

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

\$3,000,000*



**CITY OF SMITHVILLE, TEXAS
(A Political Subdivision of the State of Texas located in Bastrop County, Texas)**

TAX NOTES, SERIES 2025

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

**Bids due
Monday, September 8, 2025
at
11:00 A.M., Central Time**

*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.

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 2025

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 2025 (the “Notes”).

BIDS BY INTERNET: Interested bidders may, at their option and risk, submit their bid by electronic media, as described below, by 11:00 A.M., Central Time, on Monday, September 8, 2025. 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 Monday, September 8, 2025 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 or facsimile, 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 11:00 A.M., Central Time, on Monday, September 8, 2025, 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 their 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 12:00 (Noon) P.M. Central Time, on the date set for receipt of bids, the Mayor of the City or their 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 8, 2025. The City reserves the right to reject any or all bids and to waive any irregularities, except time of filing.

*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 September 1, 2025 (the “Dated Date”) with interest to accrue from the Dated Date and be payable initially on February 1, 2026, and semiannually on each August 1 and February 1 thereafter until stated maturity. The 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 (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 within a stated maturity. Purchasers of the Notes (“Beneficial Owners”) will not receive physical delivery of certificates 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 Preliminary 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>
2026	\$385,000
2027	395,000
2028	410,000
2029	425,000
2030	445,000
2031	460,000
2032	480,000

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.

NO REDEMPTION: The Notes are not subject to redemption 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”), including Chapter 1431, as amended, Texas Government Code, an ordinance (the “Ordinance”) to be adopted by the City Council on September 8, 2025. 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.

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.

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

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 (the “Code”) to the date of initial delivery of the Notes, 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 Norton Rose Fulbright US 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 (5th) 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 will advise the City promptly after the close of the fifth (5th) business day after the sale date whether it has 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.

(e) The City acknowledges that, in making the representations set forth above, the Winning Bidder will rely on (i) the agreement of each underwriter to comply with the requirements for establishing issue price of the Notes, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Notes, 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 requirements for establishing issue price of the Notes, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Notes, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a retail or other third-party 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 requirements for establishing issue price of the Notes, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Notes, as set forth in the third-party 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 requirements for establishing issue price of the Notes, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Notes, 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 or other third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Notes, including, but not limited to, its agreement to comply with the hold-the-offering-price rule as applicable to the Notes.

(f) By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each third-party 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 or other third-party distribution agreement, as applicable, to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Winning Bidder and as set forth in the related pricing wires, (ii) any agreement among underwriters or selling group agreement 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 or dealer that is a party to a retail or other third-party 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 third-party distribution agreement to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Winning Bidder or the underwriter and as set forth in the related pricing wires.

(g) 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 or other third-party 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) more than 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, including without limitation due to the unwillingness or inability of the Purchaser to provide the Standing Letter (as defined herein) or Bringdown Verification (as defined herein) in a form acceptable to the Texas Attorney General for the delivery of their approving opinion at closing, then said Good Faith Deposit is to be cashed by the City and the proceeds accepted as full and complete liquidated damages, subject to "ADDITIONAL CONDITIONS OF AWARD – Statutory Representations and Covenants". See "ADDITIONAL CONDITIONS OF AWARD - Texas Attorney General Standing Letter". 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 CONDITIONS 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 Certificate 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 TN2025 – Bid Form) and description of the goods or services (Purchase of the City of Smithville, Texas Tax Notes, Series 2025). 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, as soon as possible following the notification of conditional verbal acceptance and prior to the final written award. Upon receipt of the final written award, the Disclosure Form with original signatures must be submitted by mail to Stephanie Leibe, c/o Norton Rose Fulbright US LLP, 98 San Jacinto Blvd, Suite 1100, Austin, Texas 78701, along with a PDF executed version sent to stephanie.leibe@nortonrosefulbright.com.

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/whatsnew/elf_info_form1295.htm.

STATUTORY REPRESENTATIONS AND COVENANTS. By submitting a bid, each bidder makes the following representations and, if its bid is accepted, covenants pursuant to Chapters 2252, 2271, 2274, and 2276, Texas Government Code, as heretofore amended (the "Government Code"). As used in therein, "affiliate" means an entity that controls, is controlled by, or is under common control with the bidder within the meaning of SEC Rule 405, 17 C.F.R. § 230.405, and exists to make a profit. If a bidder's bid is accepted, then liability for breach of any such representation or covenant during the term of the contract for purchase and sale of the Notes created thereby (the "Purchase Contract") shall survive until barred by the applicable statute of limitations, and shall not be liquidated or otherwise limited by any provision of the bid or this Official Notice of Sale, notwithstanding anything herein or therein to the contrary.

Not a Sanctioned Company. Each bidder represents that neither it nor any of its 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, Government Code. The foregoing representation excludes each bidder and each of its 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.

No Boycott of Israel. Each bidder hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and, if its bid is accepted, will not boycott Israel during the term of the Purchase Contract. As used in the foregoing verification, "boycott Israel" has the meaning provided in Section 2271.001, Government Code.

No Discrimination Against Firearm Entities. Each bidder hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association and, if its bid is accepted, will not discriminate against a firearm entity or firearm trade association during the term of the Purchase Contract. As used in the foregoing verification, “discriminate against a firearm entity or firearm trade association” has the meaning provided in Section 2274.001(3), Government Code.

No Boycott of Energy Companies. Each bidder hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott energy companies and, if its bid is accepted, will not boycott energy companies during the term of the Purchase Contract. As used in the foregoing verification, “boycott energy companies” has the meaning provided in Section 2276.001(1), Government Code.

Texas Attorney General Standing Letter. The winning bidder represents that it has, as of the date bids are due on the Notes and as of Closing, on file with the Texas Attorney General a standing letter addressing the representations and verifications hereinbefore described in this Notice of Sale in the form attached as Exhibit B to the Updated Recommendations for Compliance with the Texas BPA Verification and Representation Requirements (December 1, 2024) of the Municipal Advisory Council of Texas or any other form accepted by the Texas Attorney General (a “Standing Letter”). In addition, if the winning bidder or the parent company, a wholly- or majority-owned subsidiary or another affiliate of such winning bidder receives or has received a letter from the Texas Comptroller of Public Accounts or the Texas Attorney General seeking written verification that such bidder is a member of the Net Zero Banking Alliance, Net Zero Insurance Alliance, Net Zero Asset Owner Alliance, or Net Zero Asset Managers or of the representations and certifications contained in the winning bidder’s Standing Letter (a “Request Letter”), the winning bidder shall promptly notify the City and Bond Counsel (if it has not already done so) and provide to the City or Bond Counsel, two business days prior to Closing and additionally upon request by the City or Bond Counsel, written verification to the effect that its Standing Letter described in the preceding sentence remains in effect and may be relied upon by the City and the Texas Attorney General (the “Bringdown Verification”). The Bringdown Verification shall also confirm that the winning bidder (or the parent company, a wholly- or majority-owned subsidiary or other affiliate of the winning bidder that received the Request Letter) intends to timely respond or has timely responded to the Request Letter. The Bringdown Verification may be in the form of an e-mail. The City reserves the right, in its sole discretion, to reject any bid from a bidder that does not satisfy the foregoing requirements as of the deadline for bids for the Notes.

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.

MUNICIPAL BOND INSURANCE: In the event the Notes are qualified for municipal bond insurance, and the Purchaser desires to purchase such insurance, the cost therefor will be paid by the Purchaser. The City shall pay the rating agency fee for S&P (hereinafter deferred). Any other fees to be paid to rating agencies as a result of said insurance will be paid by the Purchaser. It will be the responsibility of the Purchaser to disclose the existence of insurance, its terms and the effect thereof with respect to the reoffering of the Notes. Any downgrade by rating agencies of the bond insurance provider shall not relieve the Purchaser of its obligation under the heading. See “BOND INSURANCE” and “BOND INSURANCE RISK FACTORS” in the Preliminary Official Statement.

CERTIFICATION OF THE OFFICIAL STATEMENT: At the time of payment for and delivery of the hereinafter defined Initial Certificate (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 therefor, 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 its previous 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 September 29, 2025, but if for any reason the City is unable to make delivery by September 29, 2025, 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 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 "OFFICIAL STATEMENT - 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 Certificates 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 Certificate 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.

RATINGS: 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 2025.

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.

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 8, 2025

OFFICIAL BID FORM

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

September 8, 2025

Dear Ladies and Gentlemen:

Subject to the terms of your Official Notice of Sale and Preliminary Official Statement dated September 2, 2025 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 2025, dated September 1, 2025 (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 %
2026		
2027		
2028		
2029		
2030		
2031		
2032		

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 County will pay the fee due to S&P.

NO REDEMPTION: The Notes will not be subject to redemption prior to stated maturity.

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 \$_____, 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 Monday, September 29, 2025, 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 evidence thereof, agrees to complete, execute, and deliver to the City, by the Delivery Date, a certificate relating to the "issue price" of the Notes 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, except to the extent otherwise required by applicable Texas or Federal law, it (1) does not and will not "boycott Israel", (2) is not a company on the Texas Comptroller's list concerning "foreign terrorist organizations" prepared and maintained thereby under applicable Texas law, (3) does not and will not "discriminate against a firearm entity or firearm trade association", (4) does not and will not "boycott energy companies", and (5) it has, as of the date of this official bid form and as of Closing on file with the Texas Attorney General a standing letter addressing the representations and verifications in (1) through (4), all as more fully provided in the Official Notice of Sale under the heading "ADDITIONAL CONDITIONS OF AWARD", which are included in Exhibit A to this Official Bid Form and incorporated herein for all purposes.

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 and Bond Counsel at stephanie.leibe@nortonrosefulbright.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.

Upon acceptance of this bid by the City, the accepted bid and Official Notice of Sale will together comprise a binding contract between the winning bidder and the City in accordance with their terms. The acceptance of the bid creates a binding contract creates a binding contract with a term that extends until the Notes are taken up and paid for by the Bidder or any earlier termination of this contract in accordance with the terms of the Official Notice of Sale.

Bidder: _____

By: _____

Authorized Representative

Telephone Number

E-mail 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 8th day of September, 2025.

Mayor,
City of Smithville, Texas

ATTEST:

City Secretary,
City of Smithville

EXHIBIT A
Statutory Representations and Covenants and Texas Attorney General Standing Letter

Statutory Representations and Covenants. Through submitting of this executed Official Bid Form, the undersigned makes the following representations and covenants pursuant to Chapters 2252, 2271, 2274, and 2276, Texas Government Code, as heretofore amended (the "Government Code"). As used therein, "affiliate" means an entity that controls, is controlled by, or is under common control with the winning bidder within the meaning of SEC Rule 405, 17 C.F.R. § 230.405, and exists to make a profit. Liability for breach of any such representation or covenant during the term of the contract for purchase and sale of the Certificates created by the Official Bid Form (the "Purchase Contract") shall survive until barred by the applicable statute of limitations, and shall not be liquidated or otherwise limited by any provision of the Official Bid Form or the Official Notice of Sale, notwithstanding anything herein or therein to the contrary.

Not a Sanctioned Company. The undersigned represents that neither it nor any of its 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, Government Code. The foregoing representation excludes the undersigned and each of its 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.

No Boycott of Israel. The undersigned hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and will not boycott Israel during the term of the Purchase Contract. As used in the foregoing verification, "boycott Israel" has the meaning provided in Section 2271.001, Government Code.

No Discrimination Against Firearm Entities. The undersigned hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association and will not discriminate against a firearm entity or firearm trade association during the term of the Purchase Contract. As used in the foregoing verification, "discriminate against a firearm entity or firearm trade association" has the meaning provided in Section 2274.001(3), Government Code.

No Boycott of Energy Companies. The undersigned hereby 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 Purchase Contract. As used in the foregoing verification, "boycott energy companies" has the meaning provided in Section 2276.001(1), Government Code.

Texas Attorney General Standing Letter. The undersigned represents that it has, as of the date of this Official Bid Form and as of Closing will have, on file with the Texas Attorney General a standing letter addressing the representations and verifications hereinbefore described in the Notice of Sale and in this Official Bid Form in the form attached as Exhibit B to the Updated Recommendations for Compliance with the Texas BPA Verification and Representation Requirements (December 1, 2024) of the Municipal Advisory Council of Texas or any other form accepted by the Texas Attorney General (a "Standing Letter"). In addition, if subsequent to the filing of its Standing Letter, the winning bidder or the parent company, a wholly- or majority-owned subsidiary or another affiliate of such winning bidder receives or has received a letter from the Texas Comptroller of Public Accounts or the Texas Attorney General seeking (a) confirmation or verification of the these representations and verifications or (b) written verification that such winning bidder is a member of the Net Zero Banking Alliance, Net Zero Insurance Alliance, Net Zero Asset Owner Alliance, or Net Zero Asset Managers or of the representations and certifications contained in the winning bidder's Standing Letter (each a "Request Letter"), the winning bidder shall promptly notify the City and Bond Counsel (if it has not already done so) and provide to the City or Bond Counsel, two business days prior to Closing and additionally upon request by the City or Bond Counsel, written verification to the effect that its Standing Letter described in the preceding sentence remains in effect and may be relied upon by the City and the Texas Attorney General (the "Bringdown Verification"). The Bringdown Verification shall also confirm that the winning bidder (or the parent company, a wholly- or majority-owned subsidiary or other affiliate of the winning bidder that received the Request Letter) intends to timely respond or has timely responded to the Request Letter. The Bringdown Verification may be in the form of an e-mail. The City reserves the right, in its sole discretion, to reject any bid from a bidder that does not satisfy the foregoing requirements as of the deadline for bids for the Certificates. Liability for breach of any such verification during the term of this contract for purchase shall survive until barred by the applicable statute of limitations, and shall not be liquidated or otherwise limited by any provision of this contract for purchase, notwithstanding anything in this contract for purchase to the contrary.

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\$3,000,000*
CITY OF SMITHVILLE, TEXAS
TAX NOTES, SERIES 2025

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 "Obligations") of the City of Smithville, Texas (the "Issuer").

1. Reasonably Expected Initial Offering Price.

(a) As of the Sale Date, the reasonably expected initial offering prices of the Obligations 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 Obligations used by the Purchaser in formulating its bid to purchase the Obligations. Attached as Schedule B is a true and correct copy of the bid provided by the Purchaser to purchase the Obligations.

(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 Obligations.

2. Defined Terms.

(a) *Maturity* means Obligations with the same credit and payment terms. Obligations with different maturity dates, or Obligations 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 Obligations. The Sale Date of the Obligations is September 8, 2025.

(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 Obligations 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 Obligations 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 Obligations 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 Obligations and with respect to compliance with the federal income tax rules affecting the Obligations, and by Norton Rose Fulbright US LLP in connection with rendering its opinion that the interest on the Obligations 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 Obligations.

By: _____

Name: _____

Title: _____

Dated: September 8, 2025

*Preliminary, subject to change.

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SCHEDULE A

EXPECTED OFFERING PRICES

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SCHEDULE B

COPY OF UNDERWRITER'S BID

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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 RISK FACTORS" AND
"OTHER PERTINENT INFORMATION – Ratings" herein)

PRELIMINARY OFFICIAL STATEMENT
Dated: September 2, 2025

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 who are individuals. (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 2025

Dated Date: September 1, 2025

Due: February 1, as shown on page 2

The \$3,000,000* City of Smithville, Texas Tax Notes, Series 2025 (the "Notes" or "Obligations") 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 8, 2025. (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 September 1, 2025 (the "Dated Date") as shown above and will be payable on February 1 and August 1 of each year, commencing February 1, 2026, 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 for the purpose of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, including: (1) designing, constructing, acquiring, purchasing, renovating, equipping, enlarging, and improving the City's combined utility system; (2) constructing street and bridge improvements (including utilities repair, replacement, and relocation), curbs, gutters, street lighting, technology improvements, signage, acquiring lands and rights-of-way necessary for streets, bridges, and sidewalk improvements, including drainage and landscaping incidental thereto; (3) constructing, acquiring, purchasing, renovating, equipping, and improving the City's public safety facilities, including improvements to the City animal control facility and the police facility, and the purchase of new police vehicles; (4) acquiring, improving, upgrading, and equipping the City's parks or recreation facilities, including acquiring playground equipment, renovations to public restrooms, and technology upgrades to the Smithville Recreation Center; (5) constructing, acquiring, purchasing, renovating, enlarging, and improving City administrative facilities and signage, including renovations and improvements to City Hall, a new public works department facility for City vehicles, improvements to the City's brush dump, and the purchase of vehicles for the public works department; (6) the purchase of materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes; and (7) payment for professional services relating to the design, construction, project management, and financing of the aforementioned projects. (See "THE NOTES – Use of Note proceeds" herein.)

The City has made an application to municipal bond insurance companies to have the payment of principal of and interest on the Notes insured by a municipal bond guaranty policy and will consider the purchase of such policy after an analysis of the bids from such insurance providers has been made by the City's Financial Advisor. (See "BOND INSURANCE" and "BOND INSURANCE RISK FACTORS" herein.)

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

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

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 Norton Rose Fulbright US LLP, Austin, 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 September 29, 2025.

BIDS DUE MONDAY, SEPTEMBER 8, 2025 BY 11:00 A.M. CENTRAL TIME

*Preliminary, subject to change.

\$3,000,000*
CITY OF SMITHVILLE
TAX NOTES, SERIES 2025

STATED MATURITY SCHEDULE*

(Due February 1)

CUSIP No. Prefix 832636⁽¹⁾

<u>Stated Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Initial Yield</u>	<u>CUSIP No. Suffix⁽¹⁾</u>
2026	\$385,000	____%	____%	_____
2027	395,000	____%	____%	_____
2028	410,000	____%	____%	_____
2029	425,000	____%	____%	_____
2030	445,000	____%	____%	_____
2031	460,000	____%	____%	_____
2032	480,000	____%	____%	_____

(Interest to accrue from the Dated Date)

The Notes are not subject to redemption prior to stated maturity. (see "THE NOTES – No Redemption Provisions" herein)

* Preliminary, subject to change.

⁽¹⁾ CUSIP numbers are included solely for the convenience of owners of the Notes. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems Inc., on behalf of The American Bankers Association. CUSIP numbers have been assigned to this issue by the CUSIP Service Bureau and are included solely for convenience of the Bondholders. 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 are responsible for the selection or correctness of the CUSIP numbers set forth herein.

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

ELECTED OFFICIALS

Name	Years Served	Term Expires (May)
Sharon Foerster, Mayor	6*	2026
Tyrone Washington Councilmember, Place 1	2	2027
Brandon Dunham Councilmember, Place 2	Elected May 3, 2025	2027
Jimmy Jenkins Councilmember, Place 3	2	2027
Mitchell Jameson Councilmember, Place 4	2	2026
Cathy Meek Councilmember, Place 5	1	2026

*Previously served as councilmember.

ADMINISTRATION

Name	Position	Length of Service (Years)
Robert Tamble	City Manager	11 years
Cynthia White	Finance Director	20 years
Jennifer Lynch	City Secretary / HR Director / PIO	16 years

CONSULTANTS AND ADVISORS

Bond Counsel Norton Rose Fulbright US LLP
Austin, 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"), this Preliminary Official Statement constitutes an "official statement" of the Issuer with respect to the Obligations 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 is 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 information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will under any circumstances create any implication that there has been no change in the information or opinions set forth herein after the date of this Official Statement. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the Issuer's undertaking to provide certain information on a continuing basis.

The Financial Advisor has provided the following sentence for inclusion of 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, ITS FINANCIAL ADVISOR, OR THE PURCHASER MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY, ITS BOOK-ENTRY-ONLY SYSTEM, AS SUCH INFORMATION IS PROVIDED BY DTC. OR ANY POTENTIAL BOND INSURER OR ITS MUNICIPAL BOND GUARANTY POLICY AS DESCRIBED HEREIN (OR INCORPORATED BY REFERENCE) UNDER THE CAPTIONS "BOOK-ENTRY-ONLY SYSTEM", "BOND INSURANCE" AND "BOND INSURANCE RISK FACTORS", AS SUCH INFORMATION WAS PROVIDED BY DTC AND THE BOND INSURER, RESPECTIVELY.

The agreements of the Issuer and others related to the Notes are contained solely in the contracts described herein. Neither this Official Statement or any other statement made in connection with the offer or sale of the Notes is to be construed as constituting an agreement with the purchasers 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.

The Issuer	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 2025 population is 4,126. 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.)
The Notes	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 on September 8, 2025 by the City Council. (see "THE NOTES – Authority for Issuance").
Paying Agent/Registrar	The initial Paying Agent/Registrar for the Notes is BOKF, NA, Dallas, Texas.
Security for the Notes	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. (See "THE NOTES - Security for Payment" and "TAX RATE LIMITATIONS" herein.)
No Redemption	The Notes are not subject to redemption prior to stated maturity.
Tax Matters	In the opinion of Bond Counsel, the interest on the Notes will be excludable from gross income for federal tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof. (See "TAX MATTERS" for a discussion of the Opinion of Bond Counsel and "APPENDIX C - FORM OF LEGAL OPINION OF BOND COUNSEL" herein.)
Qualified Tax-Exempt Obligations	The Issuer will designate the Notes as "Qualified Tax-Exempt Obligations" for financial institutions. (See "TAX MATTERS - Qualified Tax-Exempt Obligations" herein.)
Use of Proceeds of the Notes	Proceeds from the sale of the Notes will be used for the purpose of paying contractual obligations of the City to be incurred for making permanent public improvements, including: (1) designing, constructing, acquiring, purchasing, renovating, equipping, enlarging, and improving the City's combined utility system; (2) constructing street and bridge improvements (including utilities repair, replacement, and relocation), curbs, gutters, street lighting, technology improvements, signage, acquiring lands and rights-of-way necessary for streets, bridges, and sidewalk improvements, including drainage and landscaping incidental thereto; (3) constructing, acquiring, purchasing, renovating, equipping, and improving the City's public safety facilities, including improvements to the City animal control facility and the police facility, and the purchase of new police vehicles; (4) acquiring, improving, upgrading, and equipping the City's parks or recreation facilities, including acquiring playground equipment, renovations to public restrooms, and technology upgrades to the Smithville Recreation Center; (5) constructing, acquiring, purchasing, renovating, enlarging, and improving City administrative facilities and signage, including renovations and improvements to City Hall, a new public works department facility for City vehicles, improvements to the City's brush dump, and the purchase of vehicles for the public works department; (6) the purchase of materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes; and (7) payment for professional services relating to the design, construction, project management, and financing of the aforementioned projects.
Book-Entry-Only System	The Issuer intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York described herein. No physical delivery of the Notes will be made to the beneficial owners of the Notes. Such Book-Entry-Only System may affect the method and timing of payments on the Notes and the manner the Notes may be transferred. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)
Ratings	A municipal bond rating application has been made to S&P Global Ratings ("S&P"). The outcome of the results will be made available as soon as possible. (See "OTHER PERTINENT INFORMATION - Ratings" herein.)
Bond Insurance	The City has made an 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. (See "BOND INSURANCE" and "BOND INSURANCE RISK FACTORS" herein.)
Other Debt Issues	The City currently has no plans to issue additional ad valorem tax supported debt in 2025.
Payment Record	The City has never defaulted on the payment of its ad valorem tax backed indebtedness.
Delivery	When issued, anticipated on or about September 29, 2025.
Legality	Delivery of the Notes is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by Norton Rose Fulbright US LLP, Bond Counsel, Austin, Texas.

PRELIMINARY OFFICIAL STATEMENT

Relating to
\$3,000,000*
CITY OF SMITHVILLE, TEXAS
(A political subdivision of the State of Texas located in Bastrop County)
TAX NOTES, SERIES 2025

INTRODUCTORY STATEMENT

This Official Statement provides certain information in connection with the issuance by the City of Smithville, Texas (the “City” or “Issuer”) of its \$3,000,000* Tax Notes, Series 2025 (the “Notes” or “Obligations”) identified on the cover page hereof.

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. 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 Northeast 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 September 1, 2025 (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, 2026, 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, 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 8, 2025.

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 are prescribed by law, as provided in the Ordinance.

*Preliminary, subject to change.

Use of Note proceeds

Proceeds from the sale of the Notes will be used for the purpose of paying contractual obligations of the City to be incurred for making permanent public improvements, including: (1) designing, constructing, acquiring, purchasing, renovating, equipping, enlarging, and improving the City's combined utility system; (2) constructing street and bridge improvements (including utilities repair, replacement, and relocation), curbs, gutters, street lighting, technology improvements, signage, acquiring lands and rights-of-way necessary for streets, bridges, and sidewalk improvements, including drainage and landscaping incidental thereto; (3) constructing, acquiring, purchasing, renovating, equipping, and improving the City's public safety facilities, including improvements to the City animal control facility and the police facility, and the purchase of new police vehicles; (4) acquiring, improving, upgrading, and equipping the City's parks or recreation facilities, including acquiring playground equipment, renovations to public restrooms, and technology upgrades to the Smithville Recreation Center; (5) constructing, acquiring, purchasing, renovating, enlarging, and improving City administrative facilities and signage, including renovations and improvements to City Hall, a new public works department facility for City vehicles, improvements to the City's brush dump, and the purchase of vehicles for the public works department; (6) the purchase of materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes; and (7) payment for professional services relating to the design, construction, project management, and financing of the aforementioned projects.

No Redemption

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

Sources and Uses of Funds

Sources of Funds

Par Amount	\$ _____
Accrued Interest	_____
[Net] Reoffering Premium	_____
Total Sources of Funds	\$ _____

Uses of Funds

Deposit to Project Fund	\$ _____
Costs of Issuance	_____
Purchaser's Discount	_____
Deposit to Note Fund	_____
Total Uses of Funds	\$ _____

Payment Record

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

Legality

The Notes are offered when, as and if issued, subject to the approvals of legality by the Attorney General of the State of Texas and Norton Rose Fulbright US LLP, Austin, Texas, Bond Counsel. A form of the legal opinion of Bond Counsel appears in Appendix C attached hereto.

Defeasance

The Ordinance provides for the defeasance of the Notes when the payment of the principal of and premium, if any, on the Notes, plus interest thereon to the due date thereof (whether such due date be by reason of maturity or otherwise) is provided by irrevocably depositing with a paying agent (or financial institution permitted by applicable state law), in trust (1) money sufficient to make such payment, (2) Defeasance Securities (defined below) of such maturities and interest payment dates and bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to make such payment, or (3) a combination of money and Defeasance Securities together so certified sufficient to make such payment. 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 Defeasance 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 "Defeasance 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 the City authorizes the defeasance of the Notes, 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 City authorizes the defeasance of the Notes, 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 obligations hereafter authorized by law to be eligible to effect the defeasance of the Notes. City officials may restrict the use of such Defeasance Securities as deemed appropriate. There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Notes. Because the Ordinance does not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used for defeasance purposes or that for any other Defeasance Security will be maintained at any particular rating category.

Upon such deposit as described above, such Notes shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment of Notes have been made as described above, all rights of the City to initiate proceedings to take any other action amending the terms of such Notes are extinguished.

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 alleged breach. Therefore, in regard to municipal contract cases (as in tort claims), it is incumbent on the courts to determine whether a function is 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 Certificate 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.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar for the Notes 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 bank, trust company, financial institution or other entity qualified and authorized to serve in such capacity and perform the duties and services of Paying Agent/Registrar. 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 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 interest payable to the registered owner of a Note on any Interest Payment Date means the fifteenth (15th) day of the month next preceding such Interest Payment Date.

In the event of a non-payment of interest on an Interest 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 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

The Notes are initially to be issued utilizing the Book-Entry-Only System of DTC. In the event such Book-Entry-Only System should be discontinued, printed certificates will be issued to the owners of the Notes and thereafter, the Notes may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender of such printed certificates 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 designated 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 initially utilized in regard to ownership and transferability of the Notes.)

Limitation on Transfer or Exchange of Notes

The Paying Agent/Registrar shall not be required to transfer or exchange any Notes or any portion thereof 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.

Replacement Notes

In the Ordinance, provision is made for the replacement of mutilated, destroyed, lost, or stolen Notes upon surrender of the mutilated Notes to the Paying Agent/Registrar, or the receipt of satisfactory evidence of destruction, loss, or theft, and the receipt by the Issuer and the 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.

BOOK-ENTRY-ONLY SYSTEM

The following 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 DTC (defined below) 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 and the Purchaser cannot and do 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.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities 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 Security certificate will be issued for the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities 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 issues, 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 Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("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 Securities 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 certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Securities 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 Securities 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 Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities 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 Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities 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 Paying Agent/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 Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Securities 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 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, 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, distributions, and dividend 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 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.

A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to Paying Agent/Registrar, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to Paying Agent/Registrar. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to Paying Agent/Registrar's DTC account.

DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the City or Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City and the Purchaser believe to be reliable, but the City and the Purchaser take no responsibility for the accuracy thereof.

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, 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 physical Bond certificates will be issued to the respective holders and the Notes will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under the caption "REGISTRATION, TRANSFER AND EXCHANGE" above.

BOND INSURANCE

The City has applied for a municipal bond insurance policy on the Notes and will consider the purchase of such insurance after an analysis of bids from such companies has been made. The City shall notify the Purchaser upon obtaining a commitment from a municipal bond insurance company (the "Bond Insurer") concerning the Notes. If the City accepts a bid for the Notes that utilizes municipal bond insurance, the premium for a municipal bond insurance policy (the "Policy") shall be paid by the Purchaser. The final Official Statement shall disclose, to the extent necessary, any relevant information relating to any such municipal bond insurance policy. If bond insurance is purchased, purchasers of the Notes should be aware of the risks described below.

BOND INSURANCE RISK FACTORS

The City has yet to determine whether any insurance will be purchased with respect to the Notes. If an insurance policy is purchased (the "Policy") from a bond insurance company (the "Insurer"), the following are the risks factors relating to bond insurance.

If a Policy is purchased for some or all the Notes, the following are risk factors related to bond insurance. In the event of default of the payment of the principal or interest with respect to the Notes when all or some become 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 the mandatory or optional prepayment of the Notes by the City, which is recovered by the City from the Notes 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 absent 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. 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 of 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 the ratings on the Notes insured by the Bond Insurer will not be subject to downgrade and such event could adversely affect the price of the Notes or the marketability (liquidity) for the Notes. See "OTHER PERTINENT INFORMATION – Rating" 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 insurance 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 of 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, 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 such bond insurer to pay principal of 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 State law in accordance with investment policies approved and reviewed annually 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.

The Issuer may not, however, invest in (1) interest only obligations, or non-interest bearing principal obligations, stripped from mortgage-backed securities; (2) collateralized mortgage obligations that have a remaining term that exceeds 10 years; and (3) collateralized mortgage obligations that bear interest at an index rate that adjusts opposite to the changes in a market index. In addition, the Issuer may not invest more than 15% of its monthly average fund balance (excluding bond proceeds and debt service funds and reserves) in mutual funds described in clause (13) above or make an investment in any mutual fund that exceeds 10% of the fund's total assets.

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.

Current Investments ⁽¹⁾

TABLE 1

As of July 1, 2025, the City held investments as follows:

Investment Type	Amount	Percentage
Notes of Deposit and Investment Pools	\$4,690,709	100%

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.

⁽¹⁾ Unaudited.

CONVENING OF TEXAS LEGISLATURE

The regular session of the 89th Texas Legislature convened on January 14, 2025 and adjourned on June 2, 2025 (the “89th Regular Session”). The Legislature meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor of Texas (the “Governor”) may call one or more special sessions, at the Governor’s discretion, each lasting no more than 30 days and for which the Governor sets the agenda (any such special sessions, together with the 89th Regular Session, are collectively referred to herein as the “2025 Legislative Sessions”). The Governor called for a special session on June 23, 2025, which commenced on July 21, 2025 and adjourned sine die on August 15, 2025 (the “First Special Session”). The Governor had identified eighteen (18) agenda items to be considered during the First Special Session. The Governor called for a second special session on August 12, 2025, which commenced on August 15, 2025, and may last no longer than 30 days (the “Second Special Session”), and has identified the exact same eighteen (18) agenda items that were the subject of the First Special Session. Among the items being considered is “legislation reducing the property tax burden on Texans and legislation imposing spending limits on entities authorized to impose property taxes.” The City is unable to predict the substance of such legislation or the effect, if any, it will have on the City’s finances or operations. The City is still in the process of reviewing legislation passed during the 89th Regular Session. At this time, the City cannot make any representations as to the full impact of such legislation. Further, the City can make no representations or predictions regarding any proposed legislation on the agenda for the second called special session or any additional legislation that may be considered during any special session or the potential impact of such legislation at this time, but it intends to monitor applicable legislation related thereto.

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 I 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 County 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.

Effective January 1, 2024, an appraisal district is prohibited from increasing the appraised value of real property during the 2024 tax year on certain non-homestead properties (the "Subjected Property") whose appraised values are not more than \$5 million (the "Maximum Property Value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office; or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property (collectively the "Appraisal Cap"). After the 2024 tax year, through December 31, 2026 (unless extended by Legislature), the Maximum Property Value may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the Maximum Property Value. For the 2025 tax year, the Maximum Property Value was increased to \$5,160,000.

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 taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than \$5,000) and (2) an additional exemption of at least \$3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The exemption described in (2), above, may also be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit.

The governing body of a school district, municipality, or county that adopted an exemption described in (1), above, for the 2022 tax year may not reduce the amount of or repeal the exemption through December 31, 2027.

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. Subject to voter approval at a Statewide election to be held on November 4, 2025, legislation passed by the State legislature and signed by the Governor during the 89th Regular Session (as defined herein) would provide a person with an exemption from taxation by a taxing unit of \$125,000 of the appraised value of tangible personal property the person owns that is held or used for the production of income and has taxable situs at the same location in the taxing unit (or, if the person leases such property, regardless of where the property is located in the taxing unit).

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. Beginning with the 2026 tax year, all intangible personal property is exempt from taxation.

Temporary Exemption for Qualified Property Damaged by a Disaster

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 (hereinafter defined) 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. 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. The Texas Legislature amended Section 11.35, Tax Code to clarify that "damage" for purposes of such statute is limited to "physical damage." For more information on the exemption, reference is made to Section 11.35 of the Property Tax Code, as amended.

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 THE 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 is set at \$61,349,201 for the 2025 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.

“foregone revenue amount” means the greater of zero or the amount expressed in dollars calculated according to the following formula: the voter-approval tax rate less the actual tax rate, then multiplied by the taxing unit's current total value in the applicable preceding tax year.

“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).

"preceding total value" means a taxing unit's current total value in the applicable preceding tax year.

"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 foregone revenue amount for the three tax years prior to the current tax year divided by the total taxable value of property for the current, year less exemption.

"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 posted notice prominently on the appraisal district's website (if the appraisal district maintains a website) and the assessor for the city has prominently posted on the city's website notice informing property owner of the estimated total amount of property taxes owed and the city has held a public hearing on the proposed tax increase. The appraisal district is also required to post notice in a newspaper of general circulation by August 7 or as soon thereafter as practicable or if there is no newspaper of general circulation, the notice must be posted in the appraisal district's office.

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 \$2.50 maximum tax rate for all debt service on ad valorem tax-supported debt, as calculated at the time of issuance.

CITY'S APPLICATION OF THE PROPERTY TAX CODE

See Table 1 in APPENDIX A for a listing of the amounts of the exemptions described below.

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 \$154k per year based on 500 property owners who currently qualify.

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. 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 Norton Rose Fulbright US 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 who are individuals. 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 Issuer 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 Issuer subsequent to the issuance of the Notes. The Ordinance contains covenants by the Issuer 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 Issuer 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 Issuer 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 Issuer 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 Note holders 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” herein), property and casualty insurance companies, life insurance companies, corporations subject to the alternative minimum tax on adjusted financial statement income, 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” 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 Notes) 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 Notes. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Notes. 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. 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 2025. 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) Certificate 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/registrar or the change of name of a paying agent/registrar, 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 credit enhancement (though the City has made application for Bond Insurance), 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 City 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 Undertakings

During the past five years, the City has complied in all material respects with its previous continuing disclosure agreements made in accordance with the Rule.

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 Note 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, Norton Rose Fulbright US LLP, Austin, Texas has reviewed (except for numerical, statistical or technical data) the information under the captions "THE NOTES" (except under the subcaptions "Use of Note Proceeds", "Sources and Uses of Funds", "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] 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, 2024, 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

APPENDIX A
FINANCIAL INFORMATION
THE CITY OF SMITHVILLE, TEXAS

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FINANCIAL INFORMATION OF THE ISSUER

ASSESSED VALUATION

TABLE 1

2025 Market Value of Taxable Property (100% of Market Value).....	\$	604,697,465
Less Exemptions:		
Over-65/Disabled Exemptions.....	\$	5,163,580
Veterans Exemptions.....		8,391,992
Pollution Control.....		11,045
Exemption/Other.....		94,827,048
Productivity Loss.....		13,943,615
Loss to 10% HO Cap.....		12,666,344
TOTAL EXEMPTIONS	\$	135,003,624
2025 Assessed Value of Taxable Property	\$	469,693,841
Less: Freeze Adjusted Taxable Value.....	\$	111,241,521
2025 Freeze Adjusted Value of Taxable Property	\$	358,452,320

Source: Bastrop County Appraisal District.

GENERAL OBLIGATION BONDED DEBT

(as of September 1, 2025)

General Obligation Debt (Principal Outstanding)

Certificates of Obligation, Series 2007	\$	975,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2019		2,360,000
Tax Notes, Series 2021		315,000
Tax Notes, Series 2022		710,000
Tax Notes, Series 2023		2,440,000
Tax Notes, Series 2025 (the "Notes")		3,000,000 *
Total Gross General Obligation Debt	\$	9,800,000 *

Less: Self Supporting Debt

Certificates of Obligation, Series 2007 (100% UF)	\$	975,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2019 (82.3% UF)		1,960,000
The Notes (33.33% UF)		1,000,000 *
Total Self-Supporting Debt	\$	3,935,000 *
Total Net General Obligation Debt Outstanding	\$	5,865,000 *

2025 Certified Net Assessed Valuation	\$	469,693,841
Ratio of Gross General Obligation Debt Principal to Net Taxable Assessed Valuation		2.09%
Ratio of Net General Obligation Debt to Net Taxable Assessed Valuation		1.25%

Population: 2000 - 3,901; 2010 - 3,817; 2020 - 3,922; est. 2025 - 4,126
Per Capita Preliminary Net Taxable Assessed Valuation - \$113,837.58
Per Capita Gross General Obligation Debt Principal - \$2,375.18
Per Capita Net General Obligation Debt Principal - \$1,421.47

* Preliminary, subject to change.

CITY DEBT OBLIGATIONS - CAPITAL LEASE AND NOTES PAYABLE**TABLE 2***(As of September 30, 2024)*

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2024, were as follows:

Governmental Activities:

Year Ending 9/30	Governmental Activities
2025	72,587
2026	43,804
Total minimum lease payments	116,391
Less: amount representing interest	(4,177)
Present value of minimum lease payments	<u>\$ 112,214</u>

Business-Type Activities:

Year Ending 9/30	Business-Type Activities
2025	268,782
2026	235,991
2027	227,276
2028	224,263
2029	221,097
2031-2031	428,033
Total minimum lease payments	1,605,442
Less: amount representing interest	(193,976)
Present value of minimum lease payments	<u>\$ 1,411,466</u>

Source: Annual Financial Report for Fiscal Year Ended September 30, 2024.

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ending Sept. 30	Current Total Outstanding Debt ^(a)	The Notes*			Combined Debt Service ^(a)	Less: Self- Supporting Debt*	Total Net Debt Service*
		Principal	Interest	Total			
2025	\$ 1,348,455				\$ 1,348,455	\$ 492,095	\$ 856,360
2026	1,368,956	\$ 385,000	\$ 102,300	\$ 487,300	1,856,256	654,857	1,201,400
2027	1,401,472	395,000	96,700	491,700	1,893,172	656,155	1,237,017
2028	1,406,181	410,000	80,600	490,600	1,896,781	653,490	1,243,291
2029	1,011,368	425,000	63,900	488,900	1,500,268	366,900	1,133,368
2030	820,575	445,000	46,500	491,500	1,312,075	366,600	945,475
2031	260,675	460,000	28,400	488,400	749,075	365,925	383,150
2032	254,375	480,000	9,600	489,600	743,975	364,900	379,075
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>\$ 9,146,820</u>	<u>\$ 3,000,000</u>	<u>\$ 428,000</u>	<u>\$ 3,428,000</u>	<u>\$ 12,574,820</u>	<u>\$ 5,139,722</u>	<u>\$ 7,435,098</u>

^(a) Includes self-supporting debt.

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

TAX ADEQUACY (Includes Self-Supporting Debt)

2025 Net Taxable Assessed Valuation	\$	469,693,841
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-26)		1,896,781 *
Indicated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements	\$	0.4121 *

* 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)

2025 Net Taxable Assessed Valuation	\$	469,693,841
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-26)		1,243,291 *
Indicated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements	\$	0.27010 *

* 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, 2024	\$ 436,961
2024 Interest and Sinking Fund Tax Levy at 98% Collections Produce	1,079,040
Total Available for General Obligation Debt	<u>\$ 1,516,001</u>
Less: General Obligation Debt Service Requirements, Fiscal Year Ending 9/30/25 ⁽¹⁾	856,360
Estimated Surplus at Fiscal Year Ending 9/30/25	<u>\$ 659,641</u>

⁽¹⁾ Includes self-supporting general obligation debt.

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

GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE

<u>Fiscal Year Ending 9-30</u>		<u>Currently Outstanding^(a)</u>		<u>The Notes*</u>		<u>Total*</u>		<u>Principal Unpaid at End of Year*</u>		<u>Percent of Principal Retired (%)*</u>
2026	\$	1,120,000	\$	385,000	\$	1,505,000	\$	8,295,000		15.4%
2027		1,200,000		395,000		1,595,000		6,700,000		31.6%
2028		1,255,000		410,000		1,665,000		5,035,000		48.6%
2029		905,000		425,000		1,330,000		3,705,000		62.2%
2030		750,000		445,000		1,195,000		2,510,000		74.4%
2031		210,000		460,000		670,000		1,840,000		81.2%
2032		210,000		480,000		690,000		1,150,000		88.3%
2033		220,000		-		220,000		930,000		90.5%
2034		175,000		-		175,000		755,000		92.3%
2035		180,000		-		180,000		575,000		94.1%
2036		185,000		-		185,000		390,000		96.0%
2037		190,000		-		190,000		200,000		98.0%
2038		200,000		-		200,000		-		100.0%
Total	\$	6,800,000	\$	3,000,000	\$	9,800,000				

^(a) Includes self-supporting debt.

* Preliminary, subject to change.

TAXABLE ASSESSED VALUATION

TABLE 3

<u>Year</u>	<u>Net Taxable Assessed Valuation</u>	<u>Change from Preceding Year</u>	
		<u>Amount (\$)</u>	<u>Percent</u>
2016	\$ 209,078,784	-	-
2017	238,040,334	\$ 28,961,550	13.85%
2018	249,800,157	11,759,823	4.94%
2019	276,167,412	26,367,255	10.56%
2020	291,874,086	15,706,674	5.69%
2021	330,212,752	38,338,666	13.14%
2022	398,711,432	68,498,680	20.74%
2023	459,338,617	60,627,185	15.21%
2024	474,136,725	14,798,108	3.22%
2025	469,693,841	(4,442,884)	-0.94%

Source: Bastrop County Appraisal District.

PRINCIPAL TAXPAYERS 2025

TABLE 4

<u>Name</u>	<u>Type of Business/Property</u>	<u>2025 Net Taxable Assessed Valuation</u>	<u>% of Total 2025 Assessed Valuation</u>
UNION PACIFIC RAILROAD CO	Railroad	\$ 5,133,921	1.09%
SOLAREIT A-I LLC	Real Estate	3,927,057	0.84%
DON BARKER HOMES INC	Home Builder	3,185,689	0.68%
SOUTHWEST HOUSING PARTNERS LTD	Residential Development	2,208,348	0.47%
SMITHVILLE SELF STORAGE LLC	Storage	1,850,931	0.39%
CENTERPOINT ENERGY ENTEX	Utility	1,820,141	0.39%
SPECTRUM GULF COAST LLC	Utility	1,695,605	0.36%
UNION PACIFIC RAILROAD CO	Railroad	1,689,904	0.36%
WEBB STREET LLC	Consulting	1,502,477	0.32%
STRAND'S REAL ESTATE INVESTMENT	Real Estate	1,432,694	0.31%
		<u>\$ 24,446,767</u>	<u>5.20%</u>

Source: Bastrop County Appraisal District.

CLASSIFICATION OF ASSESSED VALUATION
TABLE 5

	2025	% of Total	2024	% of Total	2023	% of Total
Real, Residential, Single-Family	\$ 383,709,252	63.45%	\$ 406,153,451	65.53%	\$ 410,657,863	64.60%
Real, Residential, Multi-Family	13,921,269	2.30%	10,971,174	1.77%	12,619,503	1.99%
Real, Vacant Lots/Tracts	12,435,011	2.06%	13,637,425	2.20%	13,614,072	2.14%
Real, Acreage (Land Only)	14,013,405	2.32%	14,013,405	2.26%	13,562,876	2.13%
Real, Farm & Ranch Improv	5,840,389	0.97%	5,131,121	0.83%	3,606,072	0.57%
Real, Commercial and Industrial	47,301,551	7.82%	43,591,391	7.03%	46,914,892	7.38%
Real & Tangible, Personal Utilities	10,249,128	1.69%	9,969,652	1.61%	10,288,510	1.62%
Tangible Personal, Commercial & Industrial	14,524,831	2.40%	14,781,235	2.38%	12,647,045	1.99%
Tangible Personal, Mobile Homes	4,829,157	0.80%	5,319,376	0.86%	5,228,891	0.82%
Special Inventory	87,805	0.01%	101,979	0.02%	96,536	0.02%
Totally Exempted Property	97,785,667	16.17%	96,166,711	15.51%	106,449,286	16.75%
Total Appraised Value	\$ 604,697,465	100.00%	\$ 619,836,920	100.00%	\$ 635,685,546	100.00%
Less:						
Over-65/Disabled Exemptions	\$ 5,163,580		\$ 5,183,294		\$ 4,770,867	
Veterans Exemptions	8,391,992		6,948,877		4,967,360	
Pollution Control	11,045		11,045		11,045	
Exemption/Other	94,827,048		94,463,416		106,449,286	
Productivity Loss	13,943,615		13,952,551		13,495,633	
Loss to 10% HO Cap	12,666,344		25,141,012		46,652,738	
Total Exemptions	\$ 135,003,624		\$ 145,700,195		176,346,929	
Net Taxable Assessed Valuation	\$ 469,693,841		\$ 474,136,725		\$ 459,338,617	

Source: Bastrop County Appraisal District.

TAX DATA
TABLE 6

Tax Year	Net Taxable Assessed Valuation	Tax Rate	Tax Levy	% of Collections		Year Ended
				Current	Total	
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	1,812,868	99.64	101.62	9/30/2022
2022	398,711,432	0.5489	2,188,527	95.81	97.65	9/30/2023
2023	459,338,617	0.5489	2,429,688	98.05	100.58	9/30/2024
2024	474,136,725	0.5890	2,659,954	96.21	97.34	9/30/2025*
2025	469,693,841					

* As of July 1, 2025

TAX RATE DISTRIBUTION
TABLE 7

	2024	2023	2022	2021	2020
General Fund	\$ 0.3614	\$ 0.3765	\$ 0.3831	\$ 0.4194	\$ 0.4466
I & S Fund	0.2276	0.1724	0.1658	0.1296	0.1024
Total Tax Rate	\$ 0.5890	\$ 0.5489	\$ 0.5489	\$ 0.5490	\$ 0.5490

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
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	40.80%	0.22
2023	866,499	35.66%	0.19
2024	891,060	33.50%	0.19
2025*	644,889	(as of August, 2025)	

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

OVERLAPPING DEBT INFORMATION

(as of September 1, 2025)

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 9/1/25)	% Overlapping	Amount Overlapping
Bastrop County	\$ 70,025,000	3.57%	\$ 2,499,893
Smithville ISD	31,515,000	26.77%	8,436,566
Total Gross Overlapping Debt			<u>\$ 10,936,458</u>
Smithville, City of			\$ 9,800,000 *
Total Gross Direct and Overlapping Debt			<u>\$ 20,736,458 *</u>
Ratio of Gross Direct Debt and Overlapping Debt			4.41% *
Per Capita Gross Direct Debt and Overlapping Debt			\$5,025.80 *

Note: The above figures show Gross General Obligation Debt for the City of Smithville, Texas. The Issuer's Net General Obligation Debt is \$5,865,000*. Calculations on the basis of Net General Obligation Debt would change the above figures as follows:

Total Net Direct and Overlapping Debt	\$ 16,801,458
Ratio of Net Direct and Overlapping Debt to 2025 Net Assessed Valuation	3.58%
Per Capita Net Direct and Overlapping Debt	\$4,072.09

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	2025 Assessed Valuation*	% of Actual	2024 Tax Rate**
Bastrop County	\$ 15,852,296,597	100%	\$ 0.402700
Smithville ISD	1,500,484,075	100%	0.942500

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

* M&O Net Taxable Value.

** 2025 tax rates not adopted at time of posting this Preliminary Official Statement.

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				
	9/30/2024*	9/30/2023	9/30/2022	9/30/2021	9/30/2020
Fund Balance - Beginning of Year	\$ 1,596,631	\$ 1,337,125	\$ 1,272,109	\$ 1,775,565	\$ 1,360,070
Revenues	5,359,495	4,746,367	4,593,302	3,941,834	5,663,447
Expenditures	6,771,981	5,846,320	5,964,956	5,823,777	6,426,170
Excess (Deficit) of Revenues Over Expenditures	\$ (1,412,486)	\$ (1,099,953)	\$ (1,371,654)	\$ (1,881,943)	\$ (762,723)
Other Financing Sources (Uses):					
Operating Transfers In	\$ 1,319,459	\$ 1,334,325	\$ 1,394,000	\$ 1,107,000	\$ 1,037,000
Sale of Capital Assets	16,325	24,390	8,500	33,144	7,062
Insurance recoveries	31,149	744	34,170	17,014	15,481
Operating Transfers Out	-	-	-	(17,876)	(40,519)
Capital Leases	-	-	-	239,240	159,194
Total Other Financing Sources (Uses):	\$ 1,366,933	\$ 1,359,459	\$ 1,436,670	\$ 1,378,522	\$ 1,178,218
Fund Balance - End of Year	\$ 1,551,078	\$ 1,596,631	\$ 1,337,125	\$ 1,272,144	\$ 1,775,565

Source: The Issuer's Comprehensive Annual Financial Reports.

* The City anticipates an unaudited ending fund balance in the General Fund of \$1,536,200 on September 30, 2025.

EMPLOYEE'S PENSION PLAN AND OTHER POST-EMPLOYMENT BENEFITS**TABLE 10**

The Defined Benefit Pension Plan can be obtained from the City's 2024 Financial Report Note "E", page 51.

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APPENDIX B

**GENERAL INFORMATION REGARDING THE CITY OF SMITHVILLE, TEXAS
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 River 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 ⁽¹⁾

	2025 ⁽²⁾	2024 ⁽³⁾	2023 ⁽³⁾	2022 ⁽³⁾	2021 ⁽³⁾
Civilian Labor Force	56,604	55,733	54,024	48,156	45,560
Total Employed	54,430	53,706	52,091	46,546	43,508
Total Unemployed	2,174	2,027	1,933	1,610	2,052
% Unemployment	3.8%	3.6%	3.6%	3.3%	4.5%
Texas Unemployment	4.0%	4.0%	4.0%	3.9%	5.6%

(1) Source: Texas Workforce Commission.

(2) As of June 2025.

(3) Average Annual Statistics.

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APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

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September 29, 2025

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DRAFT

IN REGARD to the authorization and issuance of the “City of Smithville, Texas Tax Notes, Series 2025” (the *Obligations*), dated September 1, 2025 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__, and are not subject to redemption prior to their 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 Bonds 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

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Legal Opinion of Norton Rose Fulbright US LLP in connection with the authorization and issuance of CITY OF SMITHVILLE, TEXAS TAX NOTES, SERIES 2025

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 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 within 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 will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals.

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, corporations subject to the alternative minimum tax on adjusted financial statement income, 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.

Legal Opinion of Norton Rose Fulbright US LLP in connection with the authorization and issuance of CITY OF SMITHVILLE, TEXAS TAX NOTES, SERIES 2025

Norton Rose Fulbright US LLP

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APPENDIX D

FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024

(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, 2024



SINGLETON, CLARK
& COMPANY, PC CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SMITHVILLE, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024

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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
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, 2024, and the related notes to the financial statements, which collectively comprise the City'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 the City, as of September 30, 2024, 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 the City 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 the City'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 the City'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 the City'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 the City'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.

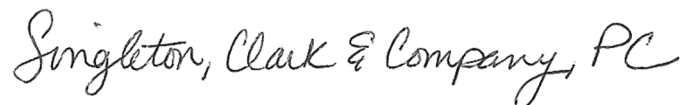
Other Information

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 February 28, 2025 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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Singleton, Clark & Company, PC
Cedar Park, Texas

February 28, 2025

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CITY OF SMITHVILLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

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, 2024. 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 \$697,017 to end at \$11,983,438.
- The City's fund balance in the General Fund decreased by \$45,553 to end at \$1,551,078.
- The City's net position for the Utility Fund increased by \$12,409 to end at \$5,217,648.

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).

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, code enforcement and inspections, highways and streets, sanitation, health and welfare, culture and recreation, cemetery, airport, and economic development and assistance. The business-type activities of the City include electric, and water/wastewater utility operations.

CITY OF SMITHVILLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

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 nineteen 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, the GLO CDBG-MIT Grant Fund, and the Capital Projects Fund, which are considered to be major funds. Data from the other fifteen 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 Interest and Sinking Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

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.

CITY OF SMITHVILLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

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, which are aggregated in to a single fund and are considered to be a major fund of the City. 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 72 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, 2024

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 \$17,201,086 at the close of the most recent fiscal year.

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

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Current assets	\$ 4,803,213	\$ 3,456,255	\$ 2,317,345	\$ 2,599,664	\$ 7,120,558	\$ 6,055,919
Capital assets	14,435,447	12,077,314	8,769,786	9,129,787	23,205,233	21,207,101
Total assets	19,238,660	15,533,569	11,087,131	11,729,451	30,325,791	27,263,020
Deferred outflows of resources	819,372	930,750	403,571	458,429	1,222,943	1,389,179
Current liabilities	1,332,454	686,839	510,976	609,976	1,843,430	1,296,815
Noncurrent liabilities	6,338,801	4,173,349	5,563,418	6,216,181	11,902,219	10,389,530
Total liabilities	7,671,255	4,860,188	6,074,394	6,826,157	13,745,649	11,686,345
Deferred inflows of resources	403,339	317,710	198,660	156,484	601,999	474,194
Net position:						
Net investment in capital assets	9,630,357	9,577,751	3,901,716	3,690,272	13,532,073	13,268,023
Restricted	508,345	480,029	-	-	508,345	480,029
Unrestricted	1,844,736	1,228,641	1,315,932	1,514,967	3,160,668	2,743,608
Total net position	\$ 11,983,438	\$ 11,286,421	\$ 5,217,648	\$ 5,205,239	\$ 17,201,086	\$ 16,491,660

By far, the largest portion of the City's net position (78.7%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (2.9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$3,160,668 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, 2024

The City's overall net position increased by \$709,426 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 \$697,017 from the prior fiscal year for an ending balance of \$11,983,438. The increase in net position for governmental activities is primarily related to the transfer between the City's governmental activities and business-type activities.

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

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Program Revenues:						
Charges for services	\$ 2,126,989	\$ 1,787,958	\$ 8,089,431	\$8,214,266	\$10,216,420	\$10,002,224
Operating grants & contributions	660,944	1,278,000	-	-	660,944	1,278,000
Capital grants and contributions	2,037,497	978,356	-	-	2,037,497	978,356
General Revenues:						
Property taxes	2,466,561	2,203,327	-	-	2,466,561	2,203,327
Other taxes	1,020,982	1,145,011	-	-	1,020,982	1,145,011
Grants and contributions not restricted to specific programs	139,001	-	-	-	139,001	-
Other	434,434	689,348	340,755	238,927	775,189	928,275
Total revenue	8,886,408	8,082,000	8,430,186	8,453,193	17,316,594	16,535,193
Expenses:						
General government	2,798,695	2,632,627	-	-	2,798,695	2,632,627
Public safety	2,282,673	1,968,742	-	-	2,282,673	1,968,742
Code enforcement and inspection	149,255	144,000	-	-	149,255	144,000
Highways and streets	617,030	730,333	-	-	617,030	730,333
Sanitation	1,574,454	1,438,730	-	-	1,574,454	1,438,730
Health and Welfare	3,529	1,730	-	-	3,529	1,730
Culture and recreation	1,562,763	1,540,535	-	-	1,562,763	1,540,535
Cemetery	165,947	152,656	-	-	165,947	152,656
Airport	199,974	114,263	-	-	199,974	114,263
Economic dev. and assistance	199,281	242,458	-	-	199,281	242,458
Interest and bank fees	172,916	74,073	-	-	172,916	74,073
Utility Fund	-	-	6,880,651	7,327,011	6,880,651	7,327,011
Total expenses	9,726,517	9,040,147	6,880,651	7,327,011	16,607,168	16,367,158
Increase (decrease) in net position before transfers	(840,109)	(958,147)	1,549,535	1,126,182	709,426	168,035
Transfers	1,537,126	1,421,325	(1,537,126)	(1,421,325)	-	-
Increase (decrease) in net position	697,017	463,178	12,409	(295,143)	709,426	168,035
Net position - beginning	11,286,421	10,823,243	5,205,239	5,500,382	16,491,660	16,323,625
Net position - ending	\$ 11,983,438	\$ 11,286,421	\$ 5,217,648	\$5,205,239	\$17,201,086	\$16,491,660

CITY OF SMITHVILLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Business-type Activities. For the City of Smithville, Texas's business-type activities, the results for the current fiscal year were positive in that overall net position increased to reach an ending balance of \$5,217,648. The total increase in net position for business-type activities (the Utility Fund) was \$12,409 from the prior fiscal year. The increase before transfer was \$1,549,535 but a transfer of \$1,537,126 reduced that amount to the aforementioned \$12,409.

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, 2024, the City's governmental funds reported combined fund balances of \$3,344,317, an increase of \$716,393 in comparison with the prior year. Approximately 46% of this amount, \$1,536,218, constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable, restricted, or committed*, to indicate that it is 1) not in spendable form \$14,860; 2) restricted for particular purposes \$465,230; 3) committed for particular purposes \$1,328,009.

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 \$1,536,218, while total fund balance decreased to \$1,551,078. 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 23% of total general fund expenditures, while total fund balance represents approximately 23% of that same amount.

The fund balance of the City's General Fund decreased by \$45,553 during the current fiscal year. The City budgeted a deficit for the General Fund, choosing to rely on a transfer from the Utility Fund to supplement the General Fund.

The GLO CDBG-MIT fund, a major fund, had a \$1,134 increase in fund balance during the current fiscal year which put the overall fund balance at \$1,354. The activity for the year related primarily to the NE/NW 2nd Street Drainage Project.

The Capital Project fund, a major fund, had a \$1,245,584 increase in fund balance during the current fiscal year which put the overall fund balance at \$1,245,584. The activity for the year related to the City's new and ongoing capital projects.

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

Unrestricted net position of the Utility Fund at the end of the year was \$1,315,932, an increase of \$12,409 from the prior year net position of \$5,205,239. Total net position for the Utility Fund is reported at \$5,217,648 with \$3,901,716 of this representing net investments in capital assets.

CITY OF SMITHVILLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

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 various, unexpected expenses. The amendments made for charges for services, contributions and donations from private sources, general government, public safety, highways and streets, airport, and capital outlay expenditure line items were considered 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, 2024, amounts to \$25,203,233 (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 9.4%.

Capital Assets, Net of Accumulated Depreciation

	Governmental Activities 2024	Governmental Activities 2023	Change
Land	\$ 1,270,593	\$ 669,891	\$ 600,702
Infrastructure	9,998,286	\$ 9,481,498	516,788
Buildings	7,371,250	6,569,088	802,162
Furniture and equipment	4,362,393	3,221,690	1,140,703
Construction in progress	1,366,521	1,068,880	297,641
Total	24,369,043	21,011,047	3,357,996
Less accumulated depreciation	(9,933,596)	(8,933,733)	(999,863)
Capital assets, net of depreciation	\$ 14,435,447	\$ 12,077,314	\$ 2,358,133

	Business-Type Activities 2024	Business-Type Activities 2023	Change
Land	\$ 174,319	\$ 174,319	\$ -
Machinery, equipment, and vehicles	1,532,442	1,536,942	(4,500)
Construction in progress	373,775	249,845	123,930
Infrastructure	17,907,194	17,907,194	-
Total	19,987,730	19,868,300	119,430
Less accumulated depreciation	(11,217,944)	(10,738,513)	(479,431)
Capital assets, net of depreciation	\$ 8,769,786	\$ 9,129,787	\$ (360,001)

Additional information on the City's capital assets can be found in Note IV.D on pages 50-51 of this report.

CITY OF SMITHVILLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$9,795,103. Of this amount, \$3,992,259 is debt backed by the full faith and credit of the government. The remainder of the City long-term obligations comprises pension-related debt and capital leases.

Outstanding Debt

	Governmental Activities 2024	Governmental Activities 2023	Change
General obligation bonds	\$ -	\$ 315,000	\$ (315,000)
Certificates of obligation	445,000	455,000	(10,000)
Premium on issuance	147,876	-	147,876
Notes payable	4,100,000	1,550,000	2,550,000
Right-to-use leases payable	112,214	179,563	(67,349)
Compensated absences payable	121,943	96,920	25,023
Total	<u>\$ 4,927,033</u>	<u>\$ 2,596,483</u>	<u>\$ 2,330,550</u>

	Business-Type Activities 2024	Business-Type Activities 2023	Change
General obligation bonds	\$ 1,270,000	\$ 1,555,000	\$ (285,000)
Certificates of obligations	2,040,000	2,115,000	(75,000)
Premium on issuance	89,383	95,767	(6,384)
Right-to-use leases payable	1,411,466	1,625,735	(214,269)
Compensated absences payable	57,221	48,013	9,208
Total	<u>\$ 4,868,070</u>	<u>\$ 5,439,515</u>	<u>\$ (571,445)</u>

The City's total debt increased by \$1,759,105 during the current fiscal year. The reason for the increase was due to the City issuing Tax Note Series 2023 in the amount of \$2,915,000.

Additional information on the City's long-term debt can be found in Note IV.L on pages 62-65 of this report.

Economic Factors and Next Year's Budgets and Rates

The City considered many factors when setting the fiscal year 2025 budget. The City's General Fund budget for fiscal year 2025 includes expenditures of \$7,330,955 which is a significant increase from fiscal year 6,526,057 total adopted expenditures. The city increased the tax rate for 2024-2024 to \$0.361372 for the General Fund and to \$0.227580 for the Interest and Sinking Fund. The overall total tax rate increased to \$0.588952 per \$100 valuation.

CITY OF SMITHVILLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

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, 2024

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 541,468	\$ 432,255	\$ 973,723
Investments - current	2,582,620	1,242,635	3,825,255
Taxes receivable - delinquent	173,507	-	173,507
Allowance for uncollectible taxes	(17,350)	-	(17,350)
Accounts receivable, net	370,398	1,083,919	1,454,317
Intergovernmental receivable	576,187	100,473	676,660
Internal balances	560,923	(560,662)	261
Inventories	-	11,736	11,736
Prepaid items	15,460	6,989	22,449
Capital assets, not being depreciated:			
Land	1,270,593	174,319	1,444,912
Construction in progress	1,366,521	1,882,440	3,248,961
Capital assets, being depreciated:			
Buildings and improvements	7,371,250	-	7,371,250
Machinery, equipment, and vehicles	4,362,393	-	4,362,393
Infrastructure	9,998,286	17,930,971	27,929,257
Accumulated depreciation	(9,933,596)	(11,217,944)	(21,151,540)
Total assets	19,238,660	11,087,131	30,325,791
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows NPL	728,728	358,926	1,087,654
Deferred outflows OPEB	90,644	44,645	135,289
Total deferred outflows of resources	819,372	403,571	1,222,943
LIABILITIES			
Accounts payable	919,992	298,027	1,218,019
Accrued salaries and benefits	91,455	33,628	125,083
Accrued liabilities	-	20,788	20,788
Retainage payable	25,088	-	25,088
Accrued interest payable	29,715	45,101	74,816
Unearned revenue	166,633	-	166,633
Other current liabilities	96,396	-	96,396
Customer deposits	3,175	113,432	116,607
Noncurrent liabilities:			
Due within one year	749,495	594,064	1,343,559
Due in more than one year	5,589,306	4,969,354	10,558,660
Total liabilities	7,671,255	6,074,394	13,745,649
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows NPL	359,324	176,981	536,305
Deferred inflows OPEB	44,015	21,679	65,694
Total deferred inflows of resources	403,339	198,660	601,999
NET POSITION			
Net investment in capital assets	9,630,357	3,901,716	13,532,073
Restricted for debt service	480,077	-	480,077
Restricted for federal programs	28,268	-	28,268
Unrestricted	1,844,736	1,315,932	3,160,668
Total net position	\$ 11,983,438	\$ 5,217,648	\$ 17,201,086

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, 2024

Functions/Programs:	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 2,798,695	\$ 215,132	\$ 526,356	\$ 1,682,913
Public safety	2,282,673	180,496	125,718	5,403
Code enforcement and inspection	149,255	-	-	-
Highways and streets	617,030	-	-	349,181
Sanitation	1,574,454	1,432,781	-	-
Health and welfare	3,529	-	-	-
Culture and recreation	1,562,763	122,898	8,870	-
Cemetery	165,947	14,030	-	-
Airport	199,974	161,652	-	-
Economic development and assistance	199,281	-	-	-
Interest and bank fees	172,916	-	-	-
Total governmental activities:	<u>9,726,517</u>	<u>2,126,989</u>	<u>660,944</u>	<u>2,037,497</u>
Business-type activities:				
Utility Fund	6,880,651	8,089,431	-	-
Total business-type activities:	<u>6,880,651</u>	<u>8,089,431</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 16,607,168</u>	<u>\$ 10,216,420</u>	<u>\$ 660,944</u>	<u>\$ 2,037,497</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
\$ (374,294)	\$ -	\$ (374,294)
(1,971,056)	-	(1,971,056)
(149,255)	-	(149,255)
(267,849)	-	(267,849)
(141,673)	-	(141,673)
(3,529)	-	(3,529)
(1,430,995)	-	(1,430,995)
(151,917)	-	(151,917)
(38,322)	-	(38,322)
(199,281)	-	(199,281)
(172,916)	-	(172,916)
<u>(4,901,087)</u>	<u>-</u>	<u>(4,901,087)</u>
-	1,208,780	1,208,780
-	1,208,780	1,208,780
<u>(4,901,087)</u>	<u>1,208,780</u>	<u>(3,692,307)</u>
2,466,561	-	2,466,561
971,394	-	971,394
49,588	-	49,588
139,001	-	139,001
218,606	41,322	259,928
16,325	-	16,325
199,503	299,433	498,936
<u>4,060,978</u>	<u>340,755</u>	<u>4,401,733</u>
1,537,126	(1,537,126)	-
<u>5,598,104</u>	<u>(1,196,371)</u>	<u>4,401,733</u>
697,017	12,409	709,426
11,286,421	5,205,239	16,491,660
<u>\$ 11,983,438</u>	<u>\$ 5,217,648</u>	<u>\$ 17,201,086</u>

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FUND BASIS FINANCIAL STATEMENTS

CITY OF SMITHVILLE, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2024

	General Fund	GLO CDBG-MIT Grant
ASSETS		
Cash and cash equivalents	\$ 282,288	\$ 1,353
Investments - current	466,247	-
Taxes receivable - delinquent	125,600	-
Allowance for uncollectible delinquent taxes	(12,559)	-
Accounts receivable	234,125	-
Intergovernmental receivable	-	567,781
Due from other funds	958,619	-
Prepaid items	14,860	-
Total assets	<u>\$ 2,069,180</u>	<u>\$ 569,134</u>
LIABILITIES		
Accounts payable	\$ 205,201	\$ 289,592
Accrued payroll	88,699	-
Retainage payable	-	25,088
Due to other funds	-	253,100
Unearned revenue	11,590	-
Other current liabilities	96,396	-
Customer deposits	3,175	-
Total liabilities	<u>405,061</u>	<u>567,780</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue	113,041	-
Total deferred inflows of resources	<u>113,041</u>	<u>-</u>
FUND BALANCES		
Nonspendable:		
Fund balance - nonspendable-prepays	14,860	-
Restricted:		
Fund balance - restricted for debt service	-	-
Fund balance - restricted for federal programs	-	1,354
Committed:		
Fund balance - committed for specific purposes	-	-
Unassigned	1,536,218	-
Total fund balances	<u>1,551,078</u>	<u>1,354</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 2,069,180</u>	<u>\$ 569,134</u>

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

Major Capital Project Fund	Total Nonmajor Funds	Total Governmental Funds
\$ -	\$ 257,827	\$ 541,468
1,614,153	502,220	2,582,620
-	47,907	173,507
-	(4,791)	(17,350)
-	136,273	370,398
-	8,406	576,187
-	-	958,619
-	600	15,460
<u>\$ 1,614,153</u>	<u>\$ 948,442</u>	<u>\$ 5,200,909</u>
\$ 368,569	\$ 56,630	\$ 919,992
-	2,756	91,455
-	-	25,088
-	144,596	397,696
-	155,043	166,633
-	-	96,396
-	-	3,175
<u>368,569</u>	<u>359,025</u>	<u>1,700,435</u>
-	43,116	156,157
<u>-</u>	<u>43,116</u>	<u>156,157</u>
-	-	14,860
-	-	-
-	436,961	436,961
-	26,915	28,269
-	-	-
1,245,584	82,425	1,328,009
-	-	1,536,218
<u>1,245,584</u>	<u>546,301</u>	<u>3,344,317</u>
<u>\$ 1,614,153</u>	<u>\$ 948,442</u>	<u>\$ 5,200,909</u>

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CITY OF SMITHVILLE, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2024

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

Total fund balance of all governmental funds	\$ 3,344,317
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	14,435,447
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.	156,157
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(4,956,749)
Additional long-term liabilities related to the recognition of the net pension liability and the OPEB liability are not reported in the funds.	(995,734)
Net position of governmental activities	<u>\$ 11,983,438</u>

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, 2024

	General Fund	GLO CDBG-MIT Grant
REVENUES		
Property taxes	\$ 1,694,981	\$ -
Sales taxes	971,394	-
Hotel/motel taxes	49,588	-
Franchise taxes	139,001	-
Licenses and permits	157,298	-
Intergovernmental revenues	90,136	1,504,363
Charges for services	1,718,494	-
Fines	52,918	-
Investment earnings	44,890	1,133
Rents and royalties	70,701	-
Grants and contributions	204,183	-
Miscellaneous revenue	165,911	-
Total revenues	<u>5,359,495</u>	<u>1,505,496</u>
EXPENDITURES		
Current:		
General government	589,297	536,964
Public safety	2,023,959	-
Code enforcement and inspection	132,247	-
Highways and streets	548,664	-
Sanitation	1,402,335	-
Health and welfare	-	-
Culture and recreation	1,386,572	-
Cemetery	147,271	-
Airport	178,337	-
Economic development and assistance	176,756	-
Debt service:		
Bond principal	67,350	-
Interest - bonds	5,237	-
Capital outlay	113,956	1,102,470
Total expenditures	<u>6,771,981</u>	<u>1,639,434</u>
Excess (deficiency) of revenues over expenditures	<u>(1,412,486)</u>	<u>(133,938)</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	1,319,459	135,072
Transfers out	-	-
Sale of general capital assets	16,325	-
Insurance recoveries	31,149	-
General obligation bonds issued	-	-
Premium on bonds issued	-	-
Total other financing sources (uses)	<u>1,366,933</u>	<u>135,072</u>
Net change in fund balance	(45,553)	1,134
Fund balance - beginning	1,596,631	220
Fund balance - ending	<u>\$ 1,551,078</u>	<u>\$ 1,354</u>

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

Major Capital Project Fund	Total Nonmajor Funds	Total Governmental Funds
\$ -	\$ 770,478	\$ 2,465,459
-	-	971,394
-	-	49,588
-	-	139,001
-	-	157,298
-	587,026	2,181,525
-	127,578	1,846,072
-	-	52,918
115,788	56,795	218,606
-	-	70,701
-	312,733	516,916
-	2,443	168,354
<u>115,788</u>	<u>1,857,053</u>	<u>8,837,832</u>
641,530	705,992	2,473,783
-	-	2,023,959
-	-	132,247
-	-	548,664
-	-	1,402,335
-	3,147	3,147
-	-	1,386,572
-	-	147,271
-	-	178,337
-	-	176,756
-	690,000	757,350
-	176,171	181,408
1,311,096	858,614	3,386,136
<u>1,952,626</u>	<u>2,433,924</u>	<u>12,797,965</u>
<u>(1,836,838)</u>	<u>(576,871)</u>	<u>(3,960,133)</u>
-	232,183	1,686,714
-	(145,183)	(145,183)
-	-	16,325
-	-	31,149
2,915,000	-	2,915,000
167,422	5,099	172,521
<u>3,082,422</u>	<u>92,099</u>	<u>4,676,526</u>
1,245,584	(484,772)	716,393
-	1,031,073	2,627,924
<u>\$ 1,245,584</u>	<u>\$ 546,301</u>	<u>\$ 3,344,317</u>

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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, 2024

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

Net change in fund balances for total governmental funds	\$ 716,393
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.	2,358,133
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	1,102
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.	(2,346,703)
The net effect of various transactions involving the net pension liability and the OPEB liability is to decrease net position.	(31,908)
Change in net position for governmental activities	<div style="border-top: 1px solid black; border-bottom: 3px double black;">\$ 697,017</div>

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 BALANCES
BUDGET AND ACTUAL – GENERAL FUND
SEPTEMBER 30, 2024

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Property taxes	\$ 1,789,989	\$ 1,764,981	\$ 1,694,981	\$ (70,000)
Sales taxes	930,000	956,727	971,394	14,667
Hotel/motel taxes	75,575	45,300	49,588	4,288
Franchise taxes	141,900	146,778	139,001	(7,777)
Licenses and permits	177,150	155,198	157,298	2,100
Intergovernmental revenues	-	-	90,136	90,136
Charges for services	1,629,080	1,727,272	1,718,494	(8,778)
Fines	57,250	59,504	52,918	(6,586)
Investment earnings	22,000	37,900	44,890	6,990
Rents and royalties	5,750	5,750	70,701	64,951
Contributions and donations, private sources	209,809	294,451	204,183	(90,268)
Miscellaneous revenue	242,500	276,269	165,911	(110,358)
Total revenues	5,281,003	5,470,130	5,359,495	(110,635)
EXPENDITURES				
Current:				
General government	548,098	593,536	589,297	4,239
Public safety	2,118,941	2,023,983	2,023,959	24
Code enforcement and inspections	136,778	131,502	132,247	(745)
Highways and streets	471,483	548,176	548,664	(488)
Sanitation	1,382,511	1,402,527	1,402,335	192
Culture and recreation	1,418,498	1,386,576	1,386,572	4
Cemetery	142,963	147,271	147,271	-
Airport	72,900	177,362	178,337	(975)
Economic development and assistance	161,297	178,092	176,756	1,336
Debt service:				
Bond principal	67,350	67,350	67,350	-
Interest - bonds	5,237	5,237	5,237	-
Capital outlay	-	113,956	113,956	-
Total Expenditures	6,526,056	6,775,568	6,771,981	3,587
Excess (deficiency) of revenues over expenditures	(1,245,053)	(1,305,438)	(1,412,486)	(107,048)
OTHER FINANCING SOURCES (USES)				
Transfers in	1,245,054	1,245,054	1,319,459	74,405
Total other financing sources (uses)	1,245,054	1,245,054	1,366,933	121,879
Net change in fund balances	1	(60,384)	(45,553)	14,831
Fund balance - beginning	1,596,631	1,596,631	1,596,631	-
Fund balance - ending	\$ 1,596,632	\$ 1,536,247	\$ 1,551,078	\$ 14,831

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

CITY OF SMITHVILLE, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2024

	Business-Type Activities
	Utility Fund
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 432,255
Investments - current	1,242,635
Accounts receivable, net	1,083,919
Intergovernmental receivable	100,473
Due from other funds	206,806
Inventories	11,736
Prepaid items	6,989
Total current assets	<u>3,084,813</u>
Noncurrent Assets:	
Land	174,319
Infrastructure	17,930,971
Accumulated depreciation	(11,217,944)
Construction/development in progress	1,882,440
Total noncurrent assets	<u>8,769,786</u>
Total assets	<u>11,854,599</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows NPL	358,926
Deferred outflows OPEB	44,645
Total deferred outflows of resources	<u>403,571</u>
LIABILITIES	
Current liabilities:	
Accounts payable	298,027
Compensated absences payable	33,628
Accrued liabilities	20,788
Due to other funds	767,468
Accrued interest payable	45,101
Bonds and notes/leases payable - current	594,064
Customer deposits	113,432
Total current liabilities	<u>1,872,508</u>
Noncurrent Liabilities:	
Bonds payable	2,935,000
Unamortized premium on bonds	89,383
Notes payable	57,221
Lease payables	1,192,402
Net pension obligation	624,784
Other noncurrent liabilities	70,564
Total noncurrent liabilities	<u>4,969,354</u>
Total liabilities	<u>6,841,862</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows NPL	176,981
Deferred inflows OPEB	21,679
Total deferred inflows of resources	<u>198,660</u>
NET POSITION	
Net investment in capital assets	3,901,716
Unrestricted	1,315,932
Total net position	<u>\$ 5,217,648</u>

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, 2024

	Business-Type Activities
	Utility Fund
REVENUES	
Operating revenues:	
Charges for services:	
Water	\$ 1,134,862
Electricity	5,403,750
Wastewater/sewer	1,115,678
Other charges	435,141
Miscellaneous revenue	226,109
Total operating revenues	<u>8,315,540</u>
EXPENSES	
Operating expenses:	
Salaries and wages	1,637,669
Purchased services	276,694
Other purchased services	2,902,789
Other operating expenses	1,402,865
Depreciation	483,931
Total operating expenses	<u>6,703,948</u>
Operating income (loss)	1,611,592
Nonoperating revenues (expenses)	
Intergovernmental	73,324
Investment earnings	41,322
Interest expense	(176,703)
Total nonoperating revenues (expenses)	<u>(62,057)</u>
Income before transfers in (out)	1,549,535
Transfers out	<u>(1,537,126)</u>
Change in net position	12,409
Net position-beginning	5,205,239
Net position-ending	<u>\$ 5,217,648</u>

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, 2024

	Business-Type Activities <u>Utility Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 8,363,290
Receipt (return) of customer deposits	(4,300)
Payments to suppliers and service providers	(5,075,488)
Payments to employees for salaries and benefits	(1,656,905)
Net cash provided by (used for) operating activities	<u>1,626,597</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	(1,537,126)
Operating grants	73,324
Net cash provided by (used for) capital and financing activities	<u>(1,463,802)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital grants	
Acquisition and construction of capital assets	(123,930)
Principal paid on capital debt	(537,817)
Interest paid on capital debt	(176,703)
Net cash provided by (used for) capital and related financing activities	<u>(838,450)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of investments	
Proceeds from sale of investments	356,923
Interest on investments	41,322
Net cash provided by investing activities	<u>398,245</u>
Net increase (decrease) in cash and cash equivalents	(277,410)
Cash and cash equivalents-beginning	709,665
Cash and cash equivalents-ending	<u>\$ 432,255</u>
Reconciliation of operating income (loss) to net cash provided (used for) operating activities:	
Operating income (loss)	<u>\$ 1,611,592</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation expense	483,931
(Increase) decrease in accounts receivable	47,750
(Increase) decrease in due from other funds	(410,927)
(Increase) decrease in inventories	1,739
(Increase) decrease in prepaid items	9,424
(Decrease) increase in deposits payable	(4,300)
(Decrease) increase in accounts payable	(93,376)
(Decrease) increase in accrued liabilities	(116,270)
(Decrease) increase in NPL/OPEB	97,034
Total adjustments	<u>15,005</u>
Net cash provided by (used for) operating activities	<u>\$ 1,626,597</u>

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

CITY OF SMITHVILLE, TEXAS
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2024

	<u>Custodial Fund</u>
	<u>HRA Trust Fund</u>
ASSETS	
Cash and cash equivalents	\$ 59,275
Total assets	<u>59,275</u>
LIABILITIES	
Due to other funds	261
Total liabilities	<u>261</u>
NET POSITION	
Net position held in trust and other purposes	<u><u>\$ 59,014</u></u>

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

CITY OF SMITHVILLE, TEXAS
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	<u>Custodial Fund</u>
	<u>HRA Trust</u>
	<u>Fund</u>
ADDITIONS	
Contributions:	
Plan members	\$ 41,500
Total contributions	<u>41,500</u>
DEDUCTIONS	
Benefits	9,244
Total deductions	<u>9,244</u>
Change in net position	32,256
Net position - beginning	26,758
Net position - ending	<u><u>\$ 59,014</u></u>

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, 2024

I. Summary of Significant Accounting Policies

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, 2024, 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.

B. 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 government'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.

C. Fund Financial Statements

The fund financial statements provide information about the government'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 government reports the following major governmental funds:

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

The GLO CDBG-MIT Fund accounts for the building and implementation of structural and non-structural projects, programs, and partnerships throughout the State of Texas that reduce the risks and impacts of future natural disasters.

The Capital Projects Fund accounts for the acquisition and construction of the government's major capital facilities, other than those financed by proprietary funds.

For the year ended September 30, 2024, the City reported (2) additional major funds, the GLO CDBG-MIT Grant Fund, and the Capital Projects Fund. These funds were not reported as major funds for the year ended September 30, 2023 as they did not meet the quantitative threshold which would require them be presented as a major funds. This is considered a change in circumstance.

CITY OF SMITHVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

The government reports the following major enterprise funds:

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

Additionally, the government 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.

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 debt 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 government 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.

D. Measurement Focus and Basis of Accounting

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

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

CITY OF SMITHVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

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.

E. Budgetary Information

1. Budgetary basis of accounting

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

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

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

2. Excess of expenditures over appropriations

For the year ended September 30, 2024, expenditures did not significantly exceed appropriations in any of the City's legally adopted budgets.

CITY OF SMITHVILLE, TEXAS
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2. Investments

Investments for the government are reported at fair value (generally based on quoted market prices) except for positions in Local Government Investment Pools (LoneStar) 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 government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of more than one year.

As the government 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

CITY OF SMITHVILLE, TEXAS
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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. The government currently does not have any financial transactions that qualify for reporting in this category. 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. The government currently has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. 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 government 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 government’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

7. *Fund balance flow assumptions*

Sometimes the government 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 government’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 government 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 government’s highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government 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 government for specific purposes but do not meet the criteria to be classified as committed.

CITY OF SMITHVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
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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.

F. 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.

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, 2023, upon which the levy for the 2023-2024 fiscal year was based, was \$433,163,501. 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, 2024, to finance General Fund and Debt Service Fund operations were \$0.376543 and \$0.172409, respectively, for a total tax rate of \$0.548952 per \$100 valuation. The total tax levy for the General Fund and Debt Service Fund for the 2023-2024 fiscal year was \$2,377,860. Tax collections, including collections of prior year delinquent balances, for the year ended September 30, 2024, were 98% 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 government'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.

CITY OF SMITHVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Sick Leave

Accumulated sick leave lapses when employees leave the employment of the government 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.

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, 2024 there were no funds reported with deficit fund equity.

III. Detailed Notes on All Activities and Funds

A. Cash Deposits with Financial Institution

Custodial credit risk-deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of September 30, 2024, the government's bank balance was \$1,130,936 and \$-0- of that amount was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging or financial institution's trust department or agent, but not in the government's name.

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.

CITY OF SMITHVILLE, TEXAS
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The government utilizes a pooled investment concept for all its funds to maximize its investment program. Investment income from this internal pooling is allocated to the respective funds based upon the sources of funds invested. State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool.

As of September 30, 2024, the government had the following investments:

Investment Type	Maturity Time in Years			
	Less than 1	1-5	6-10	More Than 10
Certificates of deposit	\$ 767,638	\$ -	\$ -	\$ -
Investment pools	2,968,358	-	-	-
Total investments	<u>\$3,735,996</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

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 government's policy to limit its investments in these investment types to the top rating issued by NRSROs. As of June 30, 2024, the government's investment in the State Treasurer's investment pool was rated AAA by Standard & Poor's and Aaa by Moody's Investors Service.

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

Governmental Funds:

Receivables	General Fund	GLO CDBG MIT Grant Fund	Nonmajor Governmental Funds	Total Governmental Funds
Property taxes	\$ 125,600	\$ -	\$ 47,907	\$ 173,507
Sales and mixed beverage taxes	156,027	-	-	156,027
Property liens	59,138	-	-	59,138
Grants	43,698	567,781	108,443	719,922
Other	6,776	-	36,236	43,012
Gross receivables	391,239	567,781	192,586	1,151,606
Less: Allowance for uncollectibles	(44,072)	-	(4,791)	(48,863)
Net receivables	<u>\$ 347,167</u>	<u>\$ 567,781</u>	<u>\$ 187,795</u>	<u>\$ 1,102,743</u>

CITY OF SMITHVILLE, TEXAS
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Proprietary Funds:

Proprietary Funds

Receivables	Utility Fund
Utility billing	\$ 2,013,932
Grants	100,473
Deposits Billed	50
Other	59,846
Gross receivables	2,174,301
Less: Allowance for uncollectibles	(989,909)
Net receivables	<u>\$ 1,184,392</u>

D. Capital Assets

Capital assets activity for the year ended September 30, 2024, was as follows:

Governmental Activities:

	Balance 10/1/23	Increases	Decreases	Adjustments	Balance 9/30/24
Capital assets, not being depreciated:					
Land	\$ 669,891	\$ 600,702	\$ -	\$ -	\$ 1,270,593
Construction in progress	1,068,880	1,220,451	-	(922,810)	1,366,521
Total capital assets, not being depreciated	<u>1,738,771</u>	<u>1,821,153</u>	<u>-</u>	<u>(922,810)</u>	<u>2,637,114</u>
Capital assets, being depreciated:					
Buildings and improvements	6,569,088	444,584	-	357,578	7,371,250
Machinery, equipment, and vehicles	3,221,690	1,120,399	(28,140)	48,444	4,362,393
Infrastructure	9,481,498	-	-	516,788	9,998,286
Total capital assets, being depreciated	<u>19,272,276</u>	<u>1,564,983</u>	<u>(28,140)</u>	<u>922,810</u>	<u>21,731,929</u>
Less accumulated depreciation for:					
Buildings and improvements	(3,822,826)	(197,189)	-	-	(4,020,015)
Machinery, equipment, and vehicles	(2,389,054)	(459,885)	28,140	-	(2,820,799)
Infrastructure	(2,721,853)	(370,929)	-	-	(3,092,782)
Total accumulated depreciation	<u>(8,933,733)</u>	<u>(1,028,003)</u>	<u>28,140</u>	<u>-</u>	<u>(9,933,596)</u>
Total capital assets being depreciated, net	<u>10,338,543</u>	<u>536,980</u>	<u>-</u>	<u>922,810</u>	<u>11,798,333</u>
Governmental activities capital assets, net	<u>\$ 12,077,314</u>	<u>\$ 2,358,133</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,435,447</u>

CITY OF SMITHVILLE, TEXAS
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Business-Type Activities:

	Balance 10/1/23	Increases	Decreases	Adjustments	Balance 9/30/24
Capital assets, not being depreciated:					
Land	\$ 174,319	\$ -	\$ -	\$ -	\$ 174,319
Construction in progress	249,845	123,930	-	-	373,775
Total capital assets, not being depreciated	424,164	123,930	-	-	548,094
Capital assets, being depreciated:					
Machinery, equipment, and vehicles	1,536,942	-	(4,500)	-	1,532,442
Infrastructure	17,907,194	-	-	-	17,907,194
Total capital assets, being depreciated	19,444,136	-	(4,500)	-	19,439,636
Less accumulated depreciation for:					
Machinery, equipment, and vehicles	(1,352,902)	(65,456)	4,500	-	(1,413,858)
Infrastructure	(9,385,611)	(418,475)	-	-	(9,804,086)
Total accumulated depreciation	(10,738,513)	(483,931)	4,500	-	(11,217,944)
Total capital assets being depreciated, net	8,705,623	(483,931)	-	-	8,221,692
Business-type activities capital assets, net	\$ 9,129,787	\$ (360,001)	\$ -	\$ -	\$ 8,769,786

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

Governmental activities:

General government	\$ 300,134
Public safety	245,559
Inspections	16,045
Highways and streets	66,567
Sanitation	170,139
Health and welfare	382
Culture and recreation	168,227
Cemetery	17,868
Airport	21,637
Economic development and assistance	21,445
Total depreciation expense - governmental activities	<u>\$ 1,028,003</u>

CITY OF SMITHVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

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.

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, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	35
Inactive employees entitled to but not yet receiving benefits	72
Active employees	71
	<hr/>
	178
	<hr/>

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.

CITY OF SMITHVILLE, TEXAS
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Employees for the City were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City were 10.51% and 11.62% in calendar years 2023 and 2024, respectively. The City's contributions to TMRS for the year ended September 30, 2024 were \$341,612, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2023, 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, 2023 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees 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. The assumptions 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 to satisfy the short-term and long-term funding needs of TMRS.

CITY OF SMITHVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
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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 20x2 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Public 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
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FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2022	\$ 9,642,077	\$ 7,479,347	\$ 2,162,730
Changes for the year:			
Service cost	421,606	-	421,606
Interest	644,276	-	644,276
Change of benefit terms	-	-	-
Difference between expected and actual experience	166,033	-	166,033
Changes of assumptions	(92,983)	-	(92,983)
Contributions - employer	-	371,111	(371,111)
Contributions - employee	-	176,552	(176,552)
Net investment income	-	866,258	(866,258)
Benefit payments, including refunds of employee contr.	(616,099)	(616,099)	-
Administrative expense	-	(5,507)	5,507
Other changes	-	(38)	38
Net changes	522,833	792,277	(269,444)
Balance at 12/31/2023	\$ 10,164,910	\$ 8,271,624	\$ 1,893,286

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

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

	1% Decrease in Discount Rate 5.75%	Current Discount Rate 6.75%	1% Increase in Discount Rate 7.75%
City's net pension liability	\$ 3,282,086	\$ 1,893,286	\$ 744,624

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2024, the city recognized pension expense of (\$149,001).

At September 30, 2024, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF SMITHVILLE, TEXAS
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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual investment earnings	\$ 669,555	\$ 475,721
Differences between expected and actual economic experience	178,928	-
Difference in assumption changes	-	60,584
Contributions subsequent to the measurement date	239,171	-
Total	<u>\$ 1,087,654</u>	<u>\$ 536,305</u>

\$306,835 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, 2025. 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
2024	\$ 148,326
2025	85,228
2026	150,902
2027	(72,278)
2028	-
Thereafter	-
Total	<u>\$ 312,178</u>

F. Other Post-Employment Benefit (OPEB) Obligations

Benefits Provided

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

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

CITY OF SMITHVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Employees Covered by Benefit Terms

At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	32
Inactive employees entitled to but not yet receiving benefits	6
Active employees	71
	<u>109</u>

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, 2024 and 2023 were \$15,360 and \$17,315 respectively, which equaled the required contributions each year.

Plan Assets

At the December 31, 2023 valuation and measurement date, there are no assets accumulated in trust.

Actuarial Assumptions

The Total OPEB Liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Salary increases	3.60%-11.85% including inflation per year
Discount rate	3.77%
Retirees' share of benefit costs	\$0

All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements of GASB Statement No. 68.

CITY OF SMITHVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

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 12/31/2022	\$ 190,802	\$ -	\$ 190,802
Changes for the year:			
Service cost	12,712	-	12,712
Interest	7,806	-	7,806
Change of benefit terms	-	-	-
Difference between expected and actual experience	2,324	-	2,324
Changes of assumptions	9,013	-	9,013
Contributions - employer	-	-	-
Contributions - employee	-	-	-
Net investment income	-	-	-
Benefit payments, including refunds of employee contr.	(8,828)	-	(8,828)
Administrative expense	-	-	-
Other changes	-	-	-
Net changes	23,027	-	23,027
Balance at 12/31/2023	\$ 213,829	\$ -	\$ 213,829

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 3.77%, 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 2.77% or 1-percentage-point higher 4.77% than the current rate:

	1% Decrease in Discount Rate 2.77%	Current Discount Rate 3.77%	1% Increase in Discount Rate 4.77%
City's OPEB liability	\$ 248,909	\$ 213,829	\$ 185,590

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.tmrs.com.

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

For the year ended September 30, 2024, the city recognized OPEB expense of \$101,377.

At September 30, 2024, the city reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

CITY OF SMITHVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual investment earnings	\$ -	\$ -
Differences between expected and actual economic experience	1,843	19,011
Difference in assumption changes	15,645	46,683
Contributions subsequent to the measurement date	117,801	-
Total	<u>\$ 135,289</u>	<u>\$ 65,694</u>

\$117,801 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 OPEB liability for the year ending September 30, 2025. 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
2024	\$ (16,789)
2025	(20,913)
2026	(12,465)
2027	1,961
2028	-
Thereafter	-
Total	<u>\$ (48,206)</u>

G. Risk Management

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

H. Lease Obligations

1. Right to Use Leases

Leases are defined by the general government as the right to use an underlying asset. As lessee, the City recognizes a lease liability and an intangible right-of-use lease asset at the beginning of a lease unless the lease is considered a short-term lease or transfers ownership of the underlying asset. Right-of-use lease assets are measured based on the net present value of the future lease payments at inception, using the weighted average cost of capital, which approximate the incremental borrowing rate. Remeasurement of a lease liability occurs when there is a change in the lease term and/or other changes that are likely to have a significant impact on the lease liability.

CITY OF SMITHVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2024, were as follows:

Governmental Activities

Year Ending September 30,	Right to Use Leases Payable		Total Requirements
	Principal	Interest	
2025	\$ 69,494	\$ 3,093	\$ 72,587
2026	42,720	1,084	43,804
	<u>\$ 112,214</u>	<u>\$ 4,177</u>	<u>\$ 116,391</u>

Business-Type Activities:

Year Ending September 30,	Right to Use Leases Payable		Total Requirements
	Principal	Interest	
2025	\$ 219,064	\$ 49,717	\$ 268,781
2026	193,953	42,038	235,991
2027	192,300	34,976	227,276
2028	196,400	27,863	224,263
2029	200,500	20,597	221,097
2030-2031	409,249	18,785	428,034
	<u>\$ 1,411,466</u>	<u>\$ 193,976</u>	<u>\$ 1,605,442</u>

I. Long-Term Liabilities

General Obligation Bonds

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

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

CITY OF SMITHVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Details of long-term debt obligations outstanding at September 30, 2024 are as follows:

Governmental Activities:

Type	Sale Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding 9/30/24
Bonds Payable					
Certificates of Obligation, Series 2019	2019	\$ 490,000	3.50-5.00%	2033	\$ 445,000
Total Bonds Payable					<u>\$ 445,000</u>
Notes Payable:					
Tax Notes, Series 2021	2021	785,000	1.13%	2028	\$ 415,000
Tax Notes, Series 2022	2022	1,300,000	3.29%	2029	875,000
Tax Notes, Series 2023	2023	2,915,000	5.00%	2030	2,810,000
Total Notes Payable					<u>\$ 4,100,000</u>
Right to Use Leases Payable					
Right to Use Lease - Multiple Vehicles	2019	159,194	2.84%	2025	\$ 28,181
Right to Use Lease - Multiple Vehicles	2020	239,240	2.98%	2026	84,033
Total Right to Use Leases Payable					<u>\$ 112,214</u>

Business-type Activities:

Business-type Activities:

Type	Sale Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding 9/30/24
General Obligation Bonds:					
General Refunding Bonds, Series 2007	2007	4,500,000	4.20%	2028	\$ 1,270,000
Certificates of Obligation, Series 2019	2019	2,485,000	3.50-5.00%	2033	2,040,000
Total General Obligation Bonds					<u>\$ 3,310,000</u>
Right to Use Leases Payable					
Right to Use Lease - QECB	2016	2,661,148	3.68%	2031	\$ 1,371,049
Right to Use Lease - Multiple Vehicles	2019	165,507	2.84%	2025	29,297
Right to Use Lease - Utility Vehicle	2020	31,659	2.98%	2026	11,120
Total Right to Use Leases Payable					<u>\$ 1,411,466</u>

CITY OF SMITHVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Changes in Long-Term Liabilities

Changes in the government's long-term liabilities for the year ended September 30, 2024 are as follows:

Governmental Activities:

Description	Balance 10/1/23	Additions	Deletions	Balance 9/30/24	Due in One Year
Bonds Payable					
General obligation bonds	\$ 315,000	\$ -	\$ (315,000)	\$ -	\$ -
Certificates of obligation	455,000	-	(10,000)	445,000	45,000
Premium	-	172,522	(24,646)	147,876	-
Total bonds payable	770,000	172,522	(349,646)	592,876	45,000
Notes payable	1,550,000	2,915,000	(365,000)	4,100,000	635,000
Right to use leases payable	179,563	-	(67,350)	112,214	69,495
Compensated absences	96,920	25,024	-	121,943	-
Pension obligation	1,449,029	-	(180,526)	1,268,503	-
Net other postemployment benefit obligation	127,837	15,428	-	143,265	-
Governmental activities long-term liabilities	<u>\$4,173,349</u>	<u>\$3,127,974</u>	<u>\$ (962,522)</u>	<u>\$6,338,801</u>	<u>\$ 749,495</u>

Business-type Activities:

Business-type Activities

Description	Balance 10/1/23	Additions	Deletions	Balance 9/30/24	Due in One Year
Bonds Payable					
Bonds	\$1,555,000	\$ -	\$ (285,000)	\$1,270,000	\$ 295,000
Certificates of obligation	2,115,000	-	(75,000)	2,040,000	80,000
Premium	95,767	-	(6,384)	89,383	-
Total bonds payable	3,765,767	-	(366,384)	3,399,383	375,000
Notes payable	-	-	-	-	-
Right to use leases payable	1,625,735	-	(214,269)	1,411,466	219,064
Compensated absences	48,012	9,209	-	57,221	-
Pension obligation	713,701	-	(88,917)	624,784	-
Net other postemployment benefit obligation	62,965	-	(28,747)	34,218	-
Governmental activities long-term liabilities	<u>\$6,216,180</u>	<u>\$ 9,209</u>	<u>\$ (698,317)</u>	<u>\$5,527,072</u>	<u>\$ 594,064</u>

CITY OF SMITHVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

The debt service requirements for the government'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
2025	\$ 45,000	\$ 14,913	\$ 635,000	\$ 161,448	\$ 680,000	\$ 176,361
2026	45,000	12,888	685,000	135,279	730,000	148,167
2027	45,000	10,975	745,000	106,542	790,000	117,517
2028	50,000	9,075	780,000	75,516	830,000	84,591
2029	50,000	7,325	705,000	43,543	755,000	50,868
2030-2034	210,000	13,713	550,000	13,750	760,000	27,463
Totals	\$ 445,000	\$ 68,888	\$ 4,100,000	\$ 536,078	\$ 4,545,000	\$ 604,967

Business-type Activities:

Year Ended September 30,	Business-Type Activities	
	Bonds Payable	
	Principal	Interest
2025	\$ 375,000	\$ 117,095
2026	390,000	100,790
2027	410,000	83,955
2028	425,000	66,590
2029	150,000	55,500
2030-2034	805,000	206,000
2035-2039	755,000	56,925
Totals	\$ 3,310,000	\$ 686,855

J. Interfund Receivables and Payables

The composition of interfund balances as of September 30, 2024 is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Special Revenue Funds	\$ 190,889
General Fund	Enterprise Funds	767,468
General Fund	Trust and Custodial Funds	262
Enterprise Funds	Special Revenue Funds	206,806
Total		\$ 1,165,425

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.

CITY OF SMITHVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

K. Interfund Transfers

The composition of interfund transfers for the year ended September 30, 2024 is as follows:

	<u>Transfer in to:</u>		
	<u>Governmental Funds</u>		<u>Total</u>
	<u>General Fund</u>	<u>Nonmajor Gov. Funds</u>	
Transfer out from:			
Nonmajor Cap. Proj. Fund	\$ -	\$ 80,700	\$ 80,700
Utility Fund	1,319,459	286,555	1,606,014
Total	<u>\$ 1,319,459</u>	<u>\$ 367,255</u>	<u>\$ 1,686,714</u>

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, 2024 the government made the following one-time transfers:

1. A transfer of \$80,700 from the Capital Projects Fund to the TxCDBG Project.
2. A transfer of \$1,467,126 from the Utility Fund consisting of \$1,245,054 to the General Fund, \$87,000 to the Interest & Sinking Fund, and \$135,072 to the GLO CDBG-MIT Fund.

L. Contingencies

The government 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 government'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 government anticipates such amounts, if any, will be immaterial.

M. Implementation of New Governmental Accounting Standard

During the year the District implemented Governmental Accounting Standards Board Statement No. 100 – Accounting Changes and Error Corrections (“GASB 100”). The objective of GASB 100 is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

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CITY OF SMITHVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

For the year ended September 30, 2024, the City reported (2) additional major funds, the GLO CDBG-MIT Grant Fund, and the Capital Projects Fund. These funds were not reported as major funds for the year ended September 30, 2023 as they did not meet the quantitative threshold which would require them be presented as a major funds. This is considered a change in circumstance.

N. Subsequent Events

As of February 28, 2025, there were no items noted requiring recording and/or disclosure.

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REQUIRED SUPPLEMENTARY INFORMATION
OTHER REPORTING

CITY OF SMITHVILLE, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Measurement Year 2023	Measurement Year 2022	Measurement Year 2021	Measurement Year 2020
A. Total pension liability				
1. Service cost	\$ 421,606	\$ 399,423	\$ 292,686	\$ 275,425
2. Interest (on the Total Pension Liability)	644,276	589,436	498,632	474,361
3. Changes of benefit terms	-	728,598	-	-
4. Difference between expected and actual experience	166,033	259,409	58,866	(83,029)
5. Changes of assumptions	(92,983)	-	-	-
6. Benefit payments, including refunds of employee contributions	(616,099)	(277,728)	(296,087)	(335,558)
7. Net change in total pension liability	\$ 522,833	\$ 1,699,138	\$ 554,097	\$ 331,199
8. Total pension liability - beginning	9,642,077	7,942,939	7,388,842	7,057,643
9. Total pension liability - ending	<u>\$ 10,164,910</u>	<u>\$ 9,642,077</u>	<u>\$ 7,942,939</u>	<u>\$ 7,388,842</u>
B. Plan fiduciary net position				
1. Contributions - employer	\$ 371,111	\$ 227,430	\$ 206,429	\$ 191,336
2. Contributions - employee	176,552	167,229	146,197	137,850
3. Net investment income	866,258	(579,887)	910,174	493,228
4. Benefit payments, including refunds of employee contributions	(616,099)	(277,728)	(296,087)	(335,558)
5. Administrative expense	(5,507)	(5,016)	(4,210)	(3,190)
6. Other changes	(38)	5,987	29	(125)
7. Net change in plan fiduciary net position	\$ 792,277	\$ (461,985)	\$ 962,532	\$ 483,541
8. Plan fiduciary net position - beginning	7,479,347	7,941,332	6,978,800	6,495,259
9. Plan fiduciary net position - ending	<u>\$ 8,271,624</u>	<u>\$ 7,479,347</u>	<u>\$ 7,941,332</u>	<u>\$ 6,978,800</u>
C. Net pension liability [A.9 - B.9]	<u>\$ 1,893,286</u>	<u>\$ 2,162,730</u>	<u>\$ 1,607</u>	<u>\$ 410,042</u>
D. Plan fiduciary net position as a percentage of the total pension liability [B.9 / A.9]	81.37%	77.57%	99.98%	94.45%
E. Covered-employee payroll	\$ 3,531,038	\$ 3,336,870	\$ 2,923,941	\$ 2,757,005
F. Net position as a percentage of covered employee payroll [C / E]	53.62%	64.81%	0.05%	14.87%

Measurement Year 2019	Measurement Year 2018	Measurement Year 2017	Measurement Year 2016	Measurement Year 2015	Measurement Year 2014
\$ 271,573	\$ 250,807	\$ 234,022	\$ 214,184	\$ 197,338	\$ 171,454
438,829	407,615	377,443	347,256	331,919	326,676
-	-	-	-	-	-
60,824	(13,107)	26,295	73,787	24,762	(262,383)
18,673	-	-	-	40,818	-
(195,286)	(191,255)	(207,054)	(188,818)	(212,038)	(135,516)
\$ 594,613	\$ 454,060	\$ 430,706	\$ 446,409	\$ 382,799	\$ 100,231
6,463,030	6,008,970	5,578,264	5,131,855	4,749,056	4,648,825
\$ 7,057,643	\$ 6,463,030	\$ 6,008,970	\$ 5,578,264	\$ 5,131,855	\$ 4,749,056
\$ -	\$ 172,002	\$ 154,591	\$ 129,248	\$ 142,066	\$ 29,724
135,786	126,288	118,552	108,613	105,079	99,355
853,570	(167,272)	672,056	304,080	6,584	241,945
(195,286)	(191,255)	(207,054)	(188,818)	(212,038)	(135,516)
(4,822)	(3,232)	(3,483)	(3,434)	(4,010)	(2,526)
(144)	(170)	(177)	(185)	(198)	(208)
\$ 789,104	\$ (63,639)	\$ 734,485	\$ 349,504	\$ 37,483	\$ 232,774
5,519,857	5,583,496	4,849,011	4,499,507	4,462,024	4,229,250
\$ 6,308,961	\$ 5,519,857	\$ 5,583,496	\$ 4,849,011	\$ 4,499,507	\$ 4,462,024
\$ 748,682	\$ 943,173	\$ 425,474	\$ 729,253	\$ 632,348	\$ 287,032
89.39%	85.41%	92.92%	86.93%	87.68%	93.96%
\$ 2,715,726	\$ 2,525,752	\$ 2,371,040	\$ 2,172,253	\$ 2,101,573	\$ 1,987,091
27.57%	37.34%	17.94%	33.57%	30.09%	14.44%

CITY OF SMITHVILLE, TEXAS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Fiscal Year			
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Actuarially Determined Contribution	\$ 341,612	\$ 331,814	\$ 222,881	\$ 208,147
Contributions in relation to the actuarially determined contribution	<u>(341,612)</u>	<u>(331,814)</u>	<u>(222,881)</u>	<u>(208,147)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 3,531,038	\$ 3,451,311	\$ 3,249,073	\$ 2,961,602
Contributions as a percentage of covered employee payroll	9.67%	9.61%	6.86%	7.03%

Fiscal Year					
<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 190,054	\$ 179,053	\$ 168,019	\$ 147,681	\$ 132,289	\$ 138,556
(190,054)	(179,053)	(168,019)	(147,681)	(132,289)	(138,556)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,747,477	\$ 2,659,919	\$ 2,496,669	\$ 2,321,089	\$ 2,140,771	\$ 2,049,642
6.92%	6.73%	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, 2024

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	22 Year (longest amortization ladder)
Asset valuation method	10 Year smoothed market; 12% soft corridor
Inflation	2.50% per year
Salary increases	3.60% to 11.85%, including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

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, 2024

	Measurement Year 2023	Measurement Year 2022	Measurement Year 2021	Measurement Year 2020
A. Total pension liability				
1. Service cost	\$ 12,712	\$ 22,357	\$ 17,544	\$ 13,234
2. Interest on Total OPEB Liability	7,806	5,252	5,353	6,268
3. Changes of benefit terms	-	-	-	-
4. Difference between expected & actual experience	2,324	(25,332)	(8,191)	(9,231)
5. Changes of assumptions	9,013	(82,049)	7,533	31,477
6. Benefit payments	(8,828)	(7,341)	(6,433)	(1,930)
7. Net changes	\$ 23,027	\$ (87,113)	\$ 15,806	\$ 39,818
8. Total OPEB Liability - beginning of the year	190,802	277,915	262,109	222,291
9. Total OPEB Liability - end of the year	<u>\$ 213,829</u>	<u>\$ 190,802</u>	<u>\$ 277,915</u>	<u>\$ 262,109</u>
 E. Covered-employee payroll	 \$ 3,531,038	 \$ 3,336,870	 \$ 2,923,941	 \$ 2,757,005
 F. Total OPEB Liability as a Percentage of Covered Payroll	 6.06%	 5.72%	 9.50%	 9.51%

Measurement Year 2019	Measurement Year 2018	Measurement Year 2017
\$ 9,505	\$ 9,345	\$ 7,824
6,615	5,996	5,862
-	-	-
(757)	(5,284)	-
34,333	(11,273)	12,956
(1,901)	(1,515)	(1,186)
\$ 47,795	\$ (2,731)	\$ 25,456
174,496	177,227	151,771
\$ 222,291	\$ 174,496	\$ 177,227
\$ 2,715,726	\$ 2,525,752	\$ 2,371,040
8.19%	6.91%	7.47%

CITY OF SMITHVILLE, TEXAS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Fiscal Year			
	2024	2023	2022	2021
Actuarially Determined Contribution	\$ 15,360	\$ 17,315	\$ 11,372	\$ 9,737
Contributions in relation to the actuarially determined contribution	(15,360)	(17,315)	(11,372)	(9,737)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$3,531,038	\$3,451,311	\$3,249,073	\$2,961,602
Contributions as a percentage of covered employee payroll	0.00%	0.00%	0.00%	0.00%

Fiscal Year			
2020	2019	2018	2017
\$ 7,263	\$ 5,852	\$ 5,493	\$ 5,171
(7,263)	(5,852)	(5,493)	(5,171)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,747,477	\$ 2,659,919	\$ 2,496,669	\$ 2,321,089
0.00%	0.00%	0.00%	0.00%

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CITY OF SMITHVILLE, TEXAS
NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Summary of Actuarial Assumptions:

Inflation	2.50%
Salary increases	3.60% to 11.85%; including inflation
Discount rate*	3.77%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements of GASB Statement No. 68.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% 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 the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

Other Information:

Notes	<p>*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2023.</p> <p>The Actuarial assumptions used in the December 31, 2023 valuation were based on the results of an actuarial experience study for the period ending December 31, 2022.</p>
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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 2009 TXCDBG Project Fund was used to account for the administration of the City's Community Development Block Grant. It currently has immaterial residual funds related to the grant.

The Corona Virus Local Fiscal Recovery Fund, is used to account for the administration of the City's Corona Virus Local Fiscal Recovery grant.

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

The School Resource Officer Fund is used to account for the 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 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

Capital projects funds are used to account for the acquisition and construction of the government'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, 2024

	Special Revenue Funds					
	Railroad Park	Police Seized	TXCDBG		HOMES	HMGP Grant
	Fund	Asset Fund	Project	CLFRF	Project Fund	Fund
ASSETS						
Cash and cash equivalents	\$ 705	\$ 7,124	\$ 61	\$ 65,342	\$ 239	\$ -
Investments - current	-	-	-	-	-	-
Taxes receivable - delinquent	-	-	-	-	-	-
Allowance for uncoll. taxes	-	-	-	-	-	-
Accounts receivable	-	-	31,200	-	-	-
Intergovernmental receivable	-	-	-	-	3,100	5,306
Prepaid items	-	-	-	-	-	-
Total assets	\$ 705	\$ 7,124	\$ 31,261	\$ 65,342	\$ 3,339	\$ 5,306
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Compensated absences payable	-	-	-	-	-	-
Due to other funds	-	-	31,200	-	3,100	5,306
Unearned revenue	-	-	-	38,427	-	-
Total liabilities	-	-	31,200	38,427	3,100	5,306
DEF. INFLOWS OF RESOURCES						
Unavailable revenue	-	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-	-
FUND BALANCES (DEFICITS)						
Restricted for:						
Restricted for debt service	-	-	-	-	-	-
Restricted for federal programs	-	-	-	26,915	-	-
Committed for:						
Committed for specific purposes	705	7,124	61	-	239	-
Total Fund balances	705	7,124	61	26,915	239	-
Total liabilities, deferred inflows, and fund balances	\$ 705	\$ 7,124	\$ 31,261	\$ 65,342	\$ 3,339	\$ 5,306

Special Revenue Funds								
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	
\$ -	\$ 135,879	\$ 9,388	\$ 1,801	\$ -	\$ 20,358	\$ 10,297	\$ 6,633	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
68,837	-	-	-	36,236	-	-	-	
-	-	-	-	-	-	-	-	
-	600	-	-	-	-	-	-	
<u>\$ 68,837</u>	<u>\$ 136,479</u>	<u>\$ 9,388</u>	<u>\$ 1,801</u>	<u>\$ 36,236</u>	<u>\$ 20,358</u>	<u>\$ 10,297</u>	<u>\$ 6,633</u>	
\$ -	\$ 17,190	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
-	-	-	-	2,756	-	-	-	
68,837	2,673	-	-	33,480	-	-	-	
-	116,616	-	-	-	-	-	-	
<u>68,837</u>	<u>136,479</u>	<u>-</u>	<u>-</u>	<u>36,236</u>	<u>-</u>	<u>-</u>	<u>-</u>	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
-	-	9,388	1,801	-	20,358	10,297	6,633	
-	-	9,388	1,801	-	20,358	10,297	6,633	
<u>\$ 68,837</u>	<u>\$ 136,479</u>	<u>\$ 9,388</u>	<u>\$ 1,801</u>	<u>\$ 36,236</u>	<u>\$ 20,358</u>	<u>\$ 10,297</u>	<u>\$ 6,633</u>	

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CITY OF SMITHVILLE, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (CONCLUDED)
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	DSF	CPF	Total
	Interest &	Capital	Non-Major
	Sinking Fund	Replacement	Governmental
		Fund	Funds
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ 257,827
Investments - current	436,961	65,259	502,220
Taxes receivable - delinquent	47,907	-	47,907
Allowance for uncoll. taxes	(4,791)	-	(4,791)
Accounts receivable	-	-	136,273
Intergovernmental receivable	-	-	8,406
Prepaid items	-	-	600
Total assets	<u>\$ 480,077</u>	<u>\$ 65,259</u>	<u>\$ 948,442</u>
LIABILITIES			
Accounts payable	\$ -	\$ 39,440	\$ 56,630
Compensated absences payable	-	-	2,756
Due to other funds	-	-	144,596
Unearned revenue	-	-	155,043
Total liabilities	<u>-</u>	<u>39,440</u>	<u>359,025</u>
DEF. INFLOWS OF RESOURCES			
Unavailable revenue	43,116	-	43,116
Total deferred inflows of resources	<u>43,116</u>	<u>-</u>	<u>43,116</u>
FUND BALANCES (DEFICITS)			
Restricted for:			
Restricted for debt service	436,961	-	436,961
Restricted for federal programs	-	-	26,915
Committed for:			
Committed for specific purposes	-	25,819	82,425
Total Fund balances	<u>436,961</u>	<u>25,819</u>	<u>546,301</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 480,077</u>	<u>\$ 65,259</u>	<u>\$ 948,442</u>

CITY OF SMITHVILLE, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Special Revenue Funds					
	Railroad Park Fund	Police Seized Asset Fund	2009 TXCDBG Project	CLFRF	HOMES Project Fund	HMGP Grant Fund
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	78,550	156,196	3,100	-
Charges for services	-	-	-	-	-	-
Investment earnings	42	374	-	7,102	-	-
Grants and contributions	52	-	-	-	-	-
Miscellaneous revenue	-	-	-	-	-	-
Total revenues	94	374	78,550	163,298	3,100	-
EXPENDITURES						
Current:						
General government	237	-	-	96,652	3,100	-
Culture and recreation	-	-	-	-	-	-
Debt service:						
Bond principal	-	-	-	-	-	-
Interest - bonds	-	-	-	-	-	-
Capital outlay	-	-	159,250	59,544	-	-
Total expenditures	237	-	159,250	156,196	3,100	-
Excess (deficiency) of revenues over expenditures	(143)	374	(80,700)	7,102	-	-
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	80,700	-	-	-
Transfers out	-	-	-	-	-	-
Premium on bonds issued	-	-	-	-	-	-
Total other financing sources (uses)	-	-	80,700	-	-	-
Net change in fund balance	(143)	374	-	7,102	-	-
Fund balance - beginning	848	6,750	61	19,813	239	-
Fund balance - ending	\$ 705	\$ 7,124	\$ 61	\$ 26,915	\$ 239	\$ -

Special Revenue Funds							
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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
257,930	91,250	-	-	-	-	-	-
-	-	-	-	127,578	-	-	-
-	-	496	94	-	1,072	512	349
-	311,731	-	-	-	-	950	-
-	-	-	-	-	-	2,443	-
257,930	402,981	496	94	127,578	1,072	3,905	349
-	379,228	63	-	127,578	-	-	-
-	-	-	-	-	-	3,147	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
322,413	23,753	-	-	-	-	-	-
322,413	402,981	63	-	127,578	-	3,147	-
(64,483)	-	433	94	-	1,072	758	349
64,483	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
64,483	-	-	-	-	-	-	-
-	-	433	94	-	1,072	758	349
-	-	8,955	1,707	-	19,286	9,539	6,284
\$ -	\$ -	\$ 9,388	\$ 1,801	\$ -	\$ 20,358	\$ 10,297	\$ 6,633

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CITY OF SMITHVILLE, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS (CONCLUDED)
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	DSF	CPF	Total
	Interest & Sinking Fund	Capital Replacement Fund	Non-Major Governmental Funds
REVENUES			
Property taxes	\$ 770,478	\$ -	\$ 770,478
Intergovernmental revenues	-	-	587,026
Charges for services	-	-	127,578
Investment earnings	27,253	19,501	56,795
Grants and contributions	-	-	312,733
Miscellaneous revenue	-	-	2,443
Total revenues	<u>797,731</u>	<u>19,501</u>	<u>1,857,053</u>
EXPENDITURES			
Current:			
General government	123	99,011	705,992
Culture and recreation	-	-	3,147
Debt service:			
Bond principal	690,000	-	690,000
Interest - bonds	176,171	-	176,171
Capital outlay	-	293,654	858,614
Total expenditures	<u>866,294</u>	<u>392,665</u>	<u>2,433,924</u>
Excess (deficiency) of revenues over expenditures	<u>(68,563)</u>	<u>(373,164)</u>	<u>(576,871)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	87,000	-	232,183
Transfers out	-	(145,183)	(145,183)
Premium on bonds issued	5,099	-	5,099
Total other financing sources (uses)	<u>92,099</u>	<u>(145,183)</u>	<u>92,099</u>
Net change in fund balance	<u>23,536</u>	<u>(518,347)</u>	<u>(484,772)</u>
Fund balance - beginning	<u>413,425</u>	<u>544,166</u>	<u>1,031,073</u>
Fund balance - ending	<u>\$ 436,961</u>	<u>\$ 25,819</u>	<u>\$ 546,301</u>

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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, 2024

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Property taxes	\$ 779,961	\$ 781,558	\$ 770,478	\$ (11,080)
Investment earnings	-	27,253	27,253	-
Total revenues	779,961	808,811	797,731	(11,080)
EXPENDITURES				
Current:				
General government	-	-	123	(123)
Debt service:				
Bond principal	690,790	690,123	690,000	123
Interest - bonds	176,171	176,171	176,171	-
Total Expenditures	866,961	866,294	866,294	-
Excess (deficiency) of revenues over expenditures	(87,000)	(57,483)	(68,563)	(11,080)
OTHER FINANCING SOURCES (USES)				
Transfers in	87,000	87,000	87,000	-
Premium on bonds issued	5,099	5,099	5,099	-
Total Other Financing Sources (Uses)	92,099	92,099	92,099	-
Net Change in Fund Balances	5,099	34,616	23,536	(11,080)
Fund balance - beginning	413,425	413,425	413,425	-
Fund balance - ending	\$ 418,524	\$ 448,041	\$ 436,961	\$ (11,080)

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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, 2024, 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 February 28, 2025.

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.

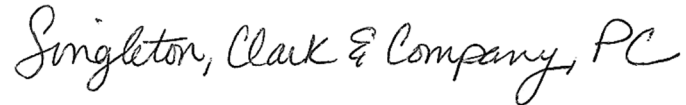
Report on Compliance and Other Matters

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.

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Purpose of This Report

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

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

Singleton, Clark & Company, PC
Cedar Park, Texas

February 28, 2025

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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, 2024. 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, 2024.

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.

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.

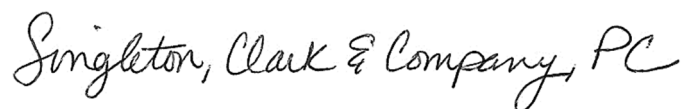
Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant 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.

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, 2024, and have issued our report thereon dated February 28, 2025, 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.

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

Singleton, Clark & Company, PC
Cedar Park, Texas

February 28, 2025

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CITY OF SMITHVILLE, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
THE INSTITUTE OF MUSEUM AND LIBRARY SERVICES			
<u>Passed Through Texas State Library and Archives Commission</u>			
SF 2024 Interlibrary Loan Lending Reimbursement Program	45.310	903939	\$ 1,360
Total Passed Through Texas State Library and Archives Commission			1,360
TOTAL THE INSTITUTE OF MUSEUM AND LIBRARY SERVICES			1,360
FEDERAL HIGHWAY ADMINISTRATION			
<u>Passed Through Texas Department of Transportation</u>			
TASA Program - Main St. ADA Ramps & 1st St. Sidewalks	20.205	0914-18-118	257,931
Total Passed Through Texas Department of Transportation			257,931
TOTAL FEDERAL HIGHWAY ADMINISTRATION			257,931
UNITED STATES DEPARTMENT OF JUSTICE			
<u>Passed Through United States Bureau of Justice Assistance</u>			
FY 2022 Bulletproof Vest Partnership	16.607	2022BUBX22033155	1,959
Total Passed Through United States Bureau of Justice Assistance			1,959
TOTAL UNITED STATES DEPARTMENT OF JUSTICE			1,959
UNITED STATES DEPARTMENT OF HOUSING AND DEVELOPMENT			
<u>Passed Through Texas Department of Agriculture</u>			
CDBG - Rural Economic Development 2 Construction	14.228	CRC22-0031-GPB-01	78,550
Total Passed Through Texas Department of Agriculture			78,550
<u>Passed Through Texas Department of Housing and Community Affairs</u>			
Home Investment Partnership Program	14.239	1003214	3,100
Total Passed Through Texas Department of Housing and Community Affairs			3,100
<u>Passed Through Texas General Land Office</u>			
MIT Hurricane Harvey State Mitigation	14.228	22-085-020-D256	1,504,363
MIT Resilient Community Program Comprehensive Plan	14.228	23-160-003-E138	82,500
Total Passed Through Texas General Land Office			1,586,863
TOTAL UNITED STATES DEPARTMENT OF HOUSING AND DEVELOPMENT			1,668,513
UNITED STATES DEPARTMENT OF TREASURY			
<u>Passed Through Texas Division of Emergency Management</u>			
2021 Coronavirus Local Fiscal Recovery Fund	21.027	304-TX1742	156,196
Total Passed Through Texas Division of Emergency Management			156,196
TOTAL UNITED STATES DEPARTMENT OF TREASURY			156,196
Subtotal Pass-Through Programs			2,085,959
Total Expenditures of Federal Awards			\$ 2,085,959

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CITY OF SMITHVILLE, TEXAS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

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, 2024. 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, 2024

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):

Community Development Block Grant	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
14.228	Community Development Block Grant

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, 2024

SECTION II – FINANCIAL STATEMENT FINDINGS

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

No findings or questioned costs required to be reported in accordance with *Government Auditing Standards* for the years ended September 30, 2024 and 2023.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Findings related to Federal Awards which are required to be Reported with federal Uniform Guidance:

No findings or questioned costs required to be reported in accordance with federal Uniform Guidance for the years ended September 30, 2024 and 2023.

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Financial Advisory Services
Provided By:

