including a member of a selling group or a party to a retail or other third-party distribution agreement participating in the initial sale of the Notes to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Purchaser's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the tax certificate with respect to the Notes and with respect to compliance with the federal income tax rules affecting the Notes, and by Cantu Harden Montoya LLP in connection with rendering its opinion that the interest on the Notes is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Notes.

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Dated: September 11, 2023

*\*Preliminary; subject to change.*

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This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. These securities may not be sold, nor may offers to buy them be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, qualification or filing under the securities laws of any such jurisdiction.

NEW ISSUE - BOOK-ENTRY-ONLY

Rating: S&P: "Applied For" (Insured)  
"Applied for" (Underlying)  
(See "BOND INSURANCE, BOND INSURANCE FACTORS" AND "OTHER  
PERTINENT INFORMATION – RATINGS" (herein)

**PRELIMINARY OFFICIAL STATEMENT**  
**September 1, 2023**

*In the opinion of Bond Counsel (identified below), assuming continuing compliance by the Issuer (defined below) after the date of initial delivery of the Notes (defined below) with certain covenants contained in the Ordinance (defined below) and subject to the matters described under "TAX MATTERS" herein, interest on the Notes under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income of the owners thereof for federal income tax purposes under Section 103 of the Internal Revenue Code, as amended to the date of initial delivery of the Notes and (2) will not be included in computing the alternative minimum taxable income of the owners thereof. (See "TAX MATTERS" herein.)*

**The Issuer will designate the Notes as "Qualified Tax-Exempt Obligations" for financial institutions.**

**\$3,000,000\***  
**CITY OF SMITHVILLE, TEXAS**  
**(A political subdivision of the State of Texas located in Bastrop County, Texas)**  
**TAX NOTES, SERIES 2023**

**Dated Date: October 1, 2023**

**Due: February 1, as shown on inside cover**

The \$3,000,000\* City of Smithville, Texas Tax Notes, Series 2023 (the "Notes") are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Chapter 1431, Texas Government Code, as amended, and an ordinance (the "Ordinance") to be adopted by the City Council of the City of Smithville, Texas (the "City or Issuer") on September 11, 2023. (See "THE NOTES - Authority for Issuance" herein.)

The Notes constitute direct and general obligations of the Issuer payable from levy and collection of a direct ad valorem tax levied on all taxable property within the City, within the limits prescribed by law, as provided in the Ordinance. (See "THE NOTES - Security for Payment" and "TAX RATE LIMITATIONS" herein.)

Interest on the Notes will accrue from October 1, 2023 (the "Dated Date") as shown above and will be payable on February 1 and August 1 of each year, commencing February 1, 2024, until stated maturity and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Notes will be issued as fully registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository. Book-entry interests in the Notes will be made available for purchase in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of the Notes ("Beneficial Owners") will not receive physical delivery of Notes representing their interest in the Notes purchased. So long as DTC or its nominee is the registered owner of the Notes, the principal of and interest on the Notes will be payable by BOKF, NA, Dallas, Texas, as Paying Agent Registrar to the securities depository, which will in turn remit such principal and interest to its participants, which will in turn remit such principal and interest to the Beneficial Owners of the Notes. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Proceeds from the sale of the Notes will be used to provide funds for (1) designing, constructing, acquiring, purchasing, renovating, enlarging, and improving City-owned facilities, including a city-hall complex, animal control, public works, parks and recreation, utility system, and municipal airport facilities; (2) acquiring vehicles, capital equipment, and heavy machinery for various City purposes, including emergency services, street maintenance, and sanitation; (3) constructing, acquiring, purchasing, renovating, equipping and improving public infrastructure within the City, including street improvements (and related utilities repair, replacement, and relocation) and landscaping, lighting, and traffic safety signalization incidental thereto; and (4) paying professional services related to the design, construction, project management, and financing of the aforementioned projects (See "THE NOTES - Use of Certificate Proceeds" herein.)

The Notes are not subject to redemption prior to stated maturity.

The City has made application to municipal bond insurance companies to have the payment of the principal of and interest on the Notes insured by a municipal bond insurance policy and will consider the purchaser of such insurance after an analysis of the bids from such companies has been made. The Purchaser (hereinafter defined) will be responsible for paying the bond insurer's bond insurance premium. (See "BOND INSURANCE" and "BOND INSURANCE GENERAL RISKS" herein.)

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SEE FOLLOWING PAGE FOR STATED MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL YIELDS,  
CUSIP NUMBERS, AND REDEMPTION PROVISIONS FOR THE NOTES

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*The Notes are offered for delivery, when, as and if issued and received by the initial purchaser thereof at a competitive sale (the "Purchaser") and subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by Cantu Harden Montoya LLP, San Antonio, Texas, Bond Counsel. The legal opinion of Bond Counsel will be printed on, or attached to, the Notes. (See "LEGAL MATTERS - Legal Opinions and No-Litigation Certificate" as "APPENDIX C – Form of Legal Opinion of Bond Counsel" herein). It is expected that the Notes will be available for initial delivery through DTC on or about October 11, 2023.*

**BIDS DUE MONDAY, SEPTEMBER 11, 2023, BY 12:00 (Noon) P.M., CENTRAL TIME**

\* Preliminary, subject to change

**\$3,000,000\***  
**CITY OF SMITHVILLE, TEXAS**  
**(A political subdivision of the State of Texas located in Bastrop County, Texas)**  
**TAX NOTES, SERIES 2023**

**MATURITY SCHEDULE\***  
**(Due February 1)**

CUSIP Prefix No. 832636<sup>(1)</sup>

<u>Stated Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Initial Yield</u>	<u>CUSIP No. Suffix<sup>(1)</sup></u>
2024	\$110,000	_____ %	_____ %	_____
2025	430,000	_____ %	_____ %	_____
2026	455,000	_____ %	_____ %	_____
2027	470,000	_____ %	_____ %	_____
2028	490,000	_____ %	_____ %	_____
2029	510,000	_____ %	_____ %	_____
2030	535,000	_____ %	_____ %	_____

(Interest to accrue from Dated Date)

No Optional Redemption. The Notes are not subject to redemption prior to stated maturity.

*\* Preliminary, subject to change.*

<sup>(1)</sup> CUSIP numbers are included solely for the convenience of the owner of the Notes. CUSIP is a registered trademark of The American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the City, the Financial Advisor, or the Purchaser is responsible for the selection or correctness of the CUSIP numbers set forth herein.

*[The remainder of this page intentionally left blank]*

**CITY OF SMITHVILLE, TEXAS**  
**317 Main Street**  
**Smithville, Texas 78957**

**ELECTED OFFICIALS**

Name	Years Served	Term Expires (May)	Occupation
Sharon Foerster. Mayor	4 years*	2024	Relator
Tyrone Washington Councilmember, Place 1	3 months	2025	Foreman, Bastrop County
Tom Etheredge Councilmember, Place 2	2 years	2025	Real Estate
Jimmy Jenkins Councilmember, Place 3	3 months	2025	Plumber/HVAC Contractor
Mitchell Jameson Councilmember, Place 4	3 months	2024	Insurance Agent
Janice Bruno Councilmember, Place 5	3 years	2024	Executive Director

\*Previously served as councilmember.

**ADMINISTRATION**

Name	Position	Length of Service (Years)
Robert Tamble	City Manager	9 years
Cynthia White	Finance Director	18 years
Jennifer Lynch	City Secretary	3 years

**CONSULTANTS AND ADVISORS**

**Bond Counsel** ..... Cantu Harden Montoya LLP  
San Antonio, Texas

**Certified Public Accountants** ..... Singleton, Clark & Company, PC  
Cedar Park, Texas

**Financial Advisor** ..... SAMCO Capital Markets, Inc.  
San Antonio, Texas

**For Additional Information Please Contact:**

Mr. Robert Tamble, City Manager  
Ms. Cynthia White, Finance Director  
**City of Smithville**  
317 Main Street  
Smithville, Texas 78957  
Phone: (512) 237-3282  
citymanager@cismithville.tx.us  
cwhite@ci.smithville.tx.us

Mr. Mark M. McLiney, Senior Managing Director  
Mr. Andrew T. Friedman, Senior Managing Director  
**SAMCO Capital Markets, Inc.**  
1020 NE Loop 410, Suite 640  
San Antonio, Texas 78209  
Phone: (210) 832-9760  
mmcliney@samcocapital.com  
afriedman@samcocapital.com

**USE OF INFORMATION IN THE OFFICIAL STATEMENT**

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended (the “Rule”), and in effect on the date of this Preliminary Official Statement, this document constitutes an “official statement” of the Issuer with respect to the Notes that has been “deemed final” by the Issuer as of its date except for the omission of no more than the information permitted by the Rule.

No dealer, broker, salesman, or other person has been authorized to give any information, or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Issuer. This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation. Any information or expression of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create an implication that there has been no change in the affairs of the Issuer or other matters described herein since the date hereof.

The Financial Advisor has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with its responsibilities to the Issuer and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

THE NOTES ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE NOTES IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THE NOTES HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

None of the City, the Financial Advisors or the Purchaser makes any representation or warranty with respect to the information contained in this Official Statement regarding The Depository Trust Company (“DTC”) or its Book-Entry-Only System as such information is provided by DTC respectively.

The agreements of the City and others related to the Notes are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Notes is to be construed as constituting an agreement with the Purchaser of the Notes. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

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*The cover page, subsequent pages hereof, and appendices attached hereto, are part of this Official Statement.*

## SELECTED DATA FROM THE OFFICIAL STATEMENT

*The selected data is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Notes to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this page from this Official Statement or to otherwise use it without the entire Official Statement.*

<b>The Issuer</b>	The City of Smithville, Texas (the "City" or "Issuer") is located in Bastrop County, Texas, southeast of Austin on State Highway 71. The City's 2023 population is 4,255. The City is a General Law city. The City operates under a City Manager/Council form of government. The City Manager is appointed by the Council, is the executive officer of the City. (See "APPENDIX B – General Information Regarding the City of Smithville and Bastrop County, Texas" herein.)
<b>The Notes</b>	The are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Chapter 1431, Texas Government Code, as amended, and an ordinance (the "Ordinance") to be adopted by the City Council of the City of Smithville, Texas (the "City or Issuer") on September 11, 2023. (See "THE NOTES - Authority for Issuance" herein.)
<b>Paying Agent/Registrar</b>	The initial Paying Agent/Registrar is BOKF NA, Dallas, Texas.
<b>Security</b>	The Notes are payable from the levy and collection of a direct and continuing ad valorem tax levied on all taxable property within the City, within the limits prescribed by law, as provided in the Ordinance. See "THE NOTES - Security for Payment" and "TAX RATE LIMITATIONS" herein.)
<b>Redemption Provisions of the Notes</b>	The Notes are not subject to redemption prior to stated maturity. (See "THE NOTES - Redemption Provisions of the Notes" herein.)
<b>Tax Matters</b>	In the opinion of Bond Counsel, the interest on the Notes will be excludable from gross income of the owners thereof for purposes of federal income taxation under existing statutes, regulations, published rulings and court decisions, subject to matters discussed herein under "TAX MATTERS", and will not be included in computing the alternative minimum taxable income of the owners thereof. (See "TAX MATTERS" for a discussion of the Opinion of Bond Counsel and, "APPENDIX C - Form of Opinion of Bond Counsel" herein.)
<b>Qualified Tax-Exempt Obligations</b>	The Issuer will designate the Notes as "Qualified Tax-Exempt Obligations" for financial institutions. (See "TAX MATTERS - Qualified Tax-Exempt Obligations" herein.)
<b>Use of Note Proceeds</b>	Proceeds from the sale of the Notes will be used to provide funds for (1) designing, constructing, acquiring, purchasing, renovating, enlarging, and improving City-owned facilities, including a city-hall complex, animal control, public works, parks and recreation, utility system, and municipal airport facilities; (2) acquiring vehicles, capital equipment, and heavy machinery for various City purposes, including emergency services, street maintenance, and sanitation; (3) constructing, acquiring, purchasing, renovating, equipping and improving public infrastructure within the City, including street improvements (and related utilities repair, replacement, and relocation) and landscaping, lighting, and traffic safety signalization incidental thereto; and (4) paying professional services related to the design, construction, project management, and financing of the aforementioned projects (See "THE NOTES - Use of Certificate Proceeds" herein.)
<b>Ratings</b>	A municipal bond rating application has been made to S&P Global Ratings ("S&P"). The outcome of the results will be made available to the Purchaser as soon as possible. (See "OTHER PERTINENT INFORMATION - Ratings" herein.)
<b>Payment Record</b>	The City has never defaulted on the payment of its general obligation or revenue indebtedness.
<b>Future Debt Issues</b>	The Issuer does not anticipate the issuance of any additional ad valorem tax debt within the next 12 months.
<b>Delivery</b>	When issued, anticipated on or about October 11, 2023.
<b>Legality</b>	Delivery of the Notes is subject to the approval by the Attorney General of the State of Texas and the approval of certain legal matters by Cantu Harden Montoya LLP, San Antonio, Texas, Bond Counsel.

**PRELIMINARY OFFICIAL STATEMENT**

relating to

**\$3,000,000\***

**CITY OF SMITHVILLE, TEXAS**

**(A political subdivision of the State of Texas located in Bastrop County, Texas)**

**TAX NOTES, SERIES 2023**

**INTRODUCTORY STATEMENT**

This Official Statement provides certain information in connection with the issuance by the City of Smithville, Texas (the "City" or the "Issuer") of its \$3,000,000\* Tax Notes, Series 2023 (the "Notes") identified on the cover page.

The Issuer is a political subdivision of the State of Texas (the "State") and a municipal corporation organized and existing under the Constitution and laws of the State of Texas and its Home Rule Charter. Unless otherwise indicated, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance. Included in this Official Statement are descriptions of the Notes and certain information about the Issuer and its finances. **ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT.** Copies of such documents may be obtained upon request from the Issuer or its Financial Advisor, SAMCO Capital Markets, Inc., 1020 NE Loop 410, Suite 640, San Antonio, Texas, 78209, via electronic mail or upon payment of reasonable copying, handling, and delivery charges.

All financial and other information presented in this Official Statement has been provided by the City from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historic information, and is not intended to indicate future or continuing trends in financial position or other affairs of the City. No representation is made that past experience, as is shown by financial and other information, will necessarily continue or be repeated in the future.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. A copy of the Final Official Statement pertaining to the Notes will be deposited with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access ("EMMA") system. See "CONTINUING DISCLOSURE OF INFORMATION" herein for a description of the City's undertaking to provide certain information on a continuing basis.

**THE NOTES**

**General Description of the Notes**

The Notes will be dated October 1, 2023 (the "Dated Date"), will mature on the dates and in the principal amounts and will bear interest at the rates set forth on page 2 of this Official Statement. The Notes will be registered and issued in denominations of \$5,000 or any integral multiple thereof. The Notes will bear interest from the Dated Date, or from the most recent date to which interest has been paid or duly provided for, and will be paid semiannually on February 1 and August 1 of each year, commencing February 1, 2024, until stated maturity. Principal of and interest on the Notes are payable in the manner described herein under "BOOK-ENTRY-ONLY SYSTEM". In the event the Book-Entry-Only System is discontinued, the interest on the Notes payable on an interest payment date will be payable to the registered owner as shown on the security register maintained by BOKF NA, Dallas, Texas as the initial Paying Agent/Registrar, as of the Record Date (defined below), by check, mailed first-class, postage prepaid, to the address of such person on the security register or by such other method acceptable to the Paying Agent/Registrar requested by and at the risk and expense of the registered owner. In the event the Book-Entry-Only System is discontinued, principal of the Notes will be payable at stated maturity upon presentation and surrender thereof at the corporate trust office of the Paying Agent/Registrar.

If the date for the payment of the principal of or interest on the Notes is a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment will be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which banking institutions are authorized to close; and payment on such date will have the same force and effect as if made on the original date payment was due.

**Authority for Issuance**

The Notes are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Chapter 1431, Texas Government Code, as amended, and an ordinance (the "Ordinance") to be adopted by the City Council of the City of Smithville, Texas (the "City or Issuer") on September 11, 2023.

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*\*Preliminary, subject to change.*



**Security for Payment**

The Notes payable from the levy and collection of a direct and continuing ad valorem tax levied on all taxable property within the City, within the limits as prescribed by law, as provided in the Ordinance.

**Redemption Provisions of the Notes**

The notes are not subject to redemption prior to stated maturity.

**Use of Certificate Proceeds**

Proceeds from the sale of the Notes will be used to provide funds for (1) designing, constructing, acquiring, purchasing, renovating, enlarging, and improving City-owned facilities, including a city-hall complex, animal control, public works, parks and recreation, utility system, and municipal airport facilities; (2) acquiring vehicles, capital equipment, and heavy machinery for various City purposes, including emergency services, street maintenance, and sanitation; (3) constructing, acquiring, purchasing, renovating, equipping and improving public infrastructure within the City, including street improvements (and related utilities repair, replacement, and relocation) and landscaping, lighting, and traffic safety signalization incidental thereto; and (4) paying processional services related to the design, construction, project management, and financing of the aforementioned projects

**Sources and Uses**

Sources	
Par Amount of the Notes	\$ _____
Accrued Interest on the Notes	_____
[Net] Original Issue Reoffering Premium	_____
Total Sources of Funds	=====
Uses	
Project Fund Deposit	\$ _____
Purchaser’s Discount	_____
Note Fund Deposit	_____
Costs of Issuance	_____
Total Uses	=====

**Payment Record**

The Issuer has never defaulted on the payment of its ad valorem tax-backed indebtedness.

**Amendments**

The Issuer may amend the Ordinance without the consent of or notice to any registered owners in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the Issuer may, with the written consent of the holders of a majority in aggregate principal amount of the Notes then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Ordinance; except that, without the consent of the registered owners of all of the Note affected, no such amendment, addition, or rescission may (1) change the date specified as the date on which the principal of or any installment of interest on any Note is due and payable, reduce the principal amount thereof, or the rate of interest thereon, change the redemption price or amounts, change the place or places at or the coin or currency in which any Note or interest thereon is payable, or in any other way modify the terms of payment of the principal of or interest on the Notes, (2) give any preference to any Note over any other Note, (3) extend any waiver of default to subsequent defaults, or (4) reduce the aggregate principal amount of Notes required for consent to any amendment, change, modification, or waiver.

**Defeasance**

The Ordinance provides for the defeasance of the Notes when payment of the principal amount of the Notes plus interest accrued on the Notes to their due date (whether such due date be by reason of stated maturity or otherwise), is provided by irrevocably depositing with a paying agent, or other authorized escrow agent, in trust (1) money in an amount sufficient to make such payment, and/or (2) Government Securities (defined below), to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Notes. The foregoing deposits shall be certified as to sufficiency by an independent accounting firm, the City’s Financial Advisor, the Paying Agent/Registrar, or such other qualified financial institution (as provided in the Ordinance). The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance. The Ordinance provides that “Government Securities” means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Notes. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are

unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of the purchase thereof, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that on the date the governing body of the City adopts or approves the proceedings authorizing the financial arrangements have been refunded and are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (d) any additional securities and obligations hereafter authorized by State law as eligible for use to accomplish the discharge of obligations such as the Notes. City officials are authorized to restrict such eligible securities as deemed appropriate. There is no assurance that the ratings for U.S. Treasury securities acquired to defease any Notes, or those for any other Government Securities, will be maintained at any particular rating category. Further, there is no assurance that current State law will not be amended in a manner that expands or contracts the list of permissible defeasance securities (such list consisting of these securities identified in clauses (a) through (c) above), or any rating requirement thereon, that may be purchased with defeasance proceeds relating to the Notes (“Defeasance Proceeds”), though the City has reserved the right to utilize any additional securities for such purpose in the event the aforementioned list is expanded. Because the Ordinance does not contractually limit such permissible defeasance securities and expressly recognizes the ability of the City to use lawfully available Defeasance Proceeds to defease all or any portion of the Notes, registered owners of Notes are deemed to have consented to the use of Defeasance Proceeds to purchase such other defeasance securities, notwithstanding the fact that such defeasance securities may not be of the same investment quality as those currently identified under State law as permissible defeasance securities.

Upon such deposit as described above, such Notes shall no longer be regarded to be outstanding or unpaid.

### **Default and Remedies**

If the City defaults in the payment of principal, interest, or redemption price on the Notes when due, or if it fails to make payments into any fund or funds created in the Ordinance, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Ordinance, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Notes, if there is no other available remedy at law to compel performance of the Notes or the Ordinance and the City’s obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Notes in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in “clear and unambiguous” language.

Furthermore, *Tooke*, and subsequent jurisprudence, held that a municipality is not immune from suit for torts committed in the performance of its proprietary functions, as it is for torts committed in the performance of its governmental functions (the “Proprietary-Governmental Dichotomy”). Governmental functions are those that are enjoined on a municipality by law and are given by the State as a part of the State’s sovereignty, to be exercised by the municipality in the interest of the general public, while proprietary functions are those that a municipality may, in its discretion, perform in the interest of the inhabitants of municipality. In *Wasson Interests, Ltd., v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) (“*Wasson*”) the Texas Supreme Court (the “Court”) addressed whether the distinction between governmental and proprietary acts (as found in tort-based causes of action) applies to breach of contract claims against municipalities. The Court analyzed the rationale behind the Proprietary-Governmental Dichotomy to determine that “a city’s proprietary functions are not done pursuant to the ‘will of the people’” and protecting such municipalities “via the [S]tate’s immunity is not an efficient way to ensure efficient allocation of [S]tate resources”. While the Court recognized that the distinction between government and proprietary functions is not clear, the *Wasson* opinion held that Proprietary-Governmental Dichotomy applies in contract-claims context. The Court reviewed *Wasson* again in June 2018 and clarified that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of the alleged breach. Therefore, in regard to municipal contract cases (as in tort claims), it is incumbent on the courts to determine whether a function was proprietary or governmental based upon the statutory guidance and definitions found in the Texas Civil Practice and Remedies Code.

Notwithstanding the foregoing new case law issued by the Court, such sovereign immunity issues have not been adjudicated in relation to bond matters (specifically, in regard to the issuance of municipal debt). Each situation will be prospectively evaluated based on the facts and circumstances surrounding the contract in question to determine if a suit, and subsequently, a judgment, is justiciable against a municipality.

If a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City’s property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Notes. As noted above, the Ordinance provides that Notee holders may exercise the remedy of mandamus to enforce the obligations of the City under the Ordinance. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in *Tooke*, and it is unclear whether *Tooke* will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus

may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract). Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Notes are qualified with respect to the customary rights of debtors relative to their creditors and general principles of equity that permit the exercise of judicial discretion creditors and general principals of equity that permit the exercise of judicial discretion.

## **REGISTRATION, TRANSFER AND EXCHANGE**

### **Paying Agent/Registrar**

The initial Paying Agent/Registrar is BOKF NA, Dallas, Texas. In the Ordinance, the Issuer retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the Issuer, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar, selected at the sole discretion of the Issuer, shall be a national or state banking association or corporation organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise trust powers, shall be subject to supervision or examination by federal or state authority, and registered as a transfer agent with the United States Securities and Exchange Commission. Upon a change in the Paying Agent/Registrar for the Notes, the Issuer agrees to promptly cause written notice thereof to be sent to each registered owner of the Notes affected by the change by United States mail, first-class, postage prepaid.

The Notes will be issued in fully registered form in multiples of \$5,000 for any one stated maturity, and principal and semiannual interest will be paid by the Paying Agent/Registrar. Interest will be paid by check or draft mailed on each interest payment date by the Paying Agent/Registrar to the registered owner at the last known address as it appears on the Paying Agent/Registrar's books or by such other method, acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of the registered owner. Principal will be paid to the registered owner at stated maturity upon presentation to the Paying Agent/Registrar; provided however, that so long as DTC's Book-Entry-Only System is used, all payments will be made as described under "BOOK-ENTRY-ONLY SYSTEM" herein. If the date for the payment of the principal or interest on the Notes shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the Paying Agent/ Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

### **Record Date**

The record date ("Record Date") for determining the party to whom interest is payable on a Note on any interest payment date means the fifteenth (15<sup>th</sup>) day of the month next preceding each interest payment date. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment will be established by the Paying Agent/Registrar. (See "REGISTRATION, TRANSFER, AND EXCHANGE - Special Record Date for Interest Payment" herein.)

### **Special Record Date for Interest Payment**

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Issuer. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date" which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner of a Note appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

### **Future Registration**

In the event the Notes are not in the Book-Entry-Only System, the Notes may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges

required to be paid with respect to such registration and transfer. A Note may be assigned by the execution of an assignment form on the Note or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Note or Notes will be delivered by the Paying Agent/Registrar in lieu of the Notes being transferred or exchanged at the corporate trust office of the Paying Agent/Registrar or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. New Notes issued in an exchange or transfer of Notes will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Notes to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Notes registered and delivered in an exchange or transfer shall be in denominations of \$5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount and rate of interest as the Note or Notes surrendered for exchange or transfer. (See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized in regard to ownership and transferability of the Notes.)

#### **Limitation on Transfer of Notes**

Neither the Issuer nor the Paying Agent/Registrar shall be required to make any such transfer, conversion or exchange (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date or (ii) with respect to any Note or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date; provided, however, that such limitation shall not apply to uncalled portions of a Note redeemed in part.

#### **Replacement Notes**

The Issuer has agreed to replace mutilated, destroyed, lost, or stolen Notes upon surrender of the mutilated Notes to the Paying Agent/Registrar, or receipt of satisfactory evidence of such destruction, loss, or theft, and receipt by the Issuer and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The Issuer may require payment of taxes, governmental charges, and other expenses in connection with any such replacement. The person requesting the authentication of and delivery of a replacement Note must comply with such other reasonable regulations as the Paying Agent/Registrar may prescribe and pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

#### **BOOK-ENTRY-ONLY SYSTEM**

This section describes how ownership of the Notes is to be transferred and how the principal of, premium, if any, and interest on the Notes are to be paid to and credited by The Depository Trust Company ("DTC"), New York, New York, while the Notes are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City, the Financial Advisor, and the Purchaser believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The City cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Notes, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Notes), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Notes. The Notes will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered bond certificate will be issued for the Notes, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the United States Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive physical certificates representing their ownership interests in Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in Beneficial Ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Notes within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Notes unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal, and interest payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to Issuer or Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered. The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, physical notes will be printed and delivered to the holder of such Notes and will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "REGISTRATION, TRANSFER AND EXCHANGE" hereinabove.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City, the Financial Advisor, and the Purchaser believe to be reliable, but none of the City, the Financial Advisor, or the Purchaser take responsibility for the accuracy thereof.

So long as Cede & Co. is the registered owner of the Notes, the Issuer will have no obligation or responsibility to the DTC. Participants or Indirect Participants, or the persons for which they act as nominees, with respect to payment to or providing of notice to such Participants, or the persons for which they act as nominees.

#### **Use of Certain Terms in Other Sections of this Official Statement**

In reading this Official Statement it should be understood that while the Notes are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest

in the Notes, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, payment or notices that are to be given to registered owners under the Ordinance will be given only to DTC.

#### **Effect of Termination of Book-Entry-Only System**

In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the City, printed certificates representing the Notes will be issued to the holders and the Notes will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under “REGISTRATION, TRANSFER AND EXCHANGE – Future Registration.”

#### **BOND INSURANCE**

The City has applied for municipal bond insurance on the Notes. No representation is hereby made that the City will use municipal bond insurance in connection with the issuance of the Notes. If the City accepts a bid for the Notes that incorporates the acquisition of a municipal bond guaranty policy (the “Policy”) from a qualified bond insurance company (the “Bond Insurer”), the premium for the Policy will be paid by the Purchaser. The final Official Statement shall disclose, to the extent necessary, any relevant information relating to the Bond Insurer and the Policy.

#### **BOND INSURANCE GENERAL RISKS**

*The City has applied for a bond insurance policy to guarantee the scheduled payment of principal and interest on the Notes. The City has yet to determine whether any insurance will be purchased with the Notes, but the payment of the bond insurance premium will be the Purchaser’s obligation. If a Policy is purchased, the following are risk factors relating to bond insurance.*

In the event of default of the payment of principal or interest with respect to the Notes when all or some becomes due, any owner of the Notes shall have a claim under the Policy for such payments. The payment of principal and interest in connection with mandatory or optional prepayment of the Notes by the City which is recovered by the City from the Note owner as a voidable preference under applicable bankruptcy law may be covered by the Policy, however, such payments will be made by the Bond Insurer at such time and in such amounts as would have been due absence such prepayment by the City unless the Bond Insurer chooses to pay such amounts at an earlier date.

Payment of principal and interest is not subject to acceleration, but other legal remedies upon the occurrence of non-payment do exist. See “THE NOTES – Default and Remedies”. The Bond Insurer may direct and must consent to any remedies that the Paying Agent/Registrar exercises and the Bond Insurer’s consent may be required in connection with amendments to any applicable Note documents.

In the event the Bond Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Notes are payable solely from the security provided pursuant to the applicable Note documents. In the event the Bond Insurer becomes obligated to make payments with respect to the Notes, no assurance is given that such event will not adversely affect the market price of the Notes or the marketability (liquidity) for the Notes.

If a Policy is acquired, the long-term ratings on the Notes are dependent in part on the financial strength of the Bond Insurer and its claim paying ability. The Bond Insurer’s financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Bond Insurer and of the ratings on the Notes insured by the Bond Insurer will not be subject to downgrade and such event could adversely affect the market price of the Notes or the marketability (liquidity) for the Notes. See “OTHER PERTINENT INFORMATION - Ratings” herein.

The obligations of the Bond Insurer are general obligations of the Bond Insurer and in an event of default by the Bond Insurer, the remedies available to the Paying Agent/Registrar may be limited by applicable bankruptcy law or other similar laws related to insolvency of insurance companies.

None of the City, the Financial Advisor, or the Purchaser have made independent investigation into the claims paying ability of any potential Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of any potential Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the City to pay principal and interest on the Notes and the claims-paying ability of any potential Bond Insurer, particularly over the life of the Notes.

#### **Claims-Paying Ability and Financial Strength of Municipal Bond Insurers**

In the past, Moody’s Investors Service, Inc., S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC business, and Fitch Ratings, Inc. have downgraded and/or placed on negative watch the claims-paying ability and financial strength of most providers of municipal bond insurance. Additional downgrades or negative changes in the rating outlook for all bond insurers is possible.

In addition, past events in the credit markets have had substantial negative effects on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims-paying ability of such bond insurers, including any bond insurer of the Notes. Thus, when making an investment decision, potential investors should carefully consider the ability of any such bond insurer to pay principal and interest on the Notes and the claims-paying ability of any such bond insurer, particularly over the life of the Notes.

## **INVESTMENT POLICIES**

The Issuer invests its investable funds in investments authorized by Texas law in accordance with investment policies approved by the City Council of the Issuer. Both State law and the Issuer's investment policies are subject to change.

### **Legal Investment**

Under Texas law and subject to certain limitations, the Issuer is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations issued and secured by a federal agency or instrumentality of the United States; (4) other obligations unconditionally guaranteed or insured by the State of Texas or the United States or their respective agencies and instrumentalities; (5) "A" or better rated obligations of states, agencies, counties, cities, and other political subdivisions of any state; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) federally insured interest-bearing bank deposits, brokered pools of such deposits, and collateralized certificates of deposit and share certificates; (8) fully collateralized United States government securities repurchase agreements; (9) one-year or shorter securities lending agreements secured by obligations described in clauses (1) through (7) above or (11) through (14) below or an irrevocable letter of credit issued by an "A" or better rated state or national bank; (10) 270-day or shorter bankers' acceptances, if the short-term obligations of the accepting bank or its holding company are rated at least "A-1" or "P-1"; (11) commercial paper rated at least "A-1" or "P-1"; (12) SEC-registered no-load money market mutual funds that are subject to SEC Rule 2a-7; (13) SEC-registered no-load mutual funds that have an average weighted maturity of less than two years; (14) "AAA" or "AAAm"-rated investment pools that invest solely in investments described above; and (15) in the case of bond proceeds, guaranteed investment contracts that are secured by obligations described in clauses (1) through (7) above and, except for debt service funds and reserves, have a term of 5 years or less.

Under Texas law and subject to certain limitations, the Issuer is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations issued and secured by a federal agency or instrumentality of the United States; (4) other obligations unconditionally guaranteed or insured by the State of Texas or the United States or their respective agencies and instrumentalities; (5) "A" or better rated obligations of states, agencies, counties, cities, and other political subdivisions of any state; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) federally insured interest-bearing bank deposits, brokered pools of such deposits, and collateralized certificates of deposit and share certificates; (8) fully collateralized United States government securities repurchase agreements; (9) one-year or shorter securities lending agreements secured by obligations described in clauses (1) through (7) above or (11) through (14) below or an irrevocable letter of credit issued by an "A" or better rated state or national bank; (10) 270-day or shorter bankers' acceptances, if the short-term obligations of the accepting bank or its holding company are rated at least "A-1" or "P-1"; (11) commercial paper rated at least "A-1" or "P-1"; (12) SEC-registered no-load money market mutual funds that are subject to SEC Rule 2a-7; (13) SEC-registered no-load mutual funds that have an average weighted maturity of less than two years; (14) "AAA" or "AAAm"-rated investment pools that invest solely in investments described above; and (15) in the case of bond proceeds, guaranteed investment contracts that are secured by obligations described in clauses (1) through (7) above and, except for debt service funds and reserves, have a term of 5 years or less.

Except as stated above or inconsistent with its investment policy, the Issuer may invest in obligations of any duration without regard to their credit rating, if any. If an obligation ceases to qualify as an eligible investment after it has been purchased, the Issuer is not required to liquidate the investment unless it no longer carries a required rating, in which case the Issuer is required to take prudent measures to liquidate the investment that are consistent with its investment policy.

### **Investment Policies**

Under State law, the Issuer is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for Issuer funds, the maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All Issuer funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under State law, the Issuer's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the Issuer must submit an investment report to the City Council detailing: (1) the investment position of the Issuer, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, and any additions and changes to market value and the

ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) the investment strategy expressed in the Issuer’s investment policy, and (b) the Public Funds Investment Act. No person may invest Issuer funds without express written authority from the City Council.

**Additional Provisions**

Under State law, the Issuer is additionally required to: (1) annually review its adopted policies and strategies, (2) adopt an order or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in said order or resolution, (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the Issuer; (4) require the qualified representative of firms offering to engage in an investment transaction with the Issuer to: (a) receive and review the Issuer’s investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the Issuer and the business organization that are not authorized by the Issuer’s investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the Issuer’s entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the Issuer and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the Issuer’s investment policy; (6) provide specific investment training for the Treasurer, Chief Financial Officer, or other investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (8) restrict the investment in mutual funds in the aggregate to no more than 80% of the Issuer’s monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service and further restrict the investment in non-money market mutual funds of any portion of bond proceeds, reserves and funds held for debt service and to no more than 15% of the Issuer’s monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service and further restrict the investment in no-load money market mutual funds of any portion of bond proceeds reserves and funds held for debt service to no more than 15% of the entity’s monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to confirm to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements, and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the Issuer.

**Current Investments <sup>(1)</sup>**

**TABLE 1**

As of August, 31, 2023 the City held investments as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Percentage</u>
Notes of Deposit and Investment Pools	\$4,213,066	100.00%

As of such date, the market value of such investments (as determined by the Issuer by reference to published quotations, dealer bids, and comparable information) was approximately 100% of their book value. No funds of the Issuer are invested in derivative securities, *i.e.*, securities whose rate of return is determined by reference to some other instrument, index, or commodity.

<sup>(1)</sup> Unaudited.

**AD VALOREM PROPERTY TAXATION**

*The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. Prospective investors are encouraged to review Title 1 of the Texas Tax Code, as amended (the "Property Tax Code"), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.*

**Valuation of Taxable Property**

The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The Bastrop Appraisal District (the "Appraisal District") is primarily responsible for appraising property within the City generally as of January 1 of each year. Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three (3) years. A taxing unit may require annual review at its own expense and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.



State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property.

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified as both agricultural and open-space land.

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the City, in establishing their tax rolls and tax rates (see "AD VALOREM PROPERTY TAXATION - City and Taxpayer Remedies").

### **State Mandated Homestead Exemptions**

State law grants, with respect to each taxing unit in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty.

### **Local Option Homestead Exemptions**

The governing body of a county, municipality or junior college district may, at its option, provide for a freeze on the total amount of ad valorem taxes levied on the homesteads of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon voter initiative, an election may be held to determine by majority vote whether to establish such a freeze on ad valorem taxes. Once the freeze is established, the total amount of taxes imposed on such homesteads cannot be increased except for certain improvements, and such freeze cannot be repealed or rescinded.

### **Local Option Freeze for the Elderly and Disabled**

The governing body of a county, municipality or junior college district may, at its option, provide for a freeze on the total amount of ad valorem taxes levied on the homesteads of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon voter initiative, an election may be held to determine by majority vote whether to establish such a freeze on ad valorem taxes. Once the freeze is established, the total amount of taxes imposed on such homesteads cannot be increased except for certain improvements, and such freeze cannot be repealed or rescinded.

### **Personal Property**

Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property.

### **Freeport and Goods-In-Transit Exemptions**

Certain goods that are acquired in or imported into the State to be forwarded outside the State, and are detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication ("Freeport Property") are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue taxing Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal.

Certain goods, that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without the State within 175 days ("Goods-in-Transit"), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action, after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer's motor vehicle, boat, or heavy equipment inventory.

A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

## **Other Exempt Property**

Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property. The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the governor to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. Except in situations where the territory is declared a disaster on or after the date the taxing unit adopts a tax rate for the year in which the disaster declaration is issued, the governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the governor declares the area to be a disaster area. For more information on the exemption, reference is made to Section 11.35 of the Tax Code. Section 11.35 of the Tax Code was enacted during the 2019 legislative session, and there is no judicial precedent for how the statute will be applied. Texas Attorney General Opinion KP-0299, issued on April 13, 2020, concluded a court would likely find the Texas Legislature intended to limit the temporary tax exemption to apply to property physically harmed as a result of a declared disaster.

## **Tax Increment Reinvestment Zones**

A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment reinvestment zones ("TIRZ") within its boundaries. At the time of the creation of the TIRZ, a "base value" for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the "tax increment". During the existence of the TIRZ, all or a portion of the taxes levied against the tax increment by a city or county, and all other overlapping taxing units that elected to participate, are restricted to paying only planned project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units.

## **Tax Abatement Agreements**

Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years.

For a discussion of how the various exemptions described above are applied by the City, see "CITY'S APPLICATION OF PROPERTY TAX CODE" herein.

## **City and Taxpayer Remedies**

Under certain circumstances, taxpayers and taxing units, including the City, may appeal the determinations of the Appraisal District by timely initiating a protest with the Appraisal Review Board. Additionally, taxing units such as the City may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

Owners of certain property with a taxable value in excess of the current year "minimum eligibility amount", as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount was set at \$57,216,456 for the 2023 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda that could result in the repeal of certain tax increases (see "AD VALOREM PROPERTY TAXATION - Public Hearing and Maintenance and Operations Tax Rate Limitations"). The Property Tax Code also establishes a procedure for providing notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

## **Levy and Collection of Taxes**

The City is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not

paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the City. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the City may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances.

### **City's Rights in the Event of Tax Delinquencies**

Taxes levied by the City are a personal obligation of the owner of the property. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the City, having power to tax the property. The City's tax lien is on a parity with tax liens of such other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the City is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest. At any time after taxes on property become delinquent, the City may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property.

Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, adverse market conditions, taxpayer redemption rights, or bankruptcy proceedings which restrain the collection of a taxpayer's debt.

Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

### **Public Hearing and Maintenance and Operations Tax Rate Limitations**

The following terms as used in this section have the meanings provided below:

"adjusted" means lost values are not included in the calculation of the prior year's taxes and new values are not included in the current year's taxable values.

"de minimis rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted), plus the rate that produces an additional

\$500,000 in tax revenue when applied to the current year's taxable value, plus the debt service tax rate.

"no-new-revenue tax rate" means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year's total tax levy (adjusted) from the current year's total taxable values (adjusted).

"special taxing unit" means a city for which the maintenance and operations tax rate proposed for the current tax year is 2.5 cents or less per \$100 of taxable value.

"unused increment rate" means the cumulative difference between a city's voter-approval tax rate and its actual tax rate for each of the tax years 2020 through 2022, which may be applied to a city's tax rate in tax years 2022 through 2023 without impacting the voter-approval tax rate.

"voter-approval tax rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted) multiplied by 1.035, plus the debt service tax rate, plus the "unused increment rate".

The City's tax rate consists of two components: (1) a rate for funding of maintenance and operations expenditures in the current year (the "maintenance and operations tax rate"), and (2) a rate for funding debt service in the current year (the "debt service tax rate"). Under State law, the assessor for the City must submit an appraisal roll showing the total appraised, assessed, and taxable values of all property in the City to the City Council by August 1 or as soon as practicable thereafter.

A city must annually calculate its voter-approval tax rate and no-new-revenue tax rate in accordance with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the city and the county tax assessor-collector for

each county in which all or part of the city is located. A city must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If a city fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the city for the preceding tax year.

As described below, the Property Tax Code provides that if a city adopts a tax rate that exceeds its voter-approval tax rate or, in certain cases, its de minimis rate, an election must be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

A city may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until each appraisal district in which such city participates has delivered notice to each taxpayer of the estimated total amount of property taxes owed and the city has held a public hearing on the proposed tax increase.

For cities with a population of 30,000 or more as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the voter-approval tax rate, that city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

For cities with a population of 30,000 or more as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the voter-approval tax rate, that city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

For cities with a population less than 30,000 as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the greater of (i) the voter-approval tax rate or (ii) the de minimis rate, the city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate. However, for any tax year during which a city has a population of less than 30,000 as of the most recent federal decennial census and does not qualify as a special taxing unit, if a city's adopted tax rate is equal to or less than the de minimis rate but greater than both (a) the no-new-revenue tax rate, multiplied by 1.08, plus the debt service tax rate or (b) the city's voter-approval tax rate, then a valid petition signed by at least three percent of the registered voters in the city would require that an election be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

Any city located at least partly within an area declared a disaster area by the Governor of the State or the President of the United States during the current year may calculate its voter-approval tax rate using a 1.08 multiplier, instead of

1.035, until the earlier of (i) the second tax year in which such city's total taxable appraised value exceeds the taxable appraised value on January 1 of the year the disaster occurred, or (ii) the third tax year after the tax year in which the disaster occurred.

State law provides cities and counties in the State the option of assessing a maximum one-half percent (1/2%) sales and use tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional sales and use tax for ad valorem tax reduction is approved and levied, the no-new-revenue tax rate and voter-approval tax rate must be reduced by the amount of the estimated sales tax revenues to be generated in the current tax year.

**The calculations of the no-new-revenue tax rate and voter-approval tax rate do not limit or impact the City's ability to set a debt service tax rate in each year sufficient to pay debt service on all of the City's tax-supported debt obligations, including the Notes.**

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

#### **Debt Tax Rate Limitations**

All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax-supported debt within the limits prescribed by law. Article XI, Section 4, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$1.50 per \$100 of taxable assessed valuation. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.00 of the \$1.50 maximum tax rate for all debt service on ad valorem tax-supported debt, as calculated at the time of issuance.

#### **2023 Legislative Session**

The 88th Texas Legislature convened in regular session on January 10, 2023, and concluded on May 29, 2023. The Governor of Texas (the "Governor") is permitted to call one or more additional special sessions which may last no more than 30 days and for which the Governor sets the agenda. The Governor called a first special session which convened on May 29, 2023, and concluded on June 27, 2023, without any legislation being passed. The Governor called a second special session which convened on June 27, 2023, to address school district taxes. During the regular legislative session, the Legislature adopted a general appropriations act and adopted certain legislation affecting

ad valorem taxation procedures of cities. The City is in the process of analyzing the effect of legislation adopted during the regular session. The City can make no representations or predictions regarding any actions the Legislature may take during any special session of the 88th Texas legislative session concerning the substance or the effect of any legislation that may be passed in the future or how such legislation could affect the City.

### **CITY'S APPLICATION OF THE PROPERTY TAX CODE**

The City has not implemented a "tax freeze" on residence homesteads of the disabled and persons sixty-five years of age or older, nor has it received a valid petition requesting that an election be held concerning this matter. No petitions have been received. However, the City Council approved a resolution to "freeze" City taxes for citizens 65-years and older during the November 8, 2021, City Council meeting. The estimated loss in tax revenue is approximately \$46k per year based on 433 property owners who currently qualify.

The City has elected to grant a \$3,000 residence homestead exemption to persons 65 years of age or older and the disabled. The City Council unanimously approved an amendment to the City Code of Ordinances, Chapter 11 Taxation, Article 11.200 Property Tax, Section 11.202 on June 8, 2020 to allow residential homestead property owners of the City of Smithville, Texas who are 65 years of age or older and establishing an Ad Valorem Tax Exemption for the disabled; providing for definitions; providing for savings; severability, and an effective date – Currently, the City allows a \$3,000 tax exemption for persons over 65 and a 100% disabled veteran exemption. If approved, the tax exemption for disabled persons and those persons age 65 and older would be \$10,000. The exemption(s) went into effect during the 2021 tax year.

The City has elected not to grant a residence homestead exemption of up to 20% (minimum \$5,000) of the appraised value of residence homesteads.

The City does not permit split payments or discounts for early payment.

The City has both Freeport and Goods-in-Transit exemptions in place. However, there are not any companies within the city limits that are currently claiming said exemption(s).

The City has no Tax Abatements, TIFs, TIRZ in place at this time. However, the City has entered into several 380 Economic Development Agreements.

### **TAX MATTERS**

#### **Tax Exemption**

The delivery of the Notes is subject to the opinion of Cantu Harden Montoya LLP, Bond Counsel, to the effect that interest on the Notes for federal income tax purposes (1) is excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), of the owners thereof pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof. The statute, regulations, rulings, and court decisions on which such opinion is based are subject to change. A form of Bond Counsel's opinion is reproduced as APPENDIX C.

In rendering the foregoing opinions, Bond Counsel will rely upon the representations and certifications of the City made in a certificate of even date with the initial delivery of the Notes pertaining to the use, expenditure, and investment of the proceeds of the Notes and will assume continuing compliance with the provisions of the Ordinance by the City subsequent to the issuance of the Notes. The Ordinance contains covenants by the City with respect to, among other matters, the use of the proceeds of the Notes and the facilities financed or refinanced therewith by persons other than state or local governmental units, the manner in which the proceeds of the Notes are to be invested, if required, the calculation and payment to the United States Treasury of any arbitrage "profits" and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Notes to be includable in the gross income of the owners thereof from the date of the issuance of the Notes.

Except as described above, Bond Counsel will express no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Notes. Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the City described above. No ruling has been sought from the Internal Revenue Service (the "IRS") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Notes is commenced, under current procedures the IRS is likely to treat the City as the "taxpayer," and the owners of the Notes would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Notes, the City may have different or conflicting interests from the owners of the Notes. Public awareness of any future audit of the Notes could adversely affect the value and liquidity of the Notes during the pendency of the audit, regardless of its ultimate outcome.

## **Tax Changes**

Existing law may change to reduce or eliminate the benefit to Noteholders of the exclusion of interest on the Notes from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Notes. Prospective purchasers of the Notes should consult with their own tax advisors with respect to any proposed or future changes in tax law.

### **Ancillary Tax Consequences**

Prospective purchasers of the Notes should be aware that the ownership of tax-exempt obligations such as the Notes may result in collateral federal tax consequences to, among others, financial institutions (see “TAX MATTERS – Qualified Tax-Exempt Obligations for Financial Institutions” herein), property and casualty insurance companies, life insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a financial asset securitization investment trust (FASIT), individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

For taxable years beginning after 2022, the Code imposes a minimum tax of 15 percent of the adjusted financial statement income of certain large corporations, generally consisting of corporations (other than S corporations, regulated investment companies and real estate investment trusts) with more than \$1 billion in average annual adjusted financial statement income, determined over a three-year period. For this purpose, adjusted financial statement income generally consists of the net income or loss of the taxpayer set forth on the taxpayer's applicable financial statement for the taxable year, subject to various adjustments, but is not reduced for interest earned on tax-exempt obligations, such as the Notes. Prospective purchasers that could be subject to this minimum tax should consult with their own tax advisors regarding the potential impact of owning the Notes.

### **Tax Accounting Treatment of Discount Notes**

The initial public offering price to be paid for certain Notes may be less than the amount payable on such Notes at maturity (the “Discount Notes”). An amount equal to the difference between the initial public offering price of a Discount Note (assuming that a substantial amount of the Discount Notes of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Notes. A portion of such original issue discount, allocable to the holding period of a Discount Note by the initial purchaser, will be treated as interest for federal income tax purposes, excludable from gross income on the same terms and conditions as those for other interest on the Notes. Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Note, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Note and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during his taxable year.

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions (see “TAX MATTERS – Qualified Tax-Exempt Obligations for Financial Institutions” herein), life insurance companies, property and casualty insurance companies, S corporations with “subchapter C” earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Note by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Note in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Note was held) is includable in gross income.

Owners of Discount Notes should consult with their own tax advisors with respect to the determination for federal income tax purposes of accrued interest upon disposition of Discount Notes and with respect to the state and local tax consequences of owning Discount Notes. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on the Discount Notes may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

### **Tax Accounting Treatment of Premium Notes**

The initial public offering price to be paid for certain Notes may be greater than the stated redemption price on such Notes at maturity (the “Premium Notes”). An amount equal to the difference between the initial public offering price of a Premium Note (assuming that a substantial amount of the Premium Notes of that maturity are sold to the public at such price) and its stated redemption price at maturity constitutes premium to the initial purchaser of such Premium Notes. The basis for federal income tax purposes of a Premium Note in the hands of such initial purchaser must be reduced each year by the amortizable note premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable note premium with respect to the Premium Notes. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or

other taxable disposition of a Premium Note. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity.

Purchasers of the Premium Notes should consult with their own tax advisors with respect to the determination of amortizable note premium on Premium Notes for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Notes.

#### **Qualified Tax-Exempt Obligations for Financial Institutions**

Section 265 of the Code provides, in general, that interest expense to acquire or carry tax-exempt obligations is not deductible from the gross income of the owner of such obligations. In addition, section 265 of the Code generally disallows 100% of any deduction for interest expense which is incurred by "financial institutions" described in such section and is allocable, as computed in such section, to tax-exempt interest on obligations acquired after August 7, 1986. Section 265(b) of the Code provides an exception to this interest disallowance rule for interest expense allocable to tax-exempt obligations (other than private activity Notes that are not qualified 501(c)(3) bonds) which are designated by an issuer as "qualified tax-exempt obligations." An issuer may designate obligations as "qualified tax-exempt obligations" only if the amount of the issue of which they are a part, when added to the amount of all other tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) obligations and other than certain refunding bonds) issued or reasonably anticipated to be issued by the issuer during the same calendar year, does not exceed \$10,000,000.

The City will designate the Notes as "qualified tax-exempt obligations" and has certified its expectation that the above-described \$10,000,000 ceiling will not be exceeded. Accordingly, it is anticipated that financial institutions which purchase the Notes will not be subject to the 100% disallowance of interest expense allocable to interest on the Notes under section 265(b) of the Code. However, the deduction for interest expense incurred by a financial institution which is allocable to the interest on the Notes will be reduced by 20% pursuant to section 291 of the Code.

#### **CONTINUING DISCLOSURE OF INFORMATION**

The City is exempt from certain of the continuing disclosure obligations set forth in the United States Securities and Exchange Commission Rule 15c2-12, as amended (the "Rule") pursuant to the exemption under subsection (d)(2), which applies to certain small issuers such as the Issuer who are not an "obligated person" (as defined in the Rule) responsible for the repayment of municipal securities outstanding (including the Bonds) in an aggregate principal amount exceeding \$10,000,000. This exemption allows the City to not file annual updates to all financial and operating data that is included in this Official Statement.

In the Ordinance, the City has made the following agreement for the benefit of the registered owners of the Bonds. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the City will be obligated to timely file with the MSRB updated financial information and operating data of the City that is included in this Official Statement, that is customarily prepared by the City, and that is publicly available, as well as notice of specified events. The information provided to the MSRB will be available to the public free of charge via the EMMA system through an internet website accessible at [www.emma.msrb.org](http://www.emma.msrb.org). Such information may also be obtained from the City at the City office, which is currently located at 317 Main Street, Smithville, Texas 78957; Attention: Finance Director. The telephone number for the City is (512) 237-3282.

#### **Annual Reports**

The City will file certain updated financial information and operating data with the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the Issuer of the general type included in Appendix D to this Official Statement. The City will update and provide this information within six months after the end of each fiscal year ending in and after 2023. The City's current fiscal year end is September 30. Accordingly, it must make available updated information by the end of March in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of such change.

#### **Notice of Certain Events**

The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Notes to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes, as the case may be; (7) modifications to rights of holders of the Notes, if material; (8) Note calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Notes, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional paying agent/registrars or the change of name of a paying agent/registrars, if material (15)

incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such Financial Obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such Financial Obligation of the City, any of which reflect financial difficulties. In the Ordinance, the City will adopt policies and procedures to ensure timely compliance of its continuing disclosure undertakings. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under "Annual Reports." Neither the Notes nor the Ordinance make provision for redemption prior to stated maturity, liquidity enhancement, or debt service reserves.

For these purposes, (a) any event described in clause (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City, and (b) the City intends the words used in the immediately preceding clauses (15) and (16) and in the definition of Financial Obligation above to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018.

#### **Availability of Information**

All information and documentation filing required to be made by the Issuer in accordance with its undertaking made for the Notes will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB.

#### **Limitations and Amendments**

The City has agreed to update information and to provide notices of certain specified events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Notes at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its agreement or from any statement made pursuant to its agreement, although holders or Beneficial Owners of Notes may seek a writ of mandamus to compel the City to comply with its agreement.

The City may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if the agreement, as amended, would have permitted an underwriter to purchase or sell Notes in the offering described herein in compliance with the Rule and either the holders of a majority in aggregate principal amount of the outstanding Notes consent or any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders or beneficial owners of the Notes. If the City amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent any purchasers from lawfully purchasing or selling Notes, respectively, in the primary offering of the Notes.

#### **Compliance with Prior Agreements**

During the past five years, the City has complied in all material respects in accordance with SEC Rule 15c2-12.

### **LEGAL MATTERS**

#### **Legal Opinions and No-Litigation Certificate**

The Issuer will furnish the Purchaser with a complete transcript of proceedings incident to the authorization and issuance of the Notes, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Initial Certificate is a valid and legally binding obligation of the Issuer, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel, to the effect that the Notes, issued in compliance with the provisions of the Ordinance, are valid and legally binding obligations of the Issuer and, subject to the qualifications set forth herein under "TAX MATTERS", the interest on the Notes is exempt from federal income taxation under existing statutes, published rulings, regulations, and court decisions. Though it represents the Financial Advisor from time to time in matters unrelated to the issuance of the Notes, Bond Counsel was engaged by, and only represents, the City in connection with the issuance of the Notes. In its capacity as Bond Counsel, Cantu Harden Montoya LLP, San



Antonio, Texas has reviewed (except for numerical, statistical or technical data) the information under the captions "THE NOTES" (except under the subcaptions "Use of Certificate Proceeds", "Sources and Uses" "Payment Record", and "Default and Remedies", as to which no opinion is expressed), "REGISTRATION, TRANSFER AND EXCHANGE", "TAX MATTERS", "CONTINUING DISCLOSURE OF INFORMATION" (except under the subheading "Compliance with Prior Undertakings" as to which no opinion is expressed), "LEGAL MATTERS—Legal Investments and Eligibility to Secure Public Funds in Texas", and "OTHER PERTINENT INFORMATION—Registration and Qualification of Notes for Sale" in the Official Statement and such firm is of the opinion that the information relating to the Notes and the Ordinance contained under such captions is a fair and accurate summary of the information purported to be shown and that the information and descriptions contained under such captions relating to the provisions of applicable state and federal laws are correct as to matters of law. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Notes or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Notes will also be furnished. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of Notes are contingent on the sale and initial delivery of the Notes. The legal opinion of Bond Counsel will accompany the Notes deposited with DTC or will be printed on the definitive Notes in the event of the discontinuance of the Book-Entry-Only System.

The various legal opinions to be delivered concurrently with the delivery of the Notes express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

### **Litigation**

In the opinion of various officials of the Issuer, there is no litigation or other proceeding pending against or, to their knowledge, threatened against the Issuer in any court, agency, or administrative body (either state or federal) wherein an adverse decision would materially adversely affect the financial condition of the Issuer.

At the time of the initial delivery of the Notes, the City will provide the Purchaser with a certificate to the effect that no litigation of any nature has been filed or is then pending challenging the issuance of the Notes or that affects the payment and security of the Notes or in any other manner questioning the issuance, sale, or delivery of the Notes.

### **Legal Investments and Eligibility to Secure Public Funds in Texas**

Section 1201.041 of the Public Securities Procedures Act (Chapter 1201, Texas Government Code) and Section 271.051, as amended, Texas Local Government Code, each, provide that the Notes are negotiable instruments governed by Chapter 8, as amended, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act, Chapter 2256, as amended, Texas Government Code, the Notes must have to be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. (See "OTHER PERTINENT INFORMATION – Rating" herein.) In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Notes are legal investments for state banks, savings banks, trust companies with at least \$1 million of capital, and savings and loan associations.

The City has made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Notes for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Notes for such purposes. The City has made no review of laws in other states to determine whether the Notes are legal investments for various institutions in those states.

## **FORWARD LOOKING STATEMENTS**

The statements contained in this Official Statement, and in any other information provided by the City, that are not purely historical, are forward-looking statements, including statements regarding the City's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements. It is important to note that the City's actual results could differ materially from those in such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

## OTHER PERTINENT INFORMATION

### Registration and Qualification of Notes for Sale

The sale of the Notes has not been registered under the Securities Act of 1933, as amended, in reliance upon exemptions provided in such Act; the Notes have not been qualified under the Securities Act of Texas in reliance upon exemptions contained therein; nor have the Notes been qualified under the securities acts of any other jurisdiction. The Issuer assumes no responsibility for qualification of the Notes under the securities laws of any jurisdiction in which they may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Notes shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

It is the obligation of the Purchaser to register or qualify the sale of the Notes under the securities laws of any jurisdiction which so requires. The City agrees to cooperate, at the Purchaser's written request and sole expense, in registering or qualifying the Notes or in obtaining an exemption from registration or qualification in any state where such action is necessary; provided, however, that the City shall not be required to qualify as a foreign corporation or to execute a general consent to service of process in any jurisdiction.

### Ratings

A municipal bond rating application for the Notes has been made to S&P Global Ratings ("S&P"). The outcome of the result will be made available as soon as possible. An explanation of the significance of such a rating may be obtained from S&P. The rating of the Notes by S&P reflects only the view of S&P at the time the rating is given, and the Issuer makes no representations as to the appropriateness of the rating. There is no assurance that the rating will continue for any given period of time, or that the rating will not be revised downward or withdrawn entirely by S&P, if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Notes.

### Authenticity of Financial Information

The financial data and other information contained herein have been obtained from the Issuer's records, audited financial statements and other sources which are believed to be reliable. All of the summaries of the statutes, documents and ordinances contained in this Official Statement are made subject to all of the provisions of such statutes, documents and ordinances. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. All information contained in this Official Statement is subject, in all respects, to the complete body of information contained in the original sources thereof and no guaranty, warranty or other representation is made concerning the accuracy or completeness of the information herein. In particular, no opinion or representation is rendered as to whether any projection will approximate actual results, and all opinions, estimates and assumptions, whether or not expressly identified as such, should not be considered statements of fact.

### Financial Advisor

SAMCO Capital Markets, Inc. is employed as a Financial Advisor to the Issuer in connection with the issuance of the Notes. In this capacity, the Financial Advisor has compiled certain data relating to the Notes and has drafted this Official Statement. The Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the Issuer to determine the accuracy or completeness of this Official Statement. Because of its limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The fees for the Financial Advisor are contingent upon the issuance, sale and initial delivery of the Notes.

The Financial Advisor has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with its responsibilities to the City and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

### Winning Bidder

After requesting competitive bids for the Notes, the City accepted the bid of \_\_\_\_\_ (the "Purchaser" or the "Initial Purchaser") to purchase the Notes at the interest rates shown on the page 2 of this Official Statement at a price of par, plus a [net] original issue reoffering premium of \$\_\_\_\_\_, less a Purchaser's discount of \$\_\_\_\_\_, plus accrued interest on the Notes from their Dated Date to their date of initial delivery. The City can give no assurance that any trading market will be developed for the City after their sale by the City to the Purchaser. The City has no control over the price at which the Notes are subsequently sold and the initial yield at which the Notes will be priced and reoffered will be established by and will be the responsibility of the Purchaser.

**Certification of the Official Statement**

At the time of payment for and delivery of the Initial Notes, the Purchaser will be furnished a certificate, executed by proper officials of the City, acting in their official capacities, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in its Official Statement, and any addenda, supplement or amendment thereto, for the Notes, on the date of such Official Statement, on the date of sale of said Notes and the acceptance of the best bid therefor, and on the date of the delivery thereof, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements including financial data, of or pertaining to entities, other than the City, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect, and (d) there has been no material adverse change in the financial condition of the City, since September 30, 2017, the date of the last financial statements of the City appearing in the Official Statement.

**Information from External Sources**

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, SEC Rule 15c2-12.

**Concluding Statement**

No person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer of solicitation.

The information set forth herein has been obtained from the City’s records, audited financial statements and other sources which the City considers to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents and the Ordinance contained in this Official Statement are made subject to all of the provisions of such statutes, documents, and the Ordinance. These summaries do not purport to be complete statements of such provisions and reference is made to such summarized documents for further information. Reference is made to official documents in all respects.

The Ordinance authorizing the issuance of the Notes will also approve the form and content of this Official Statement and any addenda, supplement or amendment thereto and authorize its further use in the re-offering of the Notes by the Purchaser.

This Official Statement will be approved by the Council for distribution in accordance with the provisions of the SEC’s rule codified at 17 C.F.R. Section 240.15c2-12, as amended.

**CITY OF SMITHVILLE, TEXAS**

/s/ \_\_\_\_\_  
Mayor  
City of Smithville, Texas

ATTEST:

/s/ \_\_\_\_\_  
City Secretary  
City of Smithville, Texas

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**APPENDIX A**

**FINANCIAL INFORMATION RELATING TO  
THE CITY OF SMITHVILLE, TEXAS**

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**FINANCIAL INFORMATION OF THE ISSUER**

**ASSESSED VALUATION**

**TABLE 1**

2023 Preliminary Market Value of Taxable Property (100% of Market Value).....	\$	<b>635,685,546</b>
Less Exemptions:		
Over-65/Disabled Exemptions.....	\$	4,770,867
Veterans Exemptions.....		4,967,360
Pollution Control.....		11,045
Exemption/Other.....		106,449,286
Productivity Loss.....		13,495,633
Loss to 10% HO Cap.....		46,652,738
<b>TOTAL EXEMPTIONS</b> .....		<u>176,346,929</u>
2023 Assessed Value of Taxable Property .....	\$	<u>459,338,617</u>

*Note: 2023 Assessed Value of Taxable Property excludes a Taxable Freeze of \$9,057,752.*

*Source: Bastrop County Appraisal District.*

**GENERAL OBLIGATION BONDED DEBT**

*(as of September 1, 2023)*

**General Obligation Debt (Principal Outstanding)**

Certificates of Obligation, Series 2007	\$	1,555,000
General Obligation Refunding Bonds, Series 2018		315,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2019		2,570,000
Tax Notes, Series 2021		515,000
Tax Notes, Series 2022		1,035,000
Tax Notes, Series 2023 (the "Notes")		<u>3,000,000</u> *
Total Gross General Obligation Debt	\$	<u>8,990,000</u> *
<b>Less: Self Supporting Debt</b>		
Certificates of Obligation, Series 2007 (100% UF)	\$	1,555,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2019 (82.3% UF)		<u>2,115,000</u> *
Total Self-Supporting Debt	\$	<u>3,670,000</u> *
Total Net General Obligation Debt Outstanding	\$	<u>5,320,000</u> *
2023 Certified Net Assessed Valuation	\$	459,338,617
Ratio of Gross General Obligation Debt Principal to Net Taxable Assessed Valuation		1.96%
Ratio of Net General Obligation Debt to Net Taxable Assessed Valuation		1.16%

Population: 2000 - 3,901; 2010 - 3,817; 2020 - 3,922; est. 2023 - 3,920  
Per Capita Preliminary Net Taxable Assessed Valuation - \$117,178.22  
Per Capita Gross General Obligation Debt Principal - \$2,293.37  
Per Capita Net General Obligation Debt Principal - \$1,357.14

\* *Preliminary, subject to change.*

**CITY DEBT OBLIGATIONS - CAPITAL LEASE AND NOTES PAYABLE****TABLE 2***(As of September 30, 2022)*

The City added a new six-year capital lease in fiscal year 2021 in the amount of \$270,899. Approximately The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2022, were as follows:

Year Ending 9/30	Governmental Activities
2023	\$ 79,337
2024	72,586
2025	72,586
2026	43,804
Total minimum lease payments	268,313
Less: amount representing	(16,931)
Present value of minimum lease payments	<u>\$ 251,382</u>

Year Ending 9/30	Business-Type Activities
2023	\$ 274,397
2024	271,659
2025	268,782
2026	235,991
2027	227,276
2028-2031	873,392
Total minimum lease payments	2,151,497
Less: amount representing	(316,259)
Present value of minimum lease payments	<u>\$ 1,835,238</u>

*Source: The Issuer's Annual Financial Report.*



**GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS**

Fiscal Year Ending Sept. 30	Current Total Outstanding Debt <sup>(a)</sup>	The Notes*			Combined Debt Service <sup>(a)</sup>	Less: Self- Supporting Debt*	Total Net Debt Service*
		Principal	Interest	Total			
2024	\$ 1,135,288	\$ 110,000	\$ 117,800	\$ 227,800	\$ 1,363,088	492,950	\$ 870,138
2025	847,205	430,000	107,000	537,000	1,384,205	492,095	892,110
2026	847,206	455,000	89,300	544,300	1,391,506	490,790	900,716
2027	846,597	470,000	70,800	540,800	1,387,397	493,955	893,442
2028	845,306	490,000	51,600	541,600	1,386,906	491,590	895,316
2029	450,868	510,000	31,600	541,600	992,468	205,500	786,968
2030	256,825	535,000	10,700	545,700	802,525	201,000	601,525
2031	260,675	-	-	-	260,675	201,425	59,250
2032	254,375	-	-	-	254,375	201,700	52,675
2033	257,375	-	-	-	257,375	201,413	55,963
2034	205,463	-	-	-	205,463	205,463	-
2035	204,250	-	-	-	204,250	204,250	-
2036	202,863	-	-	-	202,863	202,863	-
2037	201,063	-	-	-	201,063	201,063	-
2038	203,750	-	-	-	203,750	203,750	-
Total	<u>\$ 7,019,108</u>	<u>\$ 3,000,000</u>	<u>\$ 478,800</u>	<u>\$ 3,478,800</u>	<u>\$ 10,497,908</u>	<u>\$ 4,489,805</u>	<u>\$ 6,008,103</u>

<sup>(a)</sup> Includes self-supporting debt.

\* Preliminary, subject to change. Interest calculated at an assumed rate for illustrative purposes only.

**TAX ADEQUACY (Includes Self-Supporting Debt)**

2023 Net Taxable Assessed Valuation	\$	459,338,617
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-26)		1,391,506 *
Indicated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements	\$	0.3091 *

\* Includes the Notes. Preliminary, subject to change.

Note: Above computations are exclusive of investment earnings, delinquent tax collections and penalties and interest on delinquent tax collections.

**TAX ADEQUACY (Excludes Self-Supporting Debt)**

2023 Net Taxable Assessed Valuation	\$	459,338,617
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-26)		900,716 *
Indicated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements	\$	0.20009 *

\* Includes the Notes. Preliminary, subject to change.

Note: Above computations are exclusive of investment earnings, delinquent tax collections and penalties and interest on delinquent tax collections.

**INTEREST AND SINKING FUND MANAGEMENT INDEX**

Audited Interest and Sinking Fund Balance, Fiscal Year Ended September 30, 2022	\$	401,194
2023 Interest and Sinking Fund Tax Levy at 98% Collections Produce		647,842
Total Available for General Obligation Debt	\$	1,049,036
Less: General Obligation Debt Service Requirements, Fiscal Year Ending 9/30/23 <sup>(1)</sup>		747,038
Estimated Surplus at Fiscal Year Ending 9/30/23	\$	301,998

<sup>(1)</sup> Includes self-supporting general obligation debt.

<sup>(2)</sup> Does not include delinquent tax collections, penalties and interest on delinquent tax collections or investment earnings.

**GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE**

<u>Fiscal Year</u> <u>Ending 9-30</u>	<u>Currently</u> <u>Outstanding<sup>(a)</sup></u>	<u>The</u> <u>Notes*</u>	<u>Total*</u>	<u>Principal</u> <u>Unpaid at</u> <u>End of Year*</u>	<u>Percent of</u> <u>Principal</u> <u>Retired (%)*</u>
2024	\$ 945,000	\$ 110,000	\$ 1,055,000	\$ 7,935,000	11.74%
2025	685,000	430,000	1,115,000	6,820,000	24.14%
2026	710,000	455,000	1,165,000	5,655,000	37.10%
2027	735,000	470,000	1,205,000	4,450,000	50.50%
2028	760,000	490,000	1,250,000	3,200,000	64.40%
2029	385,000	510,000	895,000	2,305,000	74.36%
2030	200,000	535,000	735,000	1,570,000	82.54%
2031	210,000	-	210,000	1,360,000	84.87%
2032	210,000	-	210,000	1,150,000	87.21%
2033	220,000	-	220,000	930,000	89.66%
2034	175,000	-	175,000	755,000	91.60%
2035	180,000	-	180,000	575,000	93.60%
2036	185,000	-	185,000	390,000	95.66%
2037	190,000	-	190,000	200,000	97.78%
2038	200,000	-	200,000	-	100.00%
<b>Total</b>	<b>\$ 5,990,000</b>	<b>\$ 3,000,000</b>	<b>\$ 8,990,000</b>		

<sup>(a)</sup> Includes self-supporting debt.

\* Preliminary, subject to change.

**TAXABLE ASSESSED VALUATION FOR TAX YEARS 2013 - 2023**

**TABLE 3**

<u>Year</u>	<u>Net Taxable</u> <u>Assessed Valuation</u>	<u>Change from Preceding Year</u>	
		<u>Amount (\$)</u>	<u>Percent</u>
2013-14	\$ 179,187,421	-	-
2014-15	181,038,420	\$ 1,850,999	1.03%
2015-16	188,573,449	7,535,029	4.16%
2016-17	209,078,784	20,505,335	10.87%
2017-18	238,040,334	28,961,550	13.85%
2018-19	249,800,157	11,759,823	4.94%
2019-20	276,167,412	26,367,255	10.56%
2020-21	291,874,086	15,706,674	5.69%
2021-22	330,212,752	38,338,666	13.14%
2022-23	398,711,432	68,498,680	20.74%
2023-24	459,338,617	60,627,185	15.21%

Source: Bastrop County Appraisal District.

**PRINCIPAL TAXPAYERS 2023-24**

**TABLE 4**

<u>Name</u>	<u>Type of Business/Property</u>	<u>2023 Net Taxable</u> <u>Assessed Valuation</u>	<u>% of Total 2023</u> <u>Assessed Valuation</u>
UNION PACIFIC RAILROAD CO	Railroad	\$ 5,143,579	1.12%
SOUTHWEST HOUSING PARTNERS LTD	Residential Development	3,952,434	0.86%
230 PROPERTIES LLC	Real Estate	2,420,043	0.53%
K&H FABRICATORS INC	Manufacturing	1,892,033	0.41%
STRAND'S REAL ESTATE INVESTMENT	Real Estate	1,873,879	0.41%
FIRST NATIONAL BANK OF BASTROP	Financial Institution	1,815,292	0.40%
LINDSEY, TERRY M	Residential	1,659,360	0.36%
CENTERPOINT ENERGY ENTEX	Utility	1,634,854	0.36%
WEBB STREET LLC	Consulting	1,608,119	0.35%
UNION PACIFIC RAILROAD CO	Railroad	1,549,342	0.34%
		<b>\$ 23,548,935</b>	<b>5.13%</b>

Source: Bastrop County Appraisal District.

**CLASSIFICATION OF ASSESSED VALUATION**

**TABLE 5**

	<b>2023</b>	<b>% of Total</b>	<b>2022</b>	<b>% of Total</b>	<b>2021</b>	<b>% of Total</b>
Real, Residential, Single-Family	\$ 410,657,863	64.60%	\$ 358,783,682	64.77%	\$ 280,415,059	62.46%
Real, Residential, Multi-Family	12,619,503	1.99%	9,950,852	1.80%	6,465,820	1.44%
Real, Vacant Lots/Tracts	13,614,072	2.14%	13,038,824	2.35%	11,924,524	2.66%
Real, Acreage (Land Only)	13,562,876	2.13%	13,421,725	2.42%	5,609,029	1.25%
Real, Farm & Ranch Improv	3,606,072	0.57%	2,913,306	0.53%	2,200,393	0.49%
Real, Commercial and Industrial	46,914,892	7.38%	39,209,560	7.08%	34,902,062	7.77%
Real & Tangible, Personal Utilities	10,288,510	1.62%	11,146,968	2.01%	8,071,285	1.80%
Tangible Personal, Commercial & Industrial	12,647,045	1.99%	8,489,783	1.53%	8,597,061	1.91%
Tangible Personal, Mobile Homes	5,228,891	0.82%	5,227,831	0.94%	3,574,373	0.80%
Special Inventory	96,536	0.02%	-	0.00%	1,438	0.00%
l totally Exempted Property	106,449,286	16.75%	91,739,160	16.56%	87,176,003	19.42%
<b>Total Appraised Value</b>	<b>\$ 635,685,546</b>	<b>100.00%</b>	<b>\$ 553,921,691</b>	<b>100.00%</b>	<b>\$ 448,937,047</b>	<b>100.00%</b>
<b>Less:</b>						
Over-65/Disabled Exemptions	\$ 4,770,867		\$ 4,731,740		\$ 4,575,792	
Veterans Exemptions	4,967,360		4,680,451		4,367,547	
Pollution Control	11,045		11,045		11,045	
Exemption/Other	106,449,286		91,739,160		87,176,003	
Productivity Loss	13,495,633		13,358,685		5,551,239	
Loss to 10% HO Cap	46,652,738		40,689,178		17,042,669	
<b>Total Exemptions</b>	<b>176,346,929</b>		<b>155,210,259</b>		<b>118,724,295</b>	
<b>Net Taxable Assessed Valuation</b>	<b>\$ 459,338,617</b>		<b>398,711,432</b>		<b>330,212,752</b>	

Source: Bastrop County Appraisal District.

**TAX DATA**

**TABLE 6**

<b>Tax Year</b>	<b>Net Taxable Assessed Valuation</b>	<b>Tax Rate</b>	<b>Tax Levy</b>	<b>% of Collections</b>		<b>Year Ended</b>
				<b>Current</b>	<b>Total</b>	
2013	\$ 179,187,421	\$ 0.5060	\$ 906,692	92.85	107.70	9/30/2014
2014	181,038,420	0.5534	1,001,935	95.81	98.32	9/30/2015
2015	188,573,449	0.5534	1,043,637	98.37	101.44	9/30/2016
2016	209,078,784	0.5660	1,183,359	97.55	102.51	9/30/2017
2017	238,040,334	0.5390	1,283,085	96.70	99.00	9/30/2018
2018	249,800,157	0.5690	1,421,413	95.98	104.18	9/30/2019
2019	276,167,412	0.5690	1,571,393	97.76	102.07	9/30/2020
2020	291,874,086	0.5490	1,602,389	98.09	100.00	9/30/2021
2021	330,212,752	0.5490	1,812,885	99.64	101.62	9/30/2022
2022	398,711,432	0.5489	2,188,663	95.81	97.65	9/30/2023 *
2023	459,338,617					9/30/2024

\* As of August 15, 2023.

**TAX RATE DISTRIBUTION**

**TABLE 7**

	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
General Fund	\$ 0.3831	\$ 0.4194	\$ 0.4466	\$ 0.4525	\$ 0.4455
I & S Fund	<u>0.1658</u>	<u>0.1296</u>	<u>0.1024</u>	<u>0.1165</u>	<u>0.1235</u>
Total Tax Rate	<u>\$ 0.5489</u>	<u>\$ 0.5490</u>	<u>\$ 0.5490</u>	<u>\$ 0.5690</u>	<u>\$ 0.5690</u>

Source: Bastrop County Appraisal District.

**MUNICIPAL SALES TAX COLLECTIONS**

**TABLE 8**

The Issuer has adopted the provisions of Chapter 321, as amended, Texas Tax Code, Authorizing the City to levy a 1% sales tax. In addition, some issuers are subject to a property tax relief and/or an economic and industrial development sales tax. The Issuer approved a 1/2¢ sales tax for economic development in 1987 and a 1/2¢ sales tax for property tax relief in 1990. Net collections on calendar year basis are as follows:

Calendar Year	Total Collected	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate
2013	\$ 429,962	47.42%	\$ 0.24
2014	445,938	44.51%	0.25
2015	466,019	44.65%	0.25
2016	514,668	43.49%	0.25
2017	590,704	46.04%	0.25
2018	452,885	31.86%	0.18
2019	575,742	36.64%	0.21
2020	652,541	40.72%	0.22
2021	767,654	42.34%	0.23
2022	892,813	40.79%	0.22
2023	588,318	(as of August, 2023)	

Source: State Comptroller's Office of the State of Texas.

**OVERLAPPING DEBT INFORMATION**

(as of September 1, 2023)

The following table indicates the indebtedness, defined as outstanding bonds payable from ad valorem taxes, of governmental entities overlapping the City and the estimated percentages and amounts of such indebtedness attributable to property within the City. Expenditures of the various taxing bodies overlapping the territory of the Issuer are paid out of ad valorem taxes levied by these taxing bodies on properties overlapping the Issuer. These political taxing bodies are independent of the Issuer and may incur borrowings to finance their expenditures. The following statements of direct and estimated overlapping ad valorem tax bonds was developed from information contained in the "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the Issuer, the Issuer has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have authorized or issued additional bonds since the date stated below, and such entities may have programs requiring the authorization and/or issuance of substantial amounts of additional bonds, the amount of which cannot be determined.

Taxing Body	Gross Debt (As of 9/1/23)	% Overlapping	Amount Overlapping
Bastrop County	\$ 46,618,000	3.16%	\$ 1,473,129
Smithville ISD	34,500,000	23.02%	7,941,900
Total Gross Overlapping Debt			<u>\$ 9,415,029</u>
Smithville, City of			\$ 8,990,000 *
Total Gross Direct and Overlapping Debt			<u>\$ 18,405,029 *</u>
Ratio of Gross Direct Debt and Overlapping Debt			4.01% *
Per Capita Gross Direct Debt and Overlapping Debt			\$4,695.16 *

Note: The above figures show Gross General Obligation Debt for the City of Smithville, Texas. The Issuer's Net General Obligation Debt is \$5,320,000\*. Calculations on the basis of Net General Obligation Debt would change the above figures as follows:

Total Net Direct and Overlapping Debt	\$ 14,735,029
Ratio of Net Direct and Overlapping Debt to 2023 Net Assessed Valuation	3.21%
Per Capita Net Direct and Overlapping Debt	\$3,758.94

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas

\* Preliminary, subject to change.

**ASSESSED VALUATION AND TAX RATE OF OVERLAPPING ISSUERS**

Governmental Subdivision	2022 Assessed Valuation	% of Actual	2022 Tax Rate
Bastrop County	\$ 12,343,320,260	100%	\$ 0.329000
Smithville ISD	1,555,524,968	100%	1.103000

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas.

**AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS**

Issuer	Amount Authorized
Bastrop County	None
Smithville ISD	None
City of Smithville	None

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas.

**GENERAL FUND COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES**

**TABLE 9**

The following statements set forth in condensed form reflect the historical operations of the Issuer. Such summary has been prepared for inclusion herein based upon information obtained from the Issuer's audited financial statements and records. Reference is made to such statements for further and complete information.

	Fiscal Year Ended				
	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/202018
Fund Balance - Beginning of Year	\$ 1,272,144	\$ 1,775,565	\$ 1,360,070	\$ 1,087,360	\$ 955,701
Revenues	4,593,302	3,941,834	5,663,447	3,559,410	3,470,162
Expenditures	5,964,956	5,823,777	6,426,170	4,351,433	4,357,638
Excess (Deficit) of Revenues Over Expenditures	\$ (1,371,654)	\$ (1,881,943)	\$ (762,723)	\$ (792,023)	\$ (887,476)
Other Financing Sources (Uses):					
Operating Transfers In	\$ 1,394,000	\$ 1,107,000	\$ 1,037,000	\$ 1,137,000	\$ 1,137,497
Sale of Capital Assets	8,500	33,144	7,062	490,000	5,000
Insurance recoveries	34,170	17,014	15,481	-	13,088
Operating Transfers Out	-	(17,876)	(40,519)	(562,267)	(136,450)
Capital Leases	-	239,240	159,194	-	-
Total Other Financing Sources (Uses):	\$ 1,436,670	\$ 1,378,522	\$ 1,178,218	\$ 1,064,733	\$ 1,019,135
Fund Balance - End of Year	\$ 1,337,125	\$ 1,272,144	\$ 1,775,565	\$ 1,360,070	\$ 1,087,360

Source: The Issuer's Comprehensive Annual Financial Reports.

**EMPLOYEE'S PENSION PLAN AND OTHER POST-EMPLOYMENT BENEFITS**

**TABLE 10**

The Defined Benefit Pension Plan can be obtained from the City's 2022 Financial Report Note "E", page 48.

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**APPENDIX B**

**GENERAL INFORMATION REGARDING THE CITY OF SMITHVILLE  
AND BASTROP COUNTY, TEXAS**

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**GENERAL INFORMATION REGARDING  
THE CITY OF SMITHVILLE, TEXAS AND BASTROP COUNTY, TEXAS**

The City of Smithville, located just off State Highway 71 and ten miles southeast of Bastrop in southeastern Bastrop County is approximately 3.51 Square miles in area. In 1691 missionaries on the expedition of Don Domingo Teran De Los Rios sighted a lagoon which the Indians called Nenocadda. The Lagoon, known today as Shipp’s Lake, on the southern edge of present Smithville. Frederick W. Grasmeyer operated a ferry here on the Colorado Right in 1836. Steamboats plied the river from 1845 to 1865.

The City of Smithville was established by Thomas Gazeley. Gazeley operated a store there until his death in 1853. The community that sprang up around the store was named Smithville, after William Smith, another early settler. By 1890 Smithville had 616 residents and its businesses included two hotels, three millineries and a medical practice. In the 1890s the community boomed with the extension of the railroad line to Lockhart and the extension of the line to Houston the following year. The biggest boost came in 1894 when the Missouri, Kansas and Texas line established its central shops in Smithville. By 1984, the town was a manufacturing and trading center with more than seventy rated businesses and an estimated population of 3,470. Local products include cedar cabins, fencing, furniture and ship doors and components. Smithville also remained a center for farming and livestock raising.

The City is centrally located between Austin, Houston, San Antonio and Bryan-College Station. It offers great shopping, lodging, and exploring. From its five-day Jamboree, Texas Photo Festival, its biking and hiking trails, to a variety in antique/vintage shopping.

Seton Smithville Regional Hospital is the only level IV trauma center in the county and is equipped with the latest life-saving equipment. It has a complete imaging and diagnostic center, physical therapy and rehabilitation care, inpatient medical and surgical care, cardiopulmonary services, oncology services and more.

**Education**

Smithville Independent School District serves the City. The District has one primary school, one elementary school, one junior high school and one high school.

**Bastrop County, Texas**

Bastrop County, located on State highways 71,95,21 and 304 on the upper Gulf coastal plains just below the Balcones Escarpment, encompasses 895 square miles of southeast central Texas. Its seat of government, Bastrop, is situated in the center of the County, a location about thirty miles southeast of downtown Austin. The terrain throughout most of the county is characterized by rolling uplands and broken hills with surface layers of primarily sand, loamy soils, and woods where post oaks predominate but where cedar, hickory, elm and walnut also occur. The Colorado River bisects the county from northwest to southwest. Near the river, the Lost Pine Forest extends through an east central section of the county. Mineral resources include clay, oil, gas, lignite, sand, gravel and surface and underground water.

The County’s economy is now based on agriculture, light manufacturing and tourism. The Texas Almanac designates livestock, corn, sorghum, pecans and peanuts as principal sources of agricultural income.

**Labor Force Statistics <sup>(1)</sup>**

	2023 <sup>(2)</sup>	2022 <sup>(3)</sup>	2021 <sup>(3)</sup>	2020 <sup>(3)</sup>
Civilian Labor Force	49,762	48,156	45,560	42,697
Total Employed	47,908	46,546	43,508	40,111
Total Unemployed	1,854	1,610	2,052	2,578
% Unemployment	3.7%	3.3%	4.5%	6.0%
Texas Unemployment	4.1%	3.9%	5.6%	7.7%

(1) Source: Texas Workforce Commission.  
 (2) As of June 2023.  
 (3) Average Annual Statistics.

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**APPENDIX C**

**FORM OF LEGAL OPINION OF BOND COUNSEL**

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**DRAFT**

IN REGARD to the authorization and issuance of the “City of Smithville, Texas Tax Notes, Series 2023” (the *Obligations*), dated October 1, 2023 in the aggregate principal amount of \$\_\_\_\_\_, we have reviewed the legality and validity of the issuance thereof by the City Council of the City of Smithville, Texas (the *Issuer*). The *Obligations* are issuable in fully registered form only, in denominations of \$5,000 or any integral multiple thereof (within a Stated Maturity). The *Obligations* have Stated Maturities of February 1 in each of the years 20\_\_\_ through 20\_\_\_. The *Obligations* are not subject to redemption prior to Stated Maturity. Interest on the *Obligations* accrues from the dates, at the rates, in the manner, and is payable on the dates as provided in the ordinance (the *Ordinance*) authorizing the issuance of the *Obligations*. Capitalized terms used herein without definition shall have the meanings ascribed thereto in the Ordinance.

WE HAVE SERVED AS BOND COUNSEL for the Issuer solely to pass upon the legality and validity of the issuance of the *Obligations* under the laws of the State of Texas and with respect to the exclusion of the interest on the *Obligations* from the gross income of the owners thereof for federal income tax purposes and for no other purpose. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Issuer. We have not assumed any responsibility with respect to the financial condition or capabilities of the Issuer or the disclosure thereof in connection with the sale of the *Obligations*. We express no opinion and make no comment with respect to the sufficiency of the security for or the marketability of the *Obligations*. Our role in connection with the Issuer’s Official Statement prepared for use in connection with the sale of the *Obligations* has been limited as described therein.

WE HAVE EXAMINED the applicable and pertinent laws of the State of Texas and the United States of America. In rendering the opinions herein we rely upon (1) original or certified copies of the proceedings of the City Council of the Issuer in connection with the issuance of the *Obligations*, including the Ordinance; (2) customary certifications and opinions of officials of the Issuer; (3) certificates executed by officers of the Issuer relating to the expected use and investment of proceeds of the *Obligations* and certain other funds of the Issuer and to certain other facts solely within the knowledge and control of the Issuer; and (4) such other documentation, including an examination of the *Obligation* executed and delivered initially by the Issuer, and such matters of law as we deem relevant to the matters discussed below. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements and information contained in such certificates. We express no opinion concerning any effect on the following opinions which may result from changes in law effected after the date hereof.

BASED ON OUR EXAMINATION, IT IS OUR OPINION that the *Obligations* have been duly authorized and issued in conformity with the laws of the State of Texas now in force and that the *Obligations* are valid and legally binding obligations of the Issuer enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof

**Legal Opinion of Cantu Harden Montoya LLP, San Antonio, Texas, in connection with the authorization and issuance of CITY OF SMITHVILLE, TEXAS TAX NOTES, SERIES 2023**

may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. The Obligations are payable from the proceeds of an ad valorem tax levied, within the limitations prescribed by law, upon all taxable property in the Issuer.

IT IS FURTHER OUR OPINION that, assuming continuing compliance after the date hereof by the Issuer with the provisions of the Ordinance and in reliance upon the representations and certifications of the Issuer made in a certificate of even date herewith pertaining to the use, expenditure, and investment of the proceeds of the Obligations, under existing statutes, regulations, published rulings, and court decisions (1) interest on the Obligations will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the Code), of the owners thereof for federal income tax purposes, pursuant to section 103 of the Code, and (2) interest on the Obligations is not an item of tax preference for purposes of the alternative minimum tax; however, such interest is taken into account in determining the "annual adjusted financial statement income" (as defined in section 56A of the Code) of "applicable corporations" (as defined in section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022.

WE EXPRESS NO OTHER OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Obligations. Ownership of tax exempt obligations such as the Obligations may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement Benefits, individuals otherwise qualifying for the earned income credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Cantu Harden Montoya LLP

**APPENDIX D**

**FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022**

(Independent Auditor's Report, General Financial Statements and Notes to the Financial Statements – not intended to be a complete statement of the Issuer's financial condition. Reference is made to the complete Annual Financial Report for further information.)

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CITY OF SMITHVILLE, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2022



SINGLETON, CLARK  
& COMPANY, PC CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SMITHVILLE, TEXAS  
 ANNUAL FINANCIAL REPORT  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

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CITY OF SMITHVILLE, TEXAS  
ANNUAL FINANCIAL REPORT  
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## FINANCIAL SECTION

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Smithville, Texas (the "City"), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise City of Smithville, Texas's basic financial statements as listed in the table of contents.

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 City of Smithville, Texas, as of September 30, 2022, 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.

#### *Basis for Opinions*

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City of Smithville, Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Smithville, Texas's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Smithville, Texas's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Smithville, Texas's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis section which precedes the basic financial statements and the pension and other post-employment benefits liabilities related schedules following the notes to the financial statements be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.



### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Smithville, Texas's basic financial statements. The accompanying combining schedules of non-major governmental funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining schedules of non-major governmental funds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2023 on our consideration of City of Smithville, Texas'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 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 City of Smithville, Texas'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 City of Smithville, Texas's internal control over financial reporting and compliance.

*Singleton, Clark & Company, PC*

Singleton, Clark & Company, PC  
Cedar Park, Texas

March 3, 2023

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CITY OF SMITHVILLE, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

### Management's Discussion and Analysis

The Management's Discussion and Analysis section of the City of Smithville, Texas's (hereafter the "City") Annual Financial Report offers readers this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2022. Please read it in conjunction with the independent auditor's report beginning on page 1 of this report and the City's basic financial statements which follow this section.

### Financial Highlights

- The City's net position for governmental activities increased by \$380,744 to end at \$10,823,243 primarily due to transfers from the Utility Fund and the net effect of various transactions involving the City's net pension and OPEB liabilities.
- The City's fund balance in the General Fund increased by \$65,016 to end at \$1,337,125 largely due to insurance proceeds and transfers from the Utility Fund.
- The City's net position in the Utility Fund decreased by \$207,286 to end at \$5,500,382 largely due to transfers out to the City's governmental funds.

### Overview of the Financial Statements

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

**Government-wide Financial Statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents financial information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference between assets and liabilities reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

CITY OF SMITHVILLE, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, sanitation, culture and recreation, code enforcement/inspection, cemetery, airport, and economic development and assistance. The business-type activities of the City include electricity, water, and wastewater.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate economic development corporation for which the City financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the City's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds as applicable.

**Governmental Funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains twenty individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Coronavirus Local Fiscal Recovery Fund, which are considered to be major funds. Data from the other eighteen governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The City adopts an annual appropriated budget for its General Fund and Debt Service Fund. A budgetary comparison statement has been provided for these funds to demonstrate compliance with these budgets.

CITY OF SMITHVILLE, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

**Proprietary Funds.** The City has the option of maintaining two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses an enterprise fund to account for its electric and water/wastewater utility operation. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among a city's functions. The City is not currently utilizing an internal service fund. Because the services provided by internal service funds predominantly benefit governmental rather than business-type functions, they are usually included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the electric utility and water/wastewater utility. Conversely, when internal service funds are utilized, they are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds are then provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are *not* reported in the government-wide financial statements because the resources of those funds *are* not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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

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

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's progress in funding its obligation to provide pension and OPEB benefits to its employees. Required supplementary information can be found on page 63 of this report. The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information.

CITY OF SMITHVILLE, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

**Government-wide Overall Financial Analysis**

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities by \$10,823,243 at the close of the most recent fiscal year.

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

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current assets	\$ 3,175,379	\$ 2,853,602	\$ 3,464,889	\$ 3,572,549	\$ 6,640,268	\$ 6,426,151
Capital assets	11,170,144	10,858,528	9,568,829	9,473,955	20,738,973	20,332,483
Total assets	14,345,523	13,712,130	13,033,718	13,046,504	27,379,241	26,758,634
Deferred outflows of resources	244,666	304,174	120,506	149,817	365,172	453,991
Current liabilities	1,123,360	1,010,548	1,361,288	544,501	2,484,648	1,555,049
Noncurrent liabilities	2,230,547	2,248,435	6,089,117	6,789,091	8,319,664	9,037,526
Total liabilities	3,353,907	3,258,983	7,450,405	7,333,592	10,804,312	10,592,575
Deferred inflows of resources	413,039	314,822	203,437	155,061	616,476	469,883
Net position:						
Net investment in capital assets	9,218,762	9,141,379	3,616,440	2,943,032	12,835,202	12,084,411
Restricted	432,425	430,544	-	-	432,425	430,544
Unrestricted	1,172,056	870,576	1,883,942	2,764,636	3,055,998	3,635,212
Total net position	\$ 10,823,243	\$ 10,442,499	\$ 5,500,382	\$ 5,707,668	\$ 16,323,625	\$ 16,150,167

By far, the largest portion of the City's net position (85.2%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (4.0%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,173,568 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors. At the end of the current fiscal year, the City is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

CITY OF SMITHVILLE, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

The City's overall net position increased by \$173,458 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

**Governmental Activities.** During the current fiscal year, net position for governmental activities increased \$380,744 from the prior fiscal year for an ending balance of \$10,823,243. While the current recession certainly had an impact on the City, management was able to take various actions (e.g., increasing rates for certain revenue sources, delaying certain nonrecurring expenses, reducing expenses related to non-essential ongoing programs in the culture and recreation function) that neutralized its effect on governmental activities. The increase in the overall net position of governmental activities is the result of transfers in from the Utility Fund and various transactions involving the City's net pension and OPEB liabilities.

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

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
<b>Program Revenues:</b>						
Charges for services	\$ 1,831,564	\$ 1,541,227	\$ 7,900,152	\$ 7,365,411	\$ 9,731,716	\$ 8,906,638
Operating grants & contributions	758,963	559,243	-	-	758,963	559,243
Capital grants and contributions	588,813	-	-	250,581	588,813	250,581
<b>General Revenues:</b>						
Property taxes	1,824,474	1,613,365	-	-	1,824,474	1,613,365
Other taxes	1,144,346	964,066	-	-	1,144,346	964,066
Other	411,260	107,502	149,007	144,727	560,267	252,229
<b>Total revenue</b>	<b>6,559,420</b>	<b>4,785,403</b>	<b>8,049,159</b>	<b>7,760,719</b>	<b>14,608,579</b>	<b>12,546,122</b>
<b>Expenses:</b>						
General government	1,919,405	825,764	-	-	1,919,405	825,764
Public safety	1,656,769	1,617,204	-	-	1,656,769	1,617,204
Code enforcement and inspection	148,825	143,089	-	-	148,825	143,089
Highways and streets	831,734	711,402	-	-	831,734	711,402
Sanitation	1,356,131	1,110,722	-	-	1,356,131	1,110,722
Health and welfare	2,164	-	-	-	2,164	-
Culture and recreation	1,294,471	1,174,687	-	-	1,294,471	1,174,687
Cemetery	114,699	107,976	-	-	114,699	107,976
Airport	139,177	84,647	-	-	139,177	84,647
Economic dev. and assistance	141,178	81,030	-	-	141,178	81,030
Interest on long-term debt	55,123	60,522	-	-	55,123	60,522
Utility Fund	-	-	6,775,445	6,071,645	6,775,445	6,071,645
<b>Total expenses</b>	<b>7,659,676</b>	<b>5,917,043</b>	<b>6,775,445</b>	<b>6,071,645</b>	<b>14,435,121</b>	<b>11,988,688</b>
Increase (decrease) in net position before transfers	(1,100,256)	(1,131,640)	1,273,714	1,689,074	173,458	557,434
Transfers	1,481,000	1,227,457	(1,481,000)	(1,227,457)	-	-
Increase (decrease) in net position	380,744	95,817	(207,286)	461,617	173,458	557,434
Net position - beginning	10,442,499	10,346,682	5,707,668	5,246,051	16,150,167	15,592,733
Net position - ending	\$ 10,823,243	\$ 10,442,499	\$ 5,500,382	\$ 5,707,668	\$ 16,323,625	\$ 16,150,167

CITY OF SMITHVILLE, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

**Business-type Activities.** For the City of Smithville, Texas's business-type activities, overall net position decreased to end at an ending balance of \$5,500,382. The total decrease in net position for business-type activities (Utility Fund) was \$207,286 or 3.6% from the prior fiscal year. The decrease, in large part, is attributable to a transfers out to the City's governmental funds.

**Financial Analysis of Governmental Funds**

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

**Governmental Funds.** The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City's Council.

At September 30, 2022, the City's governmental funds reported combined fund balances of \$1,932,232, an increase of \$201,266 in comparison with the prior year. Approximately 68% of this amount, \$1,318,426, constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable, restricted, committed, or assigned* to indicate that it is 1) not in spendable form, \$18,699; 2) legally required to be maintained intact, \$0; 3) restricted for particular purposes, \$402,706; 4) committed for particular purposes, \$192,401; or 5) assigned for particular purposes, \$0.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,318,426, while total fund balance increased to \$1,337,125. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 22.1% of total general fund expenditures, while total fund balance represents approximately 22.4% of that same amount.

The fund balance of the City's General Fund increased by \$65,016 during the current fiscal year. As discussed earlier in connection with governmental activities, the increase was due to insurance proceeds and transfers from the Utility Fund.

The Coronavirus Local Fiscal Recovery Fund, a major special revenue fund, had a \$1,497 increase in fund balance during the current fiscal year which put the overall fund balance at \$1,512. The increase in fund balance was related to investment earnings.



CITY OF SMITHVILLE, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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

The Utility Fund had a \$207,286 decrease in total net position during the year, ending at \$5,500,382. At year-end, the Utility Fund reported an unrestricted net position of \$1,883,942, which represents approximately 29% of the fund's operating expenses for the year. Additionally, the Utility Fund reported a restricted net position of \$3,616,440 related to future obligations.

**General Fund Budgetary Highlights**

**Original budget compared to final budget.** During the year there was no need for any significant amendments to increase either the original estimated revenues or original budgeted appropriations. However, there was a need to make an amendment to reallocate appropriations among departments when it became clearer which departments would actually be charged for certain employee benefits such as pensions and other postemployment benefits. Generally, the movement of the appropriations between departments was *not* significant.

**Capital Assets and Debt Administration**

**Capital assets.** The City's investment in capital assets for its governmental and business-type activities as of September 30, 2022, amounts to \$20,738,973 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, vehicles, park facilities, roads, highways, bridges, and the water treatment plant. The total increase in capital assets for the current fiscal year was approximately 3.0%.

**Capital Assets, Net of Accumulated Depreciation**

	Governmental Activities 2022	Governmental Activities 2021	Change
Land	\$ 664,891	\$ 664,891	\$ -
Buildings	6,495,613	6,495,613	-
Furniture and equipment	2,973,602	2,502,971	470,631
Construction in progress	604,844	155,248	449,596
Infrastructure	8,722,504	8,722,504	-
Total	<u>19,461,454</u>	<u>18,541,227</u>	<u>920,227</u>
Less accumulated depreciation	<u>(8,291,310)</u>	<u>(7,682,699)</u>	<u>(608,611)</u>
Capital assets, net of depreciation	<u>\$ 11,170,144</u>	<u>\$ 10,858,528</u>	<u>\$ 311,616</u>

CITY OF SMITHVILLE, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Business-Type Activities 2022	Business-Type Activities 2021	Change
Land	\$ 174,319	\$ 174,319	\$ -
Furniture and equipment	1,536,942	1,542,942	(6,000)
Construction in progress	468,342	1,121,573	(653,231)
Infrastructure	17,631,693	16,363,478	1,268,215
Total	<u>19,811,296</u>	<u>19,202,312</u>	<u>608,984</u>
Less accumulated depreciation	<u>(10,242,467)</u>	<u>(9,728,357)</u>	<u>(514,110)</u>
Capital assets, net of depreciation	<u>\$ 9,568,829</u>	<u>\$ 9,473,955</u>	<u>\$ 94,874</u>

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

**Long-term Debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$7,903,771. Of this amount, \$5,202,151 is debt backed by the full faith and credit of the government and \$0 is special assessment debt for which the government is liable in the event of default by the property owners subject to the assessment. The remainder of the City long-term obligations comprises pension-related debt, compensated absences payable, and capital leases.

**Outstanding Debt**

	Governmental Activities 2022	Governmental Activities 2021	Change
General obligation bonds	\$ 620,000	\$ 915,000	\$ (295,000)
Certificates of obligation	465,000	475,000	(10,000)
Notes payable	615,000	-	615,000
Right to use leases payable	251,382	327,149	(75,767)
Compensated absences payable	91,887	80,945	10,942
Total	<u>\$ 2,043,269</u>	<u>\$ 1,798,094</u>	<u>\$ 245,175</u>

	Business-Type Activities 2022	Business-Type Activities 2021	Change
General obligation bonds	\$ 1,825,000	\$ 2,085,000	\$ (260,000)
Certificates of obligation	2,190,000	2,260,000	(70,000)
Premium on issuance	102,151	108,535	(6,384)
Right to use leases payable	1,835,238	2,077,388	(242,150)
Compensated absences payable	44,486	36,358	8,128
Total	<u>\$ 5,996,875</u>	<u>\$ 6,567,281</u>	<u>\$ (570,406)</u>

CITY OF SMITHVILLE, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

The City's total debt decreased by \$325,230 during the current fiscal year. The reason for the decrease was that the only new debt issuance during the year was for an amount that was less than the regularly scheduled principal reductions on the existing outstanding debt. The new issuance was a tax note with a face value of \$785,000.

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

**Economic Factors and Next Year's Budgets and Rates**

The City considered many factors when setting the fiscal year 2023 budget. The City's General Fund budget for fiscal year 2023 includes expenditures of \$5,938,301 which is an increase of approximately \$502,000 from fiscal year 2022 total adopted expenditures. The city decreased the tax rate for 2022-2023 to \$0.3831 for the General Fund and to \$0.1658 for the Interest and Sinking Fund. The overall total tax rate decreased to \$0.5489 per \$100 valuation.

**Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those interested in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City's business office at the City of Smithville, Texas, 317 Main Street, Texas 78957-0449, or by calling (512) 237-3282.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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CITY OF SMITHVILLE, TEXAS  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2022

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,047,084	\$ 821,566	\$ 1,868,650
Investments - current	892,373	1,660,127	2,552,500
Taxes receivable - delinquent	148,703	-	148,703
Allowance for uncollectible taxes	(14,870)	-	(14,870)
Accounts receivable, net	192,550	925,218	1,117,768
Intergovernmental receivable	197,537	26,746	224,283
Internal balances	693,209	5,306	698,515
Due from custodial funds	94	-	94
Inventories	-	11,373	11,373
Prepaid items	18,699	14,553	33,252
Capital assets, not being depreciated:			
Land	664,891	174,319	839,210
Construction in progress	604,844	1,701,507	2,306,351
Capital assets, being depreciated:			
Buildings and improvements	6,495,613	-	6,495,613
Machinery, equipment, and vehicles	2,973,602	1,536,942	4,510,544
Infrastructure	8,722,504	16,398,528	25,121,032
Accumulated depreciation	(8,291,310)	(10,242,467)	(18,533,777)
Total assets	<u>14,345,523</u>	<u>13,033,718</u>	<u>27,379,241</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows NPL/OPEB	244,666	120,506	365,172
Total deferred outflows of resources	<u>244,666</u>	<u>120,506</u>	<u>365,172</u>
<b>LIABILITIES</b>			
Accounts payable	337,096	434,212	771,308
Accrued salaries and benefits	89,145	22,532	111,677
Accrued liabilities	-	17,655	17,655
Retainage payable	27,639	20,089	47,728
Internal balances	5,306	693,209	698,515
Accrued interest payable	14,046	59,309	73,355
Unearned revenue	641,987	-	641,987
Other current liabilities	5,116	-	5,116
Customer deposits	3,025	114,282	117,307
Noncurrent liabilities:			
Due within one year	486,819	554,503	1,041,322
Due in more than one year	1,743,728	5,534,614	7,278,342
Total liabilities	<u>3,353,907</u>	<u>7,450,405</u>	<u>10,804,312</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows NPL/OPEB	413,039	203,437	616,476
Total deferred inflows of resources	<u>413,039</u>	<u>203,437</u>	<u>616,476</u>
<b>NET POSITION</b>			
Net investment in capital assets	9,218,762	3,616,440	12,835,202
Restricted for debt service	430,913	-	430,913
Unrestricted	1,172,056	1,883,942	3,055,998
Total net position	<u>\$ 10,823,243</u>	<u>\$ 5,500,382</u>	<u>\$ 16,323,625</u>

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

CITY OF SMITHVILLE, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Functions/Programs:	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental activities:				
General government	\$ 1,919,405	\$ 348,960	\$ 758,963	\$ 514,773
Public safety	1,656,769	111,438	-	-
Inspection	148,825	-	-	-
Highways and streets	831,734	-	-	42,040
Sanitation	1,356,131	1,139,613	-	-
Health and welfare	2,164	-	-	-
Culture and recreation	1,294,471	135,552	-	-
Cemetery	114,699	42,450	-	-
Airport	139,177	53,551	-	32,000
Economic development and assistance	141,178	-	-	-
Interest and bank fees	55,123	-	-	-
Total governmental activities:	<u>7,659,676</u>	<u>1,831,564</u>	<u>758,963</u>	<u>588,813</u>
Business-type activities:				
Utility Fund	6,775,445	7,900,152	-	-
Total business-type activities:	<u>6,775,445</u>	<u>7,900,152</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 14,435,121</u>	<u>\$ 9,731,716</u>	<u>\$ 758,963</u>	<u>\$ 588,813</u>

General revenues:

Property taxes  
Sales taxes  
Hotel/motel taxes  
Franchise taxes  
Investment earnings  
Gain (Loss) on sale of capital assets  
Miscellaneous

Total general revenues

Transfers

Total general revenues, special/extraordinary item and transfers

Change in net position

Net position - beginning

Net position - ending

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



Net (Expense) Revenue and Changes in Net Position

Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (296,709)	\$ -	\$ (296,709)
(1,545,331)	-	(1,545,331)
(148,825)	-	(148,825)
(789,694)	-	(789,694)
(216,518)	-	(216,518)
(2,164)	-	(2,164)
(1,158,919)	-	(1,158,919)
(72,249)	-	(72,249)
(53,626)	-	(53,626)
(141,178)	-	(141,178)
(55,123)	-	(55,123)
<u>(4,480,336)</u>	<u>-</u>	<u>(4,480,336)</u>
-	1,124,707	1,124,707
-	1,124,707	1,124,707
<u>(4,480,336)</u>	<u>1,124,707</u>	<u>(3,355,629)</u>
1,824,474	-	1,824,474
980,898	-	980,898
40,043	-	40,043
123,405	-	123,405
14,361	10,767	25,128
6,300	700	7,000
390,599	137,540	528,139
<u>3,380,080</u>	<u>149,007</u>	<u>3,529,087</u>
1,481,000	(1,481,000)	-
<u>4,861,080</u>	<u>(1,331,993)</u>	<u>3,529,087</u>
380,744	(207,286)	173,458
10,442,499	5,707,668	16,150,167
<u>\$ 10,823,243</u>	<u>\$ 5,500,382</u>	<u>\$ 16,323,625</u>

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FUND BASIS FINANCIAL STATEMENTS

CITY OF SMITHVILLE, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2022

	General Fund	CLFRF	Total Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 405,491	\$ 582,766	\$ 58,827	\$ 1,047,084
Investments - current	356,603	-	535,770	892,373
Taxes receivable - delinquent	115,682	-	33,021	148,703
Allowance for uncollectible delinquent taxes	(11,568)	-	(3,302)	(14,870)
Accounts receivable	185,575	-	6,975	192,550
Intergovernmental receivable	15,725	-	181,812	197,537
Due from other funds	713,740	-	1,000	714,740
Prepaid items	18,699	-	-	18,699
Total assets	<u>\$ 1,799,947</u>	<u>\$ 582,766</u>	<u>\$ 814,103</u>	<u>\$ 3,196,816</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 201,640	\$ -	\$ 135,456	\$ 337,096
Accrued payroll	88,194	-	951	89,145
Retainage payable	-	-	27,639	27,639
Due to other funds	-	-	26,743	26,743
Unearned revenue	60,733	581,254	-	641,987
Other current liabilities	5,116	-	-	5,116
Customer deposits	3,025	-	-	3,025
Total liabilities	<u>358,708</u>	<u>581,254</u>	<u>190,789</u>	<u>1,130,751</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue	104,114	-	29,719	133,833
Total deferred inflows of resources	<u>104,114</u>	<u>-</u>	<u>29,719</u>	<u>133,833</u>
<b>FUND BALANCES</b>				
Nonspendable:				
Fund balance - nonspendable-prepays	18,699	-	-	18,699
Restricted:				
Fund balance - restricted for debt service	-	-	401,194	401,194
Fund balance - restricted for federal programs	-	1,512	-	1,512
Committed:				
Fund balance - committed for specific purposes	-	-	192,401	192,401
Unassigned	1,318,426	-	-	1,318,426
Total fund balances	<u>1,337,125</u>	<u>1,512</u>	<u>593,595</u>	<u>1,932,232</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 1,799,947</u>	<u>\$ 582,766</u>	<u>\$ 814,103</u>	<u>\$ 3,196,816</u>

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

CITY OF SMITHVILLE, TEXAS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2022

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

Total fund balance of all governmental funds	\$ 1,932,232
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	11,170,144
Other long-term assets, such as uncollected property taxes, are not available to pay for and, therefore, are reported as unavailable revenue in the funds.	133,833
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(2,057,315)
Additional long-term liabilities related to the recognition of the net pension liability and/or the net OPEB liability is/are not reported in the funds.	(355,651)
	\$ 10,823,243
Net position of governmental activities	\$ 10,823,243

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

CITY OF SMITHVILLE, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	General Fund	CLFRF	Total Nonmajor Funds	Total Governmental Funds
<b>REVENUES</b>				
Property taxes	\$ 1,387,420	\$ -	\$ 429,064	\$ 1,816,484
Sales taxes	980,898	-	-	980,898
Hotel/motel taxes	40,043	-	-	40,043
Franchise taxes	123,405	-	-	123,405
Licenses and permits	143,901	-	-	143,901
Intergovernmental revenues	76,660	539,710	560,063	1,176,433
Charges for services	1,154,574	-	55,591	1,210,165
Fines	55,847	-	-	55,847
Special assessments	421,228	-	-	421,228
Investment earnings	7,726	1,496	5,139	14,361
Rents and royalties	423	-	-	423
Grants and contributions	158,005	-	13,338	171,343
Miscellaneous revenue	43,172	-	313,257	356,429
Total revenues	4,593,302	541,206	1,376,452	6,510,960
<b>EXPENDITURES</b>				
Current:				
General government	549,999	520,349	678,100	1,748,448
Public safety	1,546,514	-	-	1,546,514
Inspection	138,264	-	-	138,264
Highways and streets	761,954	-	-	761,954
Sanitation	1,239,495	-	-	1,239,495
Health and welfare	-	-	1,968	1,968
Culture and recreation	1,201,378	-	-	1,201,378
Cemetery	106,759	-	-	106,759
Airport	126,597	-	-	126,597
Economic development and assistance	131,661	-	-	131,661
Debt service:				
Bond principal	75,767	-	475,000	550,767
Interest - bonds	10,321	-	44,511	54,832
Capital outlay	76,247	19,360	914,120	1,009,727
Total expenditures	5,964,956	539,709	2,113,699	8,618,364
Excess (deficiency) of revenues over	(1,371,654)	1,497	(737,247)	(2,107,404)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,394,000	-	88,000	1,482,000
Transfers out	-	-	(1,000)	(1,000)
Sale of general capital assets	8,500	-	-	8,500
Insurance recoveries	34,170	-	-	34,170
General obligation bonds issued	-	-	785,000	785,000
Total other financing sources (uses)	1,436,670	-	872,000	2,308,670
Net change in fund balance	65,016	1,497	134,753	201,266
Fund balance - beginning	1,272,109	15	458,842	1,730,966
Fund balance - ending	\$ 1,337,125	\$ 1,512	\$ 593,595	\$ 1,932,232

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

CITY OF SMITHVILLE, TEXAS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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

Net change in fund balances for total governmental funds	\$	201,266
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.</p>		
		313,816
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		7,990
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to increase (decrease) net position.</p>		
		(2,200)
<p>The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
		(245,466)
<p>The net effect of various transactions involving the net pension liability and/or the net OPEB liability is to increase net position.</p>		
		105,338
Change in net position for governmental activities	\$	380,744

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

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CITY OF SMITHVILLE, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL – GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 1,480,822	\$ 1,574,895	\$ 1,387,420	\$ (187,475)
Sales taxes	809,600	861,032	980,898	119,866
Hotel/motel taxes	24,000	25,525	40,043	14,518
Franchise taxes	105,250	119,936	123,405	3,469
Penalties and interest on taxes	8,750	9,306	-	(9,306)
Licenses and permits	93,050	140,461	143,901	3,440
Intergovernmental revenues	18,440	34,340	76,660	42,320
Charges for services	1,263,785	1,356,689	1,154,574	(202,115)
Fines	58,250	66,690	55,847	(10,843)
Special assessments	-	-	421,228	421,228
Investment earnings	5,000	6,815	7,726	911
Rents and royalties	-	-	423	423
Contributions and donations, private sources	107,570	200,324	158,005	(42,319)
Miscellaneous revenue	204,250	270,678	43,172	(227,506)
Total revenues	<u>4,178,767</u>	<u>4,666,691</u>	<u>4,593,302</u>	<u>(73,389)</u>
<b>EXPENDITURES</b>				
Current:				
General government	497,197	553,604	549,999	3,605
Public safety	1,591,294	1,547,615	1,546,514	1,101
Code enforcement and inspections	120,233	138,264	138,264	-
Highways and streets	514,856	761,953	761,954	(1)
Sanitation	1,197,507	1,239,496	1,239,495	1
Culture and recreation	1,119,958	1,199,668	1,201,378	(1,710)
Cemetery	100,357	106,759	106,759	-
Airport	72,750	126,597	126,597	-
Economic development and assistance	135,967	131,661	131,661	-
Debt service:				
Other debt principal	75,767	75,767	75,767	-
Interest - other debt	10,321	10,321	10,321	-
Capital outlay	-	76,247	76,247	-
Total Expenditures	<u>5,436,207</u>	<u>5,967,952</u>	<u>5,964,956</u>	<u>2,996</u>
Excess (deficiency) of revenues over expenditures	<u>(1,257,440)</u>	<u>(1,301,261)</u>	<u>(1,371,654)</u>	<u>(70,393)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,324,000	1,324,000	1,394,000	70,000
Transfers out	(86,560)	-	-	-
Sale of general capital assets	20,000	20,000	8,500	(11,500)
Insurance recoveries	-	-	34,170	34,170
Total other financing sources (uses)	<u>1,257,440</u>	<u>1,344,000</u>	<u>1,436,670</u>	<u>92,670</u>
Net change in fund balances	-	42,739	65,016	22,277
Fund balance - beginning	1,272,109	1,272,109	1,272,109	-
Fund balance - ending	<u>\$ 1,272,109</u>	<u>\$ 1,314,848</u>	<u>\$ 1,337,125</u>	<u>\$ 22,277</u>

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

CITY OF SMITHVILLE, TEXAS  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Business-Type Activities
	Utility Fund
<b>ASSETS</b>	
Current Assets:	
Cash and cash equivalents	\$ 821,566
Investments - current	1,660,127
Accounts receivable, net	925,218
Intergovernmental receivable	26,746
Due from other funds	5,306
Inventories	11,373
Prepaid items	14,553
Total current assets	3,464,889
Noncurrent Assets:	
Land	174,319
Infrastructure	16,398,528
Furnishings and equipment	1,536,942
Accumulated depreciation	(10,242,467)
Construction/development in progress	1,701,507
Total noncurrent assets	9,568,829
Total assets	13,033,718
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows - NPL/OPEB	120,506
Total deferred outflows of resources	120,506
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	434,212
Compensated absences payable	22,532
Accrued liabilities	17,655
Retainage payable	20,089
Due to other funds	693,209
Accrued interest payable	59,309
Long term debt payable - current	554,503
Customer deposits	114,282
Total current liabilities	1,915,791
Noncurrent Liabilities:	
Bonds payable	3,595,000
Unamortized premium on bonds	102,151
Notes payable	75,000
Lease payables	1,625,735
Net pension obligation	530
Other noncurrent liabilities	136,198
Total noncurrent liabilities	5,534,614
Total liabilities	7,450,405
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows NPL/OPEB	203,437
Total deferred inflows of resources	203,437
<b>NET POSITION</b>	
Net investment in capital assets	3,616,440
Unrestricted	1,883,942
Total net position	\$ 5,500,382

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

CITY OF SMITHVILLE, TEXAS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Business-Type Activities
	Utility Fund
<b>REVENUES</b>	
Operating revenues:	
Charges for services:	
Water	\$ 1,004,803
Electricity	5,351,800
Wastewater/sewer	1,093,171
Other charges	450,378
Miscellaneous revenue	137,540
Total operating revenues	8,037,692
<b>EXPENSES</b>	
Operating expenses:	
Salaries and wages	1,323,692
Purchased services	339,990
Other purchased services	2,850,970
Other operating expenses	1,521,521
Depreciation	516,510
Total operating expenses	6,552,683
Operating income (loss)	1,485,009
Nonoperating revenues (expenses)	
Investment earnings	10,767
Loss on disposal of property	700
Interest expense	(222,762)
Total nonoperating revenues (expenses)	(211,295)
Income before transfers in (out)	1,273,714
Transfers out	(1,481,000)
Change in net position	(207,286)
Net position-beginning	5,707,668
Net position-ending	\$ 5,500,382

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

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CITY OF SMITHVILLE, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2022

	Business-Type Activities
	Utility Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 8,067,079
Receipt (return) of customer deposits	2,000
Payments to suppliers and service providers	(4,527,566)
Payments to employees for salaries and benefits	(1,288,598)
Net cash provided by (used for) operating activities	2,252,915
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers from other funds	(1,481,000)
Net cash provided by (used for) capital and financing activities	(1,481,000)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition and construction of capital assets	(611,384)
Principal paid on capital debt	(677,442)
Interest paid on capital debt	(222,762)
Proceeds from sale of assets	700
Net cash provided by (used for) capital and related financing activities	(1,510,888)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from sale of investments	630,419
Interest on investments	10,767
Net cash provided by investing activities	641,186
Net increase (decrease) in cash and cash equivalents	(97,787)
Cash and cash equivalents-beginning	919,353
Cash and cash equivalents-ending	\$ 821,566
<b>Reconciliation of operating income (loss) to net cash provided (used for) operating activities:</b>	
Operating income (loss)	\$ 1,485,009
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation expense	516,510
(Increase) decrease in accounts receivable	29,387
(Increase) decrease in due from other funds	(5,306)
(Increase) decrease in inventories	4,907
(Increase) decrease in prepaid items	(1,364)
(Decrease) increase in deposits payable	2,000
(Decrease) increase in accounts payable	141,639
(Decrease) increase in accrued liabilities	(28,767)
(Decrease) increase in compensated absences	(13,826)
(Decrease) increase in NPL/OPEB	77,687
(Decrease) increase in due to other funds	45,039
Total adjustments	767,906
Net cash provided by (used for) operating activities	\$ 2,252,915

**Schedule of non-cash capital and related financing activities:**

Contributions of capital assets

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

CITY OF SMITHVILLE, TEXAS  
STATEMENT OF NET POSITION  
CUSTODIAL FUNDS  
SEPTEMBER 30, 2022

	Custodial Fund
	HRA Trust Fund
<b>ASSETS</b>	
Investments	\$ 38,051
Total assets	38,051
 <b>LIABILITIES</b>	
Due to other funds	94
Total liabilities	94
 <b>NET POSITION</b>	
Net position held in trust and other purposes	\$ 37,957

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

CITY OF SMITHVILLE, TEXAS  
 STATEMENT OF CHANGES IN NET POSITION  
 CUSTODIAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Custodial Fund
	HRA Trust Fund
<b>DEDUCTIONS</b>	
Benefits	\$ 11,470
Total deductions	11,470
Change in net position	(11,470)
Net position - beginning	49,427
Net position - ending	\$ 37,957

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

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NOTES TO THE FINANCIAL STATEMENTS

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CITY OF SMITHVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

**I. Summary of Significant Accounting Policies**

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

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

**A. Reporting Entity**

The City is a municipal corporation governed by an elected mayor and five-member governing council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government. For the year ended September 30, 2022, based on the definition of a component unit, the City did not have any component units, blended or discretely presented, nor is the City a component unit of any other entity.

**C. Government-Wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the City's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

**D. Fund Financial Statements**

The fund financial statements provide information about the City's funds, including its fiduciary funds and blended component units. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

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

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

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The City reports the following major enterprise funds:

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

Additionally, the City reports the following fund types:

Special revenue funds account for resources restricted by grantor and/or committed by the City to specific purposes. Most federal and state assistance is accounted for in special revenue funds, and occasionally unused balances must be returned to the grantor.

Capital project funds are used to account for the acquisition and construction of the City's major capital facilities other than those financed by the City's proprietary fund.

The Interest & Sinking Fund, a debt service fund, is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.

The HRA Trust Fund, a fiduciary fund, accounts for resources held in trust for employees which may be accessed for healthcare expenses.

During the course of operations the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds or advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

#### **E. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary, pension and other postemployment benefit trust, and private-purpose trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Agency funds have no measurement focus but utilize the *accrual basis of accounting* for reporting its assets and liabilities.

## **F. Budgetary Information**

### ***1. Budgetary basis of accounting***

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and Interest & Sinking Fund. The capital projects are appropriated on a project-length basis. Other special revenue funds and the permanent fund do not have appropriated budgets since other means control the use of these resources (e.g., grant awards and endowment requirements) and sometimes span a period of more than one fiscal year.

The appropriated budget is prepared by fund and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

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Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

***2. Excess of expenditures over appropriations***

For the year ended September 30, 2022, expenditures did not significantly exceed appropriations in any of the City's legally adopted budgets.

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

***1. Cash and cash equivalents***

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

***2. Investments***

Investments for the City are reported at fair value (generally based on quoted market prices) except for positions in Local Government Investment Pools (Lone Star) when applicable. In accordance with state law, these investment pools operate in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, the pools qualify as 2a7-like pools and are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. The pools are subject to regulatory oversight by the State Treasurer, although it is not registered with the SEC.

***3. Inventories and prepaid items***

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies and utility operations repair parts. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

***4. Capital assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets, except for infrastructure assets, are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of more than one year.

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

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

Capital asset classes	Lives
Buildings	10-50
Machinery and equipment	5-20
Vehicles	5-10
Improvements	10-20
Infrastructure	75-100
Water distribution system	75-100

***5. Deferred outflows/inflows of resources***

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

***6. Net position flow assumption***

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

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**7. Fund balance flow assumptions**

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

**8. Fund balance policies**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The council has by resolution authorized the City Manager to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**H. Revenues and Expenditures/Expenses**

**1. Program revenues**

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



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**2. *Property taxes***

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The City levies its taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. The assessed value of the property tax roll of January 1, 2021, upon which the levy for the 2021-2022 fiscal year was based, was \$320,462,860. Taxes are delinquent if not paid by February 1st of the following calendar year. Delinquent taxes are subject to both penalty and interest charges plus 15% delinquent collection fees for attorney costs.

The tax rates assessed for the year ended September 30, 2022, to finance General Fund and Debt Service Fund operations were \$0.4194 and \$0.1296, respectively, for a total tax rate of \$0.5490 per \$100 valuation. The total tax levy for the General Fund and Debt Service Fund for the 2021-2022 fiscal year was \$1,759,372. Tax collections, including collections of prior year delinquent balances, for the year ended September 30, 2022, were 99.6% of the year end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting taxes.

**3. *Compensated absences***

Vacation

The City's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from government service. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

Sick Leave

Accumulated sick leave lapses when employees leave the employment of the City and, upon separation from service, no monetary obligation exists.

**4. *Proprietary funds operating and nonoperating revenues and expenses***

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water fund and electric fund are charges to customers for sales and services. The water fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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**II. Stewardship, Compliance and Accountability**

**A. Violations of Legal or Contractual Provisions**

No violations of legal or contractual provisions were noted during the current year.

**B. Deficit Fund Equity**

For the year ended September 30, 2022 there were no funds reported with deficit fund equity.

**III. Detailed Notes on All Activities and Funds**

**A. Cash Deposits with Financial Institutions**

*Custodial credit risk-deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of September 30, 2022, the City’s bank balance was \$2,093,770 and \$0 of that amount was exposed to custodial credit risk.

**B. Investments**

The State Treasurer’s Investment Pool (Pool) operates in accordance with state law, which requires it to meet all of the requirements of Rule 2a-7 of the Securities and Exchange Commission. See note I.G.2, *Investments*, for a discussion of how the shares in the Pool are valued. The Pool has a credit rating of AAA from Standard & Poor’s Financial Services. Local government investment pools in this rating category meet the highest standards for credit quality, conservative investment policies, and safety of principal. The Pool invests in a high quality portfolio of debt securities investments legally permissible for municipalities and school districts in the state. The City utilizes a pooled investment concept for all its funds to maximize its investment program. Investment income from this internal pooling is allocated to the respective funds based upon the sources of funds invested. State statutes authorize the City to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer’s Investment Pool.

As of September 30, 2022, the City had the following investments:

Investment Type	Maturity Time in Years			
	Less than 1	1-5	6-10	More Than 10
Certificates of deposit	\$ 853,383	\$ -	\$ -	\$ -
Investment pools	1,699,117	-	-	-
Total investments	<u>\$2,552,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

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*Credit risk.* State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). It is the City’s policy to limit its investments in these investment types to the top rating issued by NRSROs. As of June 30, 2022, the City’s investment in the State Treasurer’s investment pool was rated AAA by Standard & Poor’s and Aaa by Moody’s Investors Service. The City’s investments in commercial paper were rated A1 by Standard & Poor’s, F-1 by Fitch Ratings, and P-1 by Moody’s Investor’s Service. The City’s investments in corporate bonds were rated AAA by Standard & Poor’s and Fitch Ratings, and Aaa by Moody’s Investors Service.

*Concentration of credit risk.* The City’s investment policy does not allow for an investment in any one issuer that is in excess of 5 percent of the City’s total investments. This restriction however does not apply to government investment pools due to the low risk nature of this type of investment.

*Custodial credit risk-investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

**C. Receivables**

Amounts are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. Below is a detail of receivables for the major and nonmajor funds of both the governmental and proprietary funds of the City, including the applicable allowances for uncollectible accounts:

Governmental Funds:

Receivables	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Property taxes	\$ 115,682	\$ 33,021	\$ 148,703
Sales and mixed beverage taxes	160,453	-	160,453
Property liens	51,301	-	51,301
Grants	15,725	181,813	197,538
Other	464	6,975	7,439
Gross receivables	343,625	221,809	565,434
Less: Allowance for uncollectibles	(38,210)	(3,302)	(41,512)
Net receivables	\$ 305,415	\$ 218,507	\$ 523,922

Proprietary Funds:

Receivables	Utility Fund
Accounts receivable	\$ 1,777,555
Grants	26,746
Other	7,161
Gross receivables	1,811,462
Less: Allowance for uncollectibles	(859,498)
Net receivables	\$ 951,964

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**D. Capital Assets**

Capital assets activity for the year ended September 30, 2022, was as follows:

**Governmental Activities:**

	Balance 10/1/21	Increases	Decreases	Adjustments	Balance 9/30/22
Capital assets, not being depreciated:					
Land	\$ 664,891	\$ -	\$ -	\$ -	\$ 664,891
Construction in progress	155,248	449,596	-	-	604,844
Total capital assets, not being depreciated	820,139	449,596	-	-	1,269,735
Capital assets, being depreciated:					
Buildings and improvements	6,495,613	-	-	-	6,495,613
Machinery, equipment, and vehicles	2,502,971	560,131	(89,500)	-	2,973,602
Infrastructure	8,722,504	-	-	-	8,722,504
Total capital assets, being depreciated	17,721,088	560,131	(89,500)	-	18,191,719
Less accumulated depreciation for:					
Buildings and improvements	(3,544,873)	(138,937)	-	-	(3,683,810)
Machinery, equipment, and vehicles	(2,113,016)	(217,940)	87,300	-	(2,243,656)
Infrastructure	(2,024,810)	(339,034)	-	-	(2,363,844)
Total accumulated depreciation	(7,682,699)	(695,911)	87,300	-	(8,291,310)
Total capital assets being depreciated, net	10,038,389	(135,780)	(2,200)	-	9,900,409
Governmental activities capital assets, net	\$ 10,858,528	\$ 313,816	\$ (2,200)	\$ -	\$ 11,170,144

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**Business-Type Activities:**

	Balance 10/1/21	Increases	Decreases	Adjustments	Balance 9/30/22
Capital assets, not being depreciated:					
Land	\$ 174,319	\$ -	\$ -	\$ -	\$ 174,319
Construction in progress	1,121,573	579,934	-	(1,233,165)	468,342
Total capital assets, not being depreciated	<u>1,295,892</u>	<u>579,934</u>	<u>-</u>	<u>(1,233,165)</u>	<u>642,661</u>
Capital assets, being depreciated:					
Machinery, equipment, and vehicles	1,542,942	-	(6,000)	-	1,536,942
Infrastructure	16,363,478	35,050	-	1,233,165	17,631,693
Total capital assets, being depreciated	<u>17,906,420</u>	<u>35,050</u>	<u>(6,000)</u>	<u>1,233,165</u>	<u>19,168,635</u>
Less accumulated depreciation for:					
Machinery, equipment, and vehicles	(1,205,329)	(84,514)	2,400	-	(1,287,443)
Infrastructure	(8,523,028)	(431,996)	-	-	(8,955,024)
Total accumulated depreciation	<u>(9,728,357)</u>	<u>(516,510)</u>	<u>2,400</u>	<u>-</u>	<u>(10,242,467)</u>
Total capital assets being depreciated, net	<u>8,178,063</u>	<u>(481,460)</u>	<u>(3,600)</u>	<u>1,233,165</u>	<u>8,926,168</u>
Business-type activities capital assets, net	<u>\$ 9,473,955</u>	<u>\$ 98,474</u>	<u>\$ (3,600)</u>	<u>\$ -</u>	<u>\$ 9,568,829</u>

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

**Governmental activities:**

General government	\$ 173,748
Public safety	153,681
Inspections	13,740
Highways and streets	75,717
Sanitation	123,172
Health and welfare	196
Culture and recreation	119,384
Cemetery	10,609
Airport	12,580
Economic development and assistance	13,084
Total depreciation expense - governmental activities	<u>\$ 695,911</u>

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**E. Defined Benefit Pension Plan**

*Plan Description*

The City participates as one of more than 920 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 annual comprehensive financial report (ACFR) that can be obtained at [www.tmrs.com](http://www.tmrs.com).

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

*Benefits Provided*

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

*Employees Covered by Benefit Terms*

At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	33
Inactive employees entitled to but not yet receiving benefits	75
Active employees	66
	<hr/>
	174
	<hr/> <hr/>

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*Contributions*

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

Employees for the City were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of Smithville were 7.06% and 6.80% in calendar years 2021 and 2022, respectively. The City's contributions to TMRS for the year ended September 30, 2022 were \$222,881, and were equal to the required contributions.

*Net Pension Liability*

The City's Net Pension Liability (NPL) was measured as of December 31, 2021, 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, 2021 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.50 to 11.50% per year, including inflation
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 are based on the PUB (10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees, and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females, respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

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

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

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.0%	7.55%
Core Fixed Income	6.0%	2.00%
Non-Core Fixed Income	20.0%	5.68%
Other Public & Private Markets	12.0%	7.22%
Real Estate	12.0%	6.85%
Hedge Funds	5.0%	5.35%
Private Equity	10.0%	10.00%
Total	100%	

*Discount Rate*

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



CITY OF SMITHVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2020	\$ 7,388,842	\$ 6,978,800	\$ 410,042
Changes for the year:			
Service cost	292,686	-	292,686
Interest	498,632	-	498,632
Change of benefit terms	-	-	-
Difference between expected and actual experience	58,866	-	58,866
Changes of assumptions	-	-	-
Contributions - employer	-	206,429	(206,429)
Contributions - employee	-	146,197	(146,197)
Net investment income	-	910,174	(910,174)
Benefit payments, including refunds of employee contr.	(296,087)	(296,087)	-
Administrative expense	-	(4,210)	4,210
Other changes	-	29	(29)
Net changes	<u>554,097</u>	<u>962,532</u>	<u>(408,435)</u>
Balance at 12/31/2021	<u>\$ 7,942,939</u>	<u>\$ 7,941,332</u>	<u>\$ 1,605</u>

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

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

	Discount Rate 5.75%	Discount Rate 6.75%	Discount Rate 7.75%
City's net pension liability	\$ 1,116,790	\$ 1,605	\$ (914,780)

*Pension Plan Fiduciary Net Position*

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

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

For the year ended September 30, 2022, the city recognized pension expense of \$182,849.

CITY OF SMITHVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

At September 30, 2022, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual investment earnings	\$ 108,830	\$ 576,553
Differences between expected and actual economic experience	39,041	24,557
Difference in assumption changes	124	-
Contributions subsequent to the measurement date	170,097	-
Total	\$ 318,092	\$ 601,110

\$170,097 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year Ended Dec 31st:	Net Deferred Outflows (Inflows) of Resources
2022	\$ (89,947)
2023	(176,568)
2024	(98,779)
2025	(87,821)
2026	-
Thereafter	-
Total	\$ (453,115)

**F. Other Post-Employment Benefit (OPEB) Obligations**

*Benefits Provided*

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an other post-employment benefit, or OPEB.

CITY OF SMITHVILLE, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

*Employees Covered by Benefit Terms*

At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	29
Inactive employees entitled to but not yet receiving benefits	8
Active employees	63
	100
	100

*Contributions*

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

The City's contributions to the TMRS SDBF for the years September 30, 2022 and 2021 were \$11,372 and \$9,737 respectively, which equaled the required contributions each year.

*Plan Assets*

At the December 31, 2021 valuation and measurement date, there are no assets accumulated in trust.

*Actuarial Assumptions*

The Total OPEB Liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Salary increases	3.50%-11.50% including inflation per year
Discount rate	1.84% based on Fidelity Index's 20-year Municipal GO AA Index
Retirees' share of benefit costs	\$0

All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB No. 68. Mortality rates for service retirees are calculated using the 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. The mortality rates for disabled retirees are calculated using the 2019 Municipal Retirees of Texas Mortality tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor. The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation.

CITY OF SMITHVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

*Schedule of Changes in the Total OPEB Liability*

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2020	\$ 262,109	\$ -	\$ 262,109
Changes for the year:			
Service cost	17,544	-	17,544
Interest	5,353	-	5,353
Change of benefit terms	-	-	-
Difference between expected and actual experience	(8,191)	-	(8,191)
Changes of assumptions	7,533	-	7,533
Contributions - employer	-	-	-
Contributions - employee	-	-	-
Net investment income	-	-	-
Benefit payments, including refunds of employee contr.	(6,433)	-	(6,433)
Administrative expense	-	-	-
Other changes	-	-	-
Net changes	<u>15,806</u>	<u>-</u>	<u>15,806</u>
Balance at 12/31/2021	<u>\$ 277,915</u>	<u>\$ -</u>	<u>\$ 277,915</u>

*Sensitivity of the net OPEB liability to changes in the discount rate*

The following presents the net OPEB liability of the City, calculated using the discount rate of 1.84%, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower 0.84% or 1-percentage-point higher 2.84% than the current rate:

	1% Decrease in Discount Rate 0.84%	Current Discount Rate 1.84%	1% Increase in Discount Rate 2.84%
City's net OPEB liability	\$ 332,363	\$ 277,915	\$ 235,235

*Pension Plan Fiduciary Net Position*

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

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

For the year ended September 30, 2022, the city recognized OPEB expense of (\$25,623).

CITY OF SMITHVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

At September 30, 2022, the city reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 13,185
Difference in assumption changes	38,325	2,181
Contributions subsequent to the measurement date	8,755	-
Total	\$ 47,080	\$ 15,366

\$8,755 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in OPEB expense as follows:

Measurement Year Ended Dec 31st:	Net Deferred Outflows (Inflows) of Resources
2022	\$ 7,929
2023	11,134
2024	4,010
2025	(114)
2026	-
Thereafter	-
Total	\$ 22,959

**G. Risk Management**

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

CITY OF SMITHVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

**H. Lease Obligations**

***1. Right to Use Leases***

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2022, were as follows:

Year Ending September 30,	Governmental Activities
2023	\$ 79,337
2024	72,586
2025	72,586
2026	43,804
Total minimum lease payments	268,313
Less: amount representing interest	(16,931)
Present value of minimum lease payments	\$ 251,382

Year Ending September 30,	Business-Type Activities
2023	\$ 274,397
2024	271,659
2025	268,782
2026	235,991
2027	227,276
2028-2031	873,392
Total minimum lease payments	2,151,497
Less: amount representing interest	(316,259)
Present value of minimum lease payments	\$ 1,835,238

**I. Long-Term Liabilities**

General Obligation Bonds

The City issues general obligation bonds and certificates of obligation to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and certificates of obligation have been issued for both governmental and business-type activities. These long-term debt instruments are direct obligations and pledge the full faith and credit of the City. General obligation bonds and certificates of obligation generally are issued with repayment scheduled to occur as equal amounts of principal maturing each year with maturities that range from 5 to 20 years.

The City issues maintenance tax notes or obtains regular notes payable financing arrangements from banks to provide funds for the acquisition of equipment or minor capital projects. Tax notes and regular notes payable are direct obligations and pledge the full faith and credit of the City. These debt instruments are generally repaid in equal installments of principal and interest over a period of 3 to 10 years.

New Debt Issuance

The City issued Tax Notes, Series 2021 in fiscal year 2022 in the amount of \$785,000. This obligation is due in installments of \$100,000 to \$105,000, with interest at 1.13%.

CITY OF SMITHVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Details of long-term debt obligations outstanding at September 30, 2022 are as follows:

Governmental Activities:

Type	Sale Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding 9/30/22
<b>Bonds Payable</b>					
Certificates of Obligation, Series 2019	2019	\$ 490,000	3.50-5.00%	2033	\$ 465,000
General Refunding Bonds, Series 2018	2018	1,200,000	2.40-2.85%	2024	620,000
Total Bonds Payable					<u>\$ 1,085,000</u>
<b>Notes Payable:</b>					
Tax Notes, Series 2021	2021	785,000	1.13%	2028	\$ 615,000
Total Notes Payable					<u>\$ 615,000</u>
<b>Right to Use Leases Payable</b>					
Right to Use Lease - Multiple Vehicles	2020	239,240	2.98%	2026	\$ 162,626
Right to Use Lease - Multiple Vehicles	2019	159,194	2.84%	2025	82,209
Right to Use Lease - Wood Chipper	2018	58,800	5.19%	2023	6,547
Total Right to Use Leases Payable					<u>\$ 251,382</u>

Business-type Activities:

Type	Sale Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding 9/30/22
<b>General Obligation Bonds:</b>					
Certificates of Obligation, Series 2019	2019	2,485,000	3.50-5.00%	2033	\$ 2,190,000
General Refunding Bonds, Series 2007	2007	4,500,000	4.20%	2028	1,825,000
Premium on Issuance, Series 2019	2019	127,687	N/A	2038	102,151
Total General Obligation Bonds					<u>\$ 4,117,151</u>
<b>Right to Use Leases Payable</b>					
Right to Use Lease - Utility Vehicle	2020	31,659	2.98%	2026	\$ 21,520
Right to Use Lease - Multiple Vehicles	2019	165,507	2.84%	2025	85,469
Right to Use Lease - QECB	2016	2,661,148	3.68%	2031	1,728,249
Total Right to Use Leases Payable					<u>\$ 1,835,238</u>

CITY OF SMITHVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Changes in Long-Term Liabilities

Changes in the City's long-term liabilities for the year ended September 30, 2022 are as follows:

Governmental Activities:

Description	Balance 10/1/21	Additions	Deletions	Balance 9/30/22	Due in One Year
<b>Bonds Payable</b>					
General obligation bonds	\$ 915,000	\$ -	\$ (295,000)	\$ 620,000	\$ 305,000
Certificates of obligation	475,000	-	(10,000)	465,000	10,000
Total bonds payable	1,390,000	-	(305,000)	1,085,000	315,000
Notes payable	-	785,000	(170,000)	615,000	100,000
Right to use leases payable	327,149	-	(75,767)	251,382	71,819
Compensated absences	80,945	10,942	-	91,887	-
Net pension/OPEB obligation	450,341	10,590	(273,653)	187,278	-
Governmental activities long-term liabilities	<u>\$2,248,435</u>	<u>\$ 806,532</u>	<u>\$ (824,420)</u>	<u>\$2,230,547</u>	<u>\$ 486,819</u>

Business-type Activities:

Description	Balance 10/1/21	Additions	Deletions	Balance 9/30/22	Due in One Year
<b>Bonds Payable</b>					
Bonds	\$2,085,000	\$ -	\$ (260,000)	\$1,825,000	\$ 270,000
Certificates of obligation	2,260,000	-	(70,000)	2,190,000	75,000
Premium	108,535	-	(6,384)	102,151	-
Total bonds payable	4,453,535	-	(336,384)	4,117,151	345,000
Right to use leases payable	2,077,388	-	(242,150)	1,835,238	209,503
Compensated absences	36,358	8,128	-	44,486	-
Net pension/OPEB obligation	221,810	5,216	(134,784)	92,242	-
Governmental activities long-term liabilities	<u>\$6,789,091</u>	<u>\$ 13,344</u>	<u>\$ (713,318)</u>	<u>\$6,089,117</u>	<u>\$ 554,503</u>



CITY OF SMITHVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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

Governmental Activities:

Year Ended September 30,	Governmental Activities				Total	
	Bonds Payable		Notes Payable		Governmental Activities	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 315,000	\$ 29,346	\$ 100,000	\$ 6,385	\$ 415,000	\$ 35,731
2024	325,000	21,164	100,000	5,255	425,000	26,419
2025	45,000	14,913	100,000	4,125	145,000	19,038
2026	45,000	12,888	105,000	2,966	150,000	15,854
2027	45,000	10,975	105,000	1,780	150,000	12,755
2028-2032	255,000	29,150	105,000	593	360,000	29,743
2033-2037	55,000	963	-	-	55,000	963
Totals	\$ 1,085,000	\$ 119,399	\$ 615,000	\$ 21,104	\$ 1,700,000	\$ 140,503

Business-type Activities:

Year Ended September 30,	Business-Type Activities	
	Bonds Payable	
	Principal	Interest
2023	\$ 345,000	\$ 148,355
2024	360,000	132,950
2025	375,000	117,095
2026	390,000	100,790
2027	410,000	83,955
2028-2032	1,040,000	261,215
2033-2037	895,000	120,050
2038	200,000	3,750
Totals	\$ 4,015,000	\$ 968,160

**J. Interfund Receivables and Payables**

The composition of interfund balances as of September 30, 2022 is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Special Revenue Funds	\$ 20,437
General Fund	Enterprise Fund	693,209
General Fund	Trust and Custodial Funds	94
Other Governmental Funds	Capital Projects Funds	1,000
Enterprise Fund	Special Revenue Funds	5,306
Total		\$ 720,046

CITY OF SMITHVILLE, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. These amounts also include balances of working capital loans made to several nonmajor governmental funds which the general fund expects to collect in the subsequent year.

**K. Interfund Transfers**

The composition of interfund transfers for the year ended September 30, 2022 is as follows:

	<b>Transfer in to:</b>		
	Governmental Funds		
	General Fund	Nonmajor Gov. Funds	Total
<b>Transfer out from:</b>			
Nonmajor Gov. Funds	\$ -	\$ 1,000	\$ 1,000
Utility Fund	1,394,000	87,000	1,481,000
Total	\$ 1,394,000	\$ 88,000	\$ 1,482,000

During the year, recurring transfers are used to 1) move revenues from a fund with collection authority to another fund with related expenditure requirements, 2) move General Fund resources to provide subsidies to other funds as needs arise, and 3) move resources from the Utility Fund to the General Fund to subsidize governmental activities.

Furthermore, during the year ended September 30, 2022 the City made the following one-time transfers:

The Capital Replacement Fund transferred \$1,000 to the TxDOT Sidewalk Grant Fund in order to reclassify expenditures that were applicable to a capital reimbursement grant. Additionally, the Utility Fund transferred \$1,394,000 and \$87,000 to the General Fund and Interest & Sinking Fund, respectively.

**L. Contingencies**

The City participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the City’s compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the City anticipates such amounts, if any, will be immaterial.

**M. Subsequent Events**

As of March 3, 2023, there were no items noted requiring recording and/or disclosure.

CITY OF SMITHVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

**N. Implementation of New GASB Standard**

During the year, the City implemented Governmental Accounting Standards Board Statement No. 87 – Leases (GASB 87). The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities.

As of September 30, 2022, the City did not have any items required to be recorded as right to use leased assets as a result of implementing GASB 87.

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REQUIRED SUPPLEMENTARY INFORMATION  
OTHER REPORTING

CITY OF SMITHVILLE, TEXAS  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Measurement Year 2021	Measurement Year 2020	Measurement Year 2019	Measurement Year 2018
<b>A. Total pension liability</b>				
1. Service cost	\$ 292,686	\$ 275,425	\$ 271,573	\$ 250,807
2. Interest (on the Total Pension Liability)	498,632	474,361	438,829	407,615
3. Changes of benefit terms	-	-	-	-
4. Difference between expected and actual experience	58,866	(83,029)	60,824	(13,107)
5. Changes of assumptions	-	-	18,673	-
6. Benefit payments, including refunds of employee contributions	(296,087)	(335,558)	(195,286)	(191,255)
7. Net change in total pension liability	\$ 554,097	\$ 331,199	\$ 594,613	\$ 454,060
8. Total pension liability - beginning	7,388,842	7,057,643	6,463,030	6,008,970
9. Total pension liability - ending	<u>\$ 7,942,939</u>	<u>\$ 7,388,842</u>	<u>\$ 7,057,643</u>	<u>\$ 6,463,030</u>
<b>B. Plan fiduciary net position</b>				
1. Contributions - employer	\$ 206,429	\$ 191,336	\$ -	\$ 172,002
2. Contributions - employee	146,197	137,850	135,786	126,288
3. Net investment income	910,174	493,228	853,570	(167,272)
4. Benefit payments, including refunds of employee contributions	(296,087)	(335,558)	(195,286)	(191,255)
5. Administrative expense	(4,210)	(3,190)	(4,822)	(3,232)
6. Other changes	29	(125)	(144)	(170)
7. Net change in plan fiduciary net position	\$ 962,534	\$ 483,541	\$ 789,104	\$ (63,639)
8. Plan fiduciary net position - beginning	6,978,800	6,495,259	5,519,857	5,583,496
9. Plan fiduciary net position - ending	<u>\$ 7,941,334</u>	<u>\$ 6,978,800</u>	<u>\$ 6,308,961</u>	<u>\$ 5,519,857</u>
<b>C. Net pension liability [A.9 - B.9]</b>	<u>\$ 1,605</u>	<u>\$ 410,042</u>	<u>\$ 748,682</u>	<u>\$ 943,173</u>
<b>D. Plan fiduciary net position as a percentage of the total pension liability [B.9 / A.9]</b>	99.98%	94.45%	89.39%	85.41%
<b>E. Covered-employee payroll</b>	\$ 2,923,941	\$ 2,757,005	\$ 2,715,726	\$ 2,525,752
<b>F. Net position as a percentage of covered employee payroll [C / E]</b>	0.05%	14.87%	27.57%	37.34%

Measurement Year 2017	Measurement Year 2016	Measurement Year 2015	Measurement Year 2014
\$ 234,022	\$ 214,184	\$ 197,338	\$ 171,454
377,443	347,256	331,919	326,676
-	-	-	-
26,295	73,787	24,762	(262,383)
-	-	40,818	-
(207,054)	(188,818)	(212,038)	(135,516)
\$ 430,706	\$ 446,409	\$ 382,799	\$ 100,231
5,578,264	5,131,855	4,749,056	4,648,825
\$ 6,008,970	\$ 5,578,264	\$ 5,131,855	\$ 4,749,056

\$ 154,591	\$ 129,248	\$ 142,066	\$ 29,724
118,552	108,613	105,079	99,355
672,056	304,080	6,584	241,945
(207,054)	(188,818)	(212,038)	(135,516)
(3,483)	(3,434)	(4,010)	(2,526)
(177)	(185)	(198)	(208)
\$ 734,485	\$ 349,504	\$ 37,483	\$ 232,774
4,849,011	4,499,507	4,462,024	4,229,250
\$ 5,583,496	\$ 4,849,011	\$ 4,499,507	\$ 4,462,024
\$ 425,474	\$ 729,253	\$ 632,348	\$ 287,032

92.92%      86.93%      87.68%      93.96%

\$ 2,371,040    \$ 2,172,253    \$ 2,101,573    \$ 1,987,091

17.94%      33.57%      30.09%      14.44%

CITY OF SMITHVILLE, TEXAS  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Fiscal Year			
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Actuarially Determined Contribution	\$ 222,881	\$ 208,147	\$ 190,054	\$ 179,053
Contributions in relation to the actuarially determined contribution	<u>(222,881)</u>	<u>(208,147)</u>	<u>(190,054)</u>	<u>(179,053)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 3,249,073	\$ 2,961,602	\$ 2,747,477	\$ 2,659,919
Contributions as a percentage of covered employee payroll	6.86%	7.03%	6.92%	6.73%



Fiscal Year			
<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 168,019	\$ 147,681	\$ 132,289	\$ 138,556
<u>(168,019)</u>	<u>(147,681)</u>	<u>(132,289)</u>	<u>(138,556)</u>
\$ -	\$ -	\$ -	\$ -
\$ 2,496,669	\$ 2,321,089	\$ 2,140,771	\$ 2,049,642
6.73%	6.36%	6.18%	6.76%

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CITY OF SMITHVILLE, TEXAS  
 NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

**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	24 years (longest amortization ladder)
Asset valuation method	10 Year smoothed market; 12% soft corridor
Inflation	2.50% per year
Salary increases	3.50% to 11.5%, including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rate 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.

CITY OF SMITHVILLE, TEXAS  
SCHEDULE OF CHANGES IN OPEB LIABILITY AND RELATED RATIOS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Measurement Year 2021	Measurement Year 2020	Measurement Year 2019
<b>A. Total pension liability</b>			
1. Service cost	\$ 17,544	\$ 13,234	\$ 9,505
2. Interest on Total OPEB Liability	5,353	6,268	6,615
3. Changes of benefit terms	-	-	-
4. Difference between expected and actual experience	(8,191)	(9,231)	(757)
5. Changes of assumptions	7,533	31,477	34,333
6. Benefit payments	(6,433)	(1,930)	(1,901)
7. Net changes	\$ 15,806	\$ 39,818	\$ 47,795
8. Total OPEB Liability - beginning of the year	262,109	222,291	174,496
9. Total OPEB Liability - end of the year	<u>\$ 277,915</u>	<u>\$ 262,109</u>	<u>\$ 222,291</u>
<b>E. Covered-employee payroll</b>	\$ 2,923,941	\$ 2,757,005	\$ 2,715,726
<b>F. Total OPEB Liability as a Percentage of Covered Payroll</b>	9.50%	9.51%	8.19%

<u>Measurement Year 2018</u>	<u>Measurement Year 2017</u>
\$ 9,345	\$ 7,824
5,996	5,862
-	-
(5,284)	-
(11,273)	12,956
(1,515)	(1,186)
\$ (2,731)	\$ 25,456
177,227	151,771
\$ 174,496	\$ 177,227
\$ 2,525,752	\$ 2,371,040
6.91%	7.47%

CITY OF SMITHVILLE, TEXAS  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Fiscal Year		
	2022	2021	2020
Actuarially Determined Contribution	\$ 11,372	\$ 9,737	\$ 7,263
Contributions in relation to the actuarially determined contribution	<u>(11,372)</u>	<u>(9,737)</u>	<u>(7,263)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 3,249,073	\$ 2,961,602	\$ 2,747,477
Contributions as a percentage of covered employee payroll	0.35%	0.33%	0.26%

Fiscal Year		
2019	2018	2017
\$ 5,852	\$ 5,493	\$ 5,171
<u>(5,852)</u>	<u>(5,493)</u>	<u>(5,171)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$2,659,919	\$2,496,669	\$2,321,089
0.22%	0.22%	0.22%

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## **Nonmajor Governmental Funds**

### **Special Revenue Funds**

Special revenue funds are used to account for specific revenue sources that are restricted, committed, or assigned to expenditures for particular purposes.

The Railroad Park Fund is used to account for park operations and activities.

The Police Seized Asset Fund is used to account for all the assets seized by the police department.

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

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

GLO CDBG-MIT Grant Fund is used to account for the administration of the City's Community Development Block Grant – Mitigation funds.

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

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

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

The Grant and Donation Fund is used to account for the donations received by the City for a particular purpose.

The Veterans Memorial Park Fund is used to account for park operations and activities.

The Smithville Cares Fund is used to account for operations and activities of the City's Smithville Cares program.

The School Resource Officer Fund is used to account for City's school resource officer.

The PEG Capital Fee Fund is used to account for specific City fees and franchise taxes.

The Airport Fly-In Fund is used to account for certain airport related activities.

The Independence Park Fund is used to account for park operations and activities.

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**Debt Service Fund**

The Interest & Sinking Fund, also referred to as the debt service fund, is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of government funds.

**Capital Projects Funds**

The Bond Projects Fund and Capital Replacement Fund are used to account for the acquisition and construction of the City's major capital facilities, other than those financed by proprietary funds.

CITY OF SMITHVILLE, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

	<b>Special Revenue Funds</b>					
	Railroad Park Fund	Police Seized Asset Fund	CDBG-DR Drainage Projct Fund	2009 TXCDBG Project	GLO CDBG- MIT Grant Fund	HOMES Project Fund
<b>ASSETS</b>						
Cash and cash equivalents	\$ 834	\$ 6,438	\$ -	\$ 61	\$ 65	\$ 241
Investments - current	-	-	-	-	-	-
Taxes receivable - delinquent	-	-	-	-	-	-
Allowance for uncoll. taxes	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-
Intergovernmental receivable	-	-	138,230	-	19,865	14,411
Due from other funds	-	-	-	-	-	-
Total assets	<u>\$ 834</u>	<u>\$ 6,438</u>	<u>\$ 138,230</u>	<u>\$ 61</u>	<u>\$ 19,930</u>	<u>\$ 14,652</u>
<b>LIABILITIES</b>						
Accounts payable	\$ -	\$ -	\$ 110,591	\$ -	\$ 19,865	\$ -
Compensated absences payable	-	-	-	-	-	-
Retainage payable	-	-	27,639	-	-	-
Due to other funds	-	-	-	-	-	14,413
Total liabilities	<u>-</u>	<u>-</u>	<u>138,230</u>	<u>-</u>	<u>19,865</u>	<u>14,413</u>
<b>DEF. INFLOWS OF RESOURCES</b>						
Unavailable revenue	-	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES (DEFICITS)</b>						
Restricted for:						
Restricted for debt service	-	-	-	-	-	-
Committed for:						
Committed for specific services	834	6,438	-	61	65	239
Total Fund balances	<u>834</u>	<u>6,438</u>	<u>-</u>	<u>61</u>	<u>65</u>	<u>239</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 834</u>	<u>\$ 6,438</u>	<u>\$ 138,230</u>	<u>\$ 61</u>	<u>\$ 19,930</u>	<u>\$ 14,652</u>

Special Revenue Funds								
HMGP Grant Fund	TxDOT Sidewalk Grant Fund	Grant and Donation Fund	Veterans Memorial Park Fund	Smithville Cares Fund	School Resource Officer	PEG Capital Fee Fund	Airport Fly- In Fund	Independence Park Fund
\$ -	\$ -	\$ -	\$ 14,494	\$ 3,780	\$ -	\$ 18,394	\$ 8,526	\$ 5,994
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	6,975	-	-	-
5,306	4,000	-	-	-	-	-	-	-
-	1,000	-	-	-	-	-	-	-
<u>\$ 5,306</u>	<u>\$ 5,000</u>	<u>\$ -</u>	<u>\$ 14,494</u>	<u>\$ 3,780</u>	<u>\$ 6,975</u>	<u>\$ 18,394</u>	<u>\$ 8,526</u>	<u>\$ 5,994</u>
\$ -	\$ 5,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	951	-	-	-
-	-	-	-	-	-	-	-	-
5,306	-	-	-	-	6,024	-	-	-
<u>5,306</u>	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,975</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	14,494	3,780	-	18,394	8,526	5,994
-	-	-	14,494	3,780	-	18,394	8,526	5,994
<u>\$ 5,306</u>	<u>\$ 5,000</u>	<u>\$ -</u>	<u>\$ 14,494</u>	<u>\$ 3,780</u>	<u>\$ 6,975</u>	<u>\$ 18,394</u>	<u>\$ 8,526</u>	<u>\$ 5,994</u>

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CITY OF SMITHVILLE, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

(CONCLUDED)

	<b>Debt Service Funds</b>	<b>Capital Projects Funds</b>		Total Non-Major Governmental Funds
	Interest & Sinking Fund	Bond Projects Fund	Capital Replacement Fund	
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 58,827
Investments - current	401,194	-	134,576	535,770
Taxes receivable - delinquent	33,021	-	-	33,021
Allowance for uncoll. taxes	(3,302)	-	-	(3,302)
Accounts receivable	-	-	-	6,975
Intergovernmental receivable	-	-	-	181,812
Due from other funds	-	-	-	1,000
Total assets	<u>\$ 430,913</u>	<u>\$ -</u>	<u>\$ 134,576</u>	<u>\$ 814,103</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ 135,456
Compensated absences payable	-	-	-	951
Retainage payable	-	-	-	27,639
Due to other funds	-	-	1,000	26,743
Total liabilities	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>190,789</u>
<b>DEF. INFLOWS OF RESOURCES</b>				
Unavailable revenue	29,719	-	-	29,719
Total deferred inflows of resources	<u>29,719</u>	<u>-</u>	<u>-</u>	<u>29,719</u>
<b>FUND BALANCES (DEFICITS)</b>				
Restricted for:				
Restricted for debt service	401,194	-	-	401,194
Committed for:				
Committed for specific services	-	-	133,576	192,401
Total Fund balances	<u>401,194</u>	<u>-</u>	<u>133,576</u>	<u>593,595</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 430,913</u>	<u>\$ -</u>	<u>\$ 134,576</u>	<u>\$ 814,103</u>

CITY OF SMITHVILLE, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

	<b>Special Revenue Funds</b>					
	Railroad Park Fund	Police Seized Asset Fund	CDBG-DR Drainage Projct Fund	2009 TXCDBG Project Fund	GLO CDBG- MIT Grant Fund	HOMES Project Fund
<b>REVENUES</b>						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-	-	495,056	14,411
Charges for services	-	-	-	-	-	-
Investment earnings	8	67	-	-	65	-
Grants and contributions	-	-	-	-	-	-
Miscellaneous revenue	-	-	312,688	-	-	-
Total revenues	<u>8</u>	<u>67</u>	<u>312,688</u>	<u>-</u>	<u>495,121</u>	<u>14,411</u>
<b>EXPENDITURES</b>						
Current:						
General government	-	-	-	-	495,056	14,411
Culture and recreation	-	-	-	-	-	-
Bond principal	-	-	-	-	-	-
Interest - bonds	-	-	-	-	-	-
Capital outlay	-	-	312,688	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>312,688</u>	<u>-</u>	<u>495,056</u>	<u>14,411</u>
Excess (deficiency) of revenues over expenditures	<u>8</u>	<u>67</u>	<u>-</u>	<u>-</u>	<u>65</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
General obligation bonds issued	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	8	67	-	-	65	-
Fund balance - beginning	826	6,371	-	61	-	239
Fund balance - ending	<u>\$ 834</u>	<u>\$ 6,438</u>	<u>\$ -</u>	<u>\$ 61</u>	<u>\$ 65</u>	<u>\$ 239</u>

Special Revenue Funds								
HMGP Grant Fund	TxDOT Sidewalk Grant Fund	Grant and Donation Fund	Veterans Memorial Park Fund	Smithville Cares Fund	School Resource Officer Fund	PEG Capital Fee Fund	Airport Fly-In Fund	Independence Park Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5,306	42,040	3,250	-	-	-	-	-	-
-	-	-	-	-	55,591	-	-	-
-	-	-	159	40	-	192	84	62
-	-	9,835	100	-	-	-	3,403	-
-	-	-	-	-	-	-	-	-
5,306	42,040	13,085	259	40	55,591	192	3,487	62
-	-	13,085	998	-	55,591	-	-	-
-	-	-	-	-	-	-	1,968	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
5,306	43,040	-	-	-	-	-	-	-
5,306	43,040	13,085	998	-	55,591	-	1,968	-
-	(1,000)	-	(739)	40	-	192	1,519	62
-	1,000	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	1,000	-	-	-	-	-	-	-
-	-	-	(739)	40	-	192	1,519	62
-	-	-	15,233	3,740	-	18,202	7,007	5,932
\$ -	\$ -	\$ -	\$ 14,494	\$ 3,780	\$ -	\$ 18,394	\$ 8,526	\$ 5,994

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CITY OF SMITHVILLE, TEXAS (CONCLUDED)  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Debt Service Funds		Capital Project Funds		Total Non-Major Governmental Funds
	Interest & Sinking Fund	Bond Projects Fund	Capital Replacement Fund		
<b>REVENUES</b>					
Property taxes	\$ 429,064	\$ -	\$ -	\$ -	\$ 429,064
Intergovernmental revenues	-	-	-	-	560,063
Charges for services	-	-	-	-	55,591
Investment earnings	2,876	-	1,586	-	5,139
Grants and contributions	-	-	-	-	13,338
Miscellaneous revenue	569	-	-	-	313,257
Total revenues	432,509	-	1,586	-	1,376,452
<b>EXPENDITURES</b>					
Current:					
General government	-	-	98,959	-	678,100
Culture and recreation	-	-	-	-	1,968
Bond principal	475,000	-	-	-	475,000
Interest - bonds	44,511	-	-	-	44,511
Capital outlay	-	-	553,086	-	914,120
Total expenditures	519,511	-	652,045	-	2,113,699
Excess (deficiency) of revenues over expenditures	(87,002)	-	(650,459)	-	(737,247)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	87,000	-	-	-	88,000
Transfers out	-	-	(1,000)	-	(1,000)
General obligation bonds issued	-	-	785,000	-	785,000
Total other financing sources (uses)	87,000	-	784,000	-	872,000
Net change in fund balance	(2)	-	133,541	-	134,753
Fund balance - beginning	401,196	-	35	-	458,842
Fund balance - ending	\$ 401,194	\$ -	\$ 133,576	\$ -	\$ 593,595

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CITY OF SMITHVILLE, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL – DEBT SERVICE FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 429,174	\$ 429,322	\$ 429,064	\$ (258)
Investment earnings	-	2,876	2,876	-
Miscellaneous revenues	-	569	569	-
Total revenues	<u>429,174</u>	<u>432,767</u>	<u>432,509</u>	<u>(258)</u>
<b>EXPENDITURES</b>				
Current:				
Debt service:				
Bond principal	475,000	475,000	475,000	-
Interest - bonds	41,174	44,511	44,511	-
Total Expenditures	<u>516,174</u>	<u>519,511</u>	<u>519,511</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(87,000)</u>	<u>(86,744)</u>	<u>(87,002)</u>	<u>(258)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	87,000	87,000	87,000	-
Total Other Financing Sources (Uses)	<u>87,000</u>	<u>87,000</u>	<u>87,000</u>	<u>-</u>
Net Change in Fund Balances	-	256	(2)	(258)
Fund balance - beginning	401,196	401,196	401,196	-
Fund balance - ending	<u>\$ 401,196</u>	<u>\$ 401,452</u>	<u>\$ 401,194</u>	<u>\$ (258)</u>

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Smithville, Texas, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise City of Smithville, Texas’s basic financial statements and have issued our report thereon dated March 3, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered City of Smithville, Texas’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 City of Smithville, Texas’s internal control. Accordingly, we do not express an opinion on the effectiveness of City of Smithville, Texas’s internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Smithville, Texas’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2022-001.

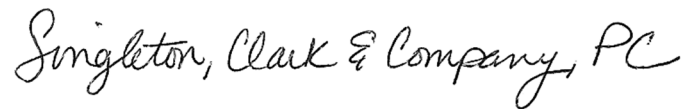
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## **City of Smithville, Texas's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the City of Smithville, Texas's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City of Smithville, Texas's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **Purpose of This Report**

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

A handwritten signature in cursive script that reads "Singleton, Clark & Company, PC".

Singleton, Clark & Company, PC  
Cedar Park, Texas

March 3, 2023

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

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

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited City of Smithville, Texas's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of City of Smithville, Texas's major federal programs for the year ended September 30, 2022. City of Smithville, Texas's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Smithville, Texas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Smithville, Texas and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of Smithville, Texas's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to City of Smithville, Texas's federal programs.

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Smithville, Texas's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Smithville, Texas's compliance with the requirements of each major federal program as a whole.

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In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of Smithville, Texas's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Smithville, Texas's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City of Smithville, Texas's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

#### ***Other Matters***

The results of our auditing procedures disclosed no instances of noncompliance which are required to be reported in accordance with the Uniform Guidance.

#### **Report on Internal Control over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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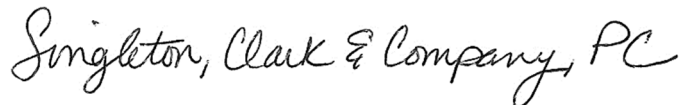


Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

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

We have audited the financial statements of City of Smithville, Texas as of and for the year ended September 30, 2022, and have issued our report thereon dated March 3, 2023, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Singleton, Clark & Company, PC  
Cedar Park, Texas

March 3, 2023

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CITY OF SMITHVILLE, TEXAS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal ALN Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>Direct Programs:</b>			
United States Department of Justice Bulletproof Vest Partnership	16.607	n/a	\$ 1,469
<b>Total U.S. Department of Housing and Urban Development</b>			<u>1,469</u>
<b>Subtotal Direct Programs</b>			<u>1,469</u>
<b>Pass-Through Program From:</b>			
Institute of Museum and Library Services Texas State Library and Archives Commission SF 2022 Interlibrary Loan Lending Reimbursement Program	45.310	903490	1,524
<b>Total Institute of Museum and Library Services</b>			<u>1,524</u>
United States Department of Transportation Texas Department of Transportation Airport Rescue Plan Act Grant Safe Routes to School Sidewalks TASA Program - Main St. ADA Ramps & 1st St. Sidewalks	20.106 20.205 20.205	22CVSMITH 0914-18-115 0265-13-024	32,000 38,040 4,000
Total Texas Department of Transportation			<u>74,040</u>
<b>Total United States Department of Transportation</b>			<u>74,040</u>
<b>United States Department of Housing and Urban Development</b>			
Texas Department of Housing and Community Affairs HOME Grant	14.239	1003214	14,411
Total Texas Department of Housing and Community Affairs			<u>14,411</u>
Texas General Land Office CDBG-MIT Hurricane Harvey State Mitigation	14.228	22-035-020-D256	495,056
Total Texas General Land Office			<u>495,056</u>
<b>Total United States Department of Housing and Urban Development</b>			<u>509,467</u>
<b>United States Department of the Treasury</b>			
Texas Division of Emergency Management COVID-19, Coronavirus Local Fiscal Recovery Fund	21.027	304-TX1742	539,710
<b>Total United States Department of the Treasury</b>			<u>539,710</u>
<b>Federal Emergency Management Agency</b>			
Texas Division of Emergency Management COVID-19, Hazard Mitigation Grant Program - Texas COVID-19 Pander	97.039	DR-4485	5,306
<b>Total Federal Emergency Management Agency</b>			<u>5,306</u>
<b>Subtotal Pass-Through Programs</b>			<u>1,130,047</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 1,131,516</u>

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CITY OF SMITHVILLE, TEXAS  
NOTES TO THE SCHEDULE OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

**1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal awards expenditures of City of Smithville, Texas (the “City”) under programs of the federal government for the year ended September 30, 2022. The information in the accompanying Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, change in net position, or cash flows of the City.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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CITY OF SMITHVILLE, TEXAS  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

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**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

**FINANCIAL STATEMENTS**

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?  Yes  No

**FEDERAL AWARDS**

Internal control over major programs:

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

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

Coronavirus Local Fiscal Recovery Fund	Unmodified
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Any audit findings disclosed that are required to be reported in accordance with the federal Uniform Guidance?  Yes  No

Identification of major programs:

ALN Number(s)	Name of Federal Program or Cluster
21.027	Coronavirus Local Fiscal Recovery Fund

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

Auditee qualified as low-risk auditee?  Yes  No

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CITY OF SMITHVILLE, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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**SECTION II – FINANCIAL STATEMENT FINDINGS**

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

2022-001                      Texas Bid Law Compliance

Criteria:                      Under Texas Government Code Sec. 2269 and Texas Local Government Code Sec. 252, all contracts, except in the case of exemptions outlined in Texas Local Government Code Sec. 252.022, valued at \$50,000 or more in the aggregate, for each 12 month period shall be made by vendor competitive methods unless otherwise exempt.

Condition Found:            During the year, the City made purchases in excess of \$50,000 with three different vendors without using a competitive purchasing method.

Cause:                         The City did not solicit bids or utilize another competitive purchasing method.

Effect:                         The effect of this condition is technical noncompliance with state purchasing code.

Recommendation:           We recommend that code applicable purchases be made in a manner which is compliant with state requirements.

Classification:               This matter has been classified as a general compliance finding.

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

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CITY OF SMITHVILLE, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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**SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

No findings or questioned costs required to be reported in accordance with federal Uniform Guidance for the year ended September 30, 2022.

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**MAYOR**  
SHARON FOERSTER

**MAYOR PROTEM**  
BILL GORDON

**COUNCIL MEMBERS**  
JANICE BRUNO  
TOM ETHEREDGE  
JOANNA MORGAN  
CASSIE BARRIENTOS

**CITY MANAGER**  
ROBERT TAMBLE



317 MAIN STREET  
P.O. BOX 449  
SMITHVILLE, TEXAS  
78957  
(512) 237-3282

**CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

2022-001 Texas Bid Law Compliance

Corrective Action Planned:

The City will make purchases over \$50,000 (whether individually or in the aggregate) during the course of its twelve month fiscal year in a manner which is compliant with state purchasing requirements.

Anticipated Completion Date: September 30, 2023

Contact Person: Cynthia White

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Financial Advisory Services  
Provided By:

