OFFICIAL NOTICE OF SALE, OFFICIAL BID FORM

and

PRELIMINARY OFFICIAL STATEMENT

CITY OF SMITHVILLE, TEXAS

(A Political Subdivision of the State of Texas Located in Bastrop County, Texas)

$4,000,000*

COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026

(THE "CERTIFICATES")

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

Bids due
Monday, September 28, 2026
at
10:00 A.M., Central Time

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

(this page intentionally left blank)

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

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

OFFICIAL NOTICE OF SALE

$4,000,000*
CITY OF SMITHVILLE, TEXAS
(A political subdivision of the State of Texas located in Bastrop County, Texas)
COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026

CERTIFICATES 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 $4,000,000* Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2026 (the "Certificates").

BIDS BY INTERNET: Interested bidders may, at their option and risk, submit their bid by electronic media, as described below, by 10:00 A.M., Central Time, on Monday, September 28, 2026. 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 28, 2026 indicating their intent to submit a bid by internet.

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

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

An electronic bid made through the facilities of PARITY shall be deemed an irrevocable offer to purchase the Certificates 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 28, 2026, 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 Certificates as described in the section entitled "AWARD AND SALE OF THE CERTIFICATES" below.

AWARD AND SALE OF THE CERTIFICATES: By 12:00 P.M. Noon, Central Time, on the date set for receipt of bids, the Mayor of the City or their representative shall award the Certificates 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 Certificates or will reject all bids promptly at a scheduled meeting to commence at 6:00 P.M. Central Time on Monday, September 28, 2026. 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 CERTIFICATES – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE CERTIFICATES" herein.

THE CERTIFICATES

DESCRIPTION OF CERTAIN TERMS OF THE CERTIFICATES: The Certificates will be dated October 1, 2026 (the "Dated Date") with interest to accrue from the Dated Date and be payable initially on February 1, 2027, and semiannually on each August 1 and February 1 thereafter until the earlier of stated maturity or prior redemption. The Certificates will be issued as fully registered Certificates 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 Certificates 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 Certificates ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Certificates purchased. So long as DTC or its nominee is the registered owner of the Certificates, the principal of and interest on the Certificates 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 Certificates. (See "BOOK-ENTRY-ONLY SYSTEM" in the Preliminary Official Statement.) The Certificates will be stated to mature on February 1 in each of the following years in the following amounts:

MATURITY SCHEDULE
(Due February 1)

Stated Maturity	Principal Amount*	Stated Maturity	Principal Amount*
2027	$220,000	2037	$295,000
2028	200,000	2038	310,000
2029	210,000	2039	325,000
2030	220,000	2040	335,000
2031	230,000	2041	350,000
2032	240,000		
2033	250,000		
2034	260,000		
2035	270,000		
2036	285,000		

ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE CERTIFICATES: The City reserves the right to increase or decrease the principal (maturity) amount of any maturity of the Certificates, including the elimination of a maturity or maturities; provided, however, that the aggregate principal (denominational) amount of the Certificates shall not exceed $4,000,000*. Notice of any such changes shall be given to the successful bidder as soon as practicable following the notification of award, as described below, and this Notice of Sale may be amended at the sole discretion of the City to reflect such increase or decrease. The City will attempt to maintain total per bond underwriter spread when adjusting maturities. No such adjustment will have the effect of altering the basis upon which the best bid is determined. The successful bidder may not withdraw its bids or change the rates bid or any initial reoffering prices as a result of any changes made to the principal (denominational) amounts.

SERIAL CERTIFICATES AND/OR TERM CERTIFICATES: Bidders may provide that all of the Certificates be issued as serial maturities or may provide that any two or more consecutive annual principal amounts be combined into one or more term certificates, not to exceed five term certificates (the "Term Certificates").

MANDATORY SINKING FUND REDEMPTION: If the Winning Bidder designates principal amounts to be combined into one or more Term Certificates, each such Term Certificate will be subject to mandatory sinking fund redemption commencing on February 1 of the first year which has been combined to form such Term Certificate and continuing on February 1 in each year thereafter until the stated maturity date of that Term Certificate. The amount redeemed in any year will be equal to the principal amount for such year set forth in the table above under the caption "MATURITY SCHEDULE". Certificates to be redeemed in any year by mandatory sinking fund redemption will be redeemed at par and will be selected by lot from among the Certificates then subject to redemption. The City, at its option, may credit against any mandatory sinking fund redemption requirement Term Certificates of the maturity then subject to redemption which have been purchased and canceled by the City or have been optionally redeemed and not theretofore applied as a credit against any mandatory sinking fund redemption requirement.

OPTIONAL REDEMPTION: The City reserves the right, at its option, to redeem the Certificates maturing on or after February 1, 2036, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on February 1, 2035, or any date thereafter, at the redemption price of par plus accrued interest to the date of redemption as further described in the Preliminary Official Statement.

*Preliminary, subject to change. See "THE CERTIFICATES – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE CERTIFICATES".

SECURITY FOR PAYMENT: The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including the Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064, Texas Local Government Code, as amended), Chapter 1502, as amended, Texas Government Code, an ordinance (the "Ordinance") to be adopted by the City Council on September 28, 2026, and are payable primarily from an annual ad valorem tax levied against all taxable property therein, within the limits prescribed by law, and are further secured by a lien on and pledge of the Pledged Revenues being a limited amount of the Net Revenues derived from the operation of the Issuer's combined utility system (the "System") not to exceed $1,000 during the entire period the Certificates or interest thereon remain outstanding, such lien and pledge, however, being subordinate and inferior to the lien on and pledge of the Net Revenues that may be pledged to the payment of any Prior Lien Obligations, Junior Lien Obligations or Subordinate Lien Obligations (each as described and defined in the Ordinance) hereafter issued by the Issuer. The City previously authorized the issuance of the currently outstanding Limited Pledge Obligations which are payable in part from and secured by a lien on and pledge of a limited amount of the Net Revenues in the manner provided in the ordinances authorizing the issuance of the currently outstanding Limited Pledge Obligations. In the Ordinance the City retains the right to issue Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations, while the Certificates are Outstanding, without limitations as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise.

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 Certificates 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 Certificates. The Paying Agent/Registrar will maintain the Security Register containing the names and addresses of the registered owners of the Certificates.

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 Certificates, the City agrees to promptly cause written notice thereof to be sent to each registered owner of the Certificates by United States mail, first-class, postage prepaid.

CONDITIONS OF SALE

TYPES OF BIDS AND INTEREST RATES: The Certificates 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 Certificates from the Dated Date of the Certificates to the date of Initial Delivery (defined herein) of the Certificates. **No bid producing a cash premium on the Certificates 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 Certificates, 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 Certificates (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 200 basis points (or 2% in rate). No limitation is imposed upon bidders as to the number of rates or changes which may be used.** All Certificates 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 Certificates 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 Certificates on the basis of semi-annual compounding, produces an amount equal to the sum of the par value of the Certificates 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 Certificates, relating to the excludability of interest on the Certificates 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 Certificates) a certification as to their initial offering prices of the Certificates (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 Certificates 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 Certificates 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 Certificates 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 Certificates) will apply to the initial sale of the Certificates (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 Certificates to the bidder who submits a firm offer to purchase the Certificates 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 Certificates, 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 Certificates 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 Certificates, if the competitive sale requirements were not satisfied, in which case the hold-the-offering-price rule shall apply to the Certificates. 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-offering-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 Certificates 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 Certificates, that the underwriters will neither offer nor sell unsold Certificates 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 Certificates 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 Certificates 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 Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Certificates, 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 Certificates 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 Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Certificates, 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 Certificates 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 Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Certificates, 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 Certificates, including, but not limited to, its agreement to comply with the hold-the-offering price rule, if applicable to the Certificates, 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 Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule as applicable to the Certificates.

(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 Certificates 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 Certificates 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 Certificates 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 Certificates 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 Certificates 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 Certificates 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 Certificates to the public),

(3) a purchaser of any of the Certificates 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 Certificates are awarded by the City to the Winning Bidder.

ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS: See "THE CERTIFICATES – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE CERTIFICATES" for a description of the City's reservation of the right to increase or decrease the principal (maturity) amount of any maturity of the Certificates, 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 $80,000, which is 2% of the par value of the Certificates (the "Good Faith Deposit"), is required. The Good Faith Deposit will be retained uncashed by the City until the Certificates are delivered, and at that time it will be returned to the Purchaser uncashed on the date of delivery of the Certificates; however, should the Purchaser fail, refuse or be unable to take up and pay for the Certificates in accordance with the bid, then such check shall be cashed and accepted by the City as full and complete liquidated damages, except as provided under the caption "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 Certificates 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 Certificates 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 Certificates 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 CO 2026 – Bid Form) and description of the goods or services (Purchase of the City of Smithville, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2026). 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/filinginfo/1295/, 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 Certificates 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 Certificates 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 Certificates 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 Certificates 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, 2023) 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 representations and verifications or (b) 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 (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.

IMPACT OF BIDDING SYNDICATE ON AWARD: For purposes of contracting for the sale of the Certificates, the entity signing the bid form as Purchaser shall be solely responsible for the payment of the purchase price of the Certificates. 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 Certificates 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 Certificates.

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 Certificates.

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 Certificates, 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 Certificates. The Purchaser will be responsible for providing information concerning the City and the Certificates to subsequent purchasers of the Certificates, 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 Certificates to the Purchaser, unless the Purchaser notifies, in writing, the City that less than all of the Certificates 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 Certificates 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 Certificates, 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 Certificates to the Purchaser, unless the Purchaser notifies the City on or before such date that less than all of the Certificates 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 sale date of the Certificates) until all of the Certificates have been sold to ultimate customers.

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 Certificates, on the date of such Official Statement, on the date of sale of said Certificates 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 Certificates 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 Certificates, 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 Certificates 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 Issuer has complied in all material respects with its continuing disclosure agreements in accordance with the Rule.

DELIVERY AND ACCOMPANYING DOCUMENTS

INITIAL DELIVERY OF INITIAL CERTIFICATES: The initial delivery of the Certificates to the Purchaser on the "Delivery Date", will be accomplished by the issuance of either (i) a single fully registered Certificate in the total principal amount of $4,000,000 (preliminary, subject to change) payable in stated installments to the Purchaser and numbered T-1, or (ii) as one (1) fully registered Certificate 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 Certificate"), 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 Certificates will be at the corporate trust office of the Paying Agent/Registrar. Upon delivery of the Initial Certificate, they shall be immediately canceled and one Certificate 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 Certificate 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 Certificates. It is anticipated that Initial Delivery of the Initial Certificate can be made on or about October 28, 2026, but if for any reason the City is unable to make delivery by October 28, 2026, 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 Certificates. 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 Certificates, provided such failure is due to circumstances beyond the City's reasonable control.

EXCHANGE OF INITIAL CERTIFICATES FOR DEFINITIVE CERTIFICATES: Upon payment for the Initial Certificate at the time of such delivery, the Initial Certificate is to be canceled by the Paying Agent/Registrar and registered definitive Certificates 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 Certificates 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 Certificate, 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 Certificate and delivery of registered definitive Certificates 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 Certificates, but neither the failure to print such number on any Certificate 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 Certificates 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 Certificates 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 Certificates 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 Certificate, 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 Certificates 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 Certificates, and of the City to deliver the Initial Certificate, are subject to the condition that, up to the time of delivery of and receipt of payment for the Initial Certificate, 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 Certificates 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 Certificates are tendered for initial delivery to the Purchaser, the Purchaser may withdraw its bid if the interest on obligations such as the Certificates 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.

GENERAL CONSIDERATIONS

FUTURE REGISTRATION: The Certificates 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 Certificate may be assigned by the execution of an assignment form on the Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Certificate or Certificates will be delivered by the Paying Agent/Registrar in lieu of the Certificates 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 Certificates issued in an exchange or transfer of Certificates 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 Certificates 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 Certificates 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 Certificates surrendered for exchange or transfer.

RECORD DATE: The record date ("Record Date") for determining the party to whom the semiannual interest on the Certificates 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 Certificates 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. If the Purchaser chooses to submit a bid utilizing bond insurance, the enhanced long-term rating on the Certificates will be dependent upon the rating of the provider of such policy. See "CERTIFICATE INSURANCE" and "CERTIFICATE INSURANCE GENERAL RISKS" in the Preliminary Official Statement. 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 Certificates.

REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE: No registration statement relating to the Certificates 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 Certificates 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 Certificates have not been registered or qualified under the Securities Act of Texas in reliance upon exemptions contained therein, nor have the Certificates been registered or qualified under the securities acts of any other jurisdiction. The City assumes no responsibility for registration or qualification of the Certificates under the securities laws of any jurisdiction in which the Certificates may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Certificates 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 Certificates 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 Certificates, 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 Certificates 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.samcocapital.com.

On the date of the sale, the City Council will, in the Ordinance authorizing the issuance of the Certificates, 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 Certificates by the Purchaser.

/s/_____
Mayor,
City of Smithville, Texas

ATTEST:
/S/_____
City Secretary,
City of Smithville, Texas

September 28, 2026

(this page intentionally left blank)

OFFICIAL BID FORM

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

September 28, 2026

Dear Ladies and Gentlemen:

Subject to the terms of your Official Notice of Sale and Preliminary Official Statement dated September 21, 2026 which terms are incorporated by reference to this proposal (and which are agreed to as evidenced by our submission of this bid), we hereby submit the following bid for $4,000,000 (preliminary, subject to change) CITY OF SMITHVILLE, TEXAS COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026, dated October 1, 2026 (the "Certificates").

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

Year of Stated Maturity	Principal Amount at Stated Maturity	Coupon %	Year of Stated Maturity	Principal Amount at Stated Maturity	Coupon %
2027	$220,000		2037*	$295,000	
2028	200,000		2038*	310,000	
2029	210,000		2039*	325,000	
2030	220,000		2040*	335,000	
2031	230,000		2041*	350,000	
2032	240,000				
2033	250,000				
2034	260,000				
2035	270,000				
2036*	285,000				

**Maturities available for Term Certificates.*

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

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

ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS: As a condition to our submittal of this bid for the Certificates, we acknowledge the following: The City reserves the right to increase or decrease the principal (maturity) amount of any maturity of the Certificates, including the elimination of a maturity or maturities; provided, however, that the aggregate principal (denominational) amount of the Certificates shall not exceed $4,000,000 (preliminary, subject to change). 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.

Of the principal maturities set forth in the table above, we have created term certificates (the "Term Certificates") as indicated in the following table (which may include no more than five Term Certificates. For those years which have been combined into a Term Certificate, the principal amount shown in the table shown on page ii of the Official Notice of Sale will be the mandatory sinking fund redemption amounts in such years except that the amount shown in the year of the Term Certificate maturity date will mature in such year.

The Term Certificates created are as follows:

Term Certificate Maturity Date February 1	Year of First Mandatory Redemption	Principal Amount of Term Certificate	Interest Rate

The Initial Certificate shall be registered in the name of _____, which will, upon payment for the Certificates, be cancelled by the Paying Agent/Registrar. The Certificates 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 $80,000.00, 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 Certificates utilizing the Book-Entry-Only System through DTC and make payment for the Initial Certificate in immediately available funds at the Corporate Trust Division, BOKF, NA, Dallas, Texas, not later than 10:00 A.M., Central Time, on Monday, October 28, 2026, or thereafter on the date the Certificates 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 Certificates to complete and file the DTC Eligibility Questionnaire. The undersigned agrees to the provisions of the Official Notice of Sale under the heading "CONDITIONS OF SALE – ESTABLISHMENT OF ISSUE PRICE" and, as evidenced thereof, agrees to complete, execute, and deliver to the City, by the Delivery Date, a certificate relating to the "issue price" of the Certificates 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 Certificates, the entity signing the bid form as Purchaser shall be solely responsible for the payment of the purchase price of the Certificates. 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 for purchase between the winning bidder and the City in accordance with their terms. The acceptance of the bid creates a binding contract with a term that extends until the Certificates are taken up and paid for by the Bidder or any earlier termination of this contract in accordance with the terms of the 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 28th day of September 2026.

/s/_____
Mayor,
City of Smithville, Texas

ATTEST:

/s/_____
City Secretary,
City of Smithville, Texas

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, 2023) 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 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.

(this page intentionally left blank)

$4,000,000*
CITY OF SMITHVILLE, TEXAS
COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION,
SERIES 2026

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 _____ 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) _____ was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by _____ 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 28, 2026.

(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 28, 2026

*Preliminary, subject to change.

(this page intentionally left blank)

SCHEDULE A

EXPECTED OFFERING PRICES

(this page intentionally left blank)

SCHEDULE B

COPY OF UNDERWRITER'S BID

(this page intentionally left blank)

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"
(See: "OTHER PERTINENT INFORMATION-Ratings", "CERTIFICATE INSURANCE", AND "CERTIFICATE INSURANCE GENERAL RISKS" herein)

PRELIMINARY OFFICIAL STATEMENT
September 21, 2026

In the opinion of Bond Counsel (identified below), assuming continuing compliance by the Issuer (defined below) after the date of initial delivery of the Certificates (defined below) with certain covenants contained in the Ordinance (defined below) and subject to the matters described under "TAX MATTERS" herein, interest on the Certificates 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 Certificates 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 Certificates as "Qualified Tax-Exempt Obligations" for financial institutions.

$4,000,000*
CITY OF SMITHVILLE, TEXAS
(A political subdivision of the State of Texas located in Bastrop County, Texas)
COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026

Dated Date: October 1, 2026 **Due: February 1, as shown on inside cover**

The $4,000,000* City of Smithville, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2026 (the "Certificates") are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064, Texas Local Government Code, as amended), Chapter 1502, as amended, Texas Government Code, an ordinance (the "Ordinance") to be adopted by the City Council of the City of Smithville, Texas (the "City" or the "Issuer") on September 28, 2026. (See "THE CERTIFICATES - Authority for Issuance" herein.)

The Certificates constitute direct and general obligations of the Issuer payable primarily from the proceeds of an annual ad valorem tax levied upon all taxable property within the City, within the limitations prescribed by law, and are further payable from and secured by a lien on and pledge of the Pledged Revenues (identified and defined in the Ordinance), being a limited amount of the Net Revenues derived from the operation of the City's combined utility system (the "System"), not to exceed $1,000 during the entire period the Certificates or interest thereon remain outstanding, such lien on and pledge of the limited amount of Net Revenues being subordinate and inferior to the lien on and pledge of such Net Revenues securing payment of any Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations hereafter issued by the City. The City previously authorized the issuance of the currently outstanding Limited Pledge Obligations (identified and defined in the Ordinance) which are payable, in part, from and secured by a lien on and pledge of a limited amount of the Net Revenues of the System in the manner provided in the ordinances authorizing the issuance of the currently outstanding Limited Pledge Obligations. In the Ordinance, the City reserves and retains the right to issue Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations (all as identified and defined in the Ordinance), while the Certificates are Outstanding, without limitation as to principal amount but subject to any terms, conditions or restrictions as may be applicable thereto under law or otherwise. (See "THE CERTIFICATES - Security for Payment" and "AD VALOREM PROPERTY TAXATION" herein.)

Interest on the Certificates will accrue from October 1, 2026 (the "Dated Date") as shown above and will be payable on February 1 and August 1 of each year, commencing February 1, 2027, until stated maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Certificates 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 Certificates will be made available for purchase in the principal amount of $5,000 or any integral multiple thereof. Purchasers of the Certificates ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Certificates purchased. So long as DTC or its nominee is the registered owner of the Certificates, the principal of and interest on the Certificates 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 Certificates. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Proceeds from the sale of the Certificates 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, to-wit: (1) designing, engineering, constructing, acquiring, purchasing, renovating, enlarging, and improving the City's utility system; (2) designing, demolishing, constructing, renovating, improving, reconstructing, restructuring and extending streets and thoroughfares and related land and right-of-way sidewalks, streetscapes, collectors, drainage, landscape, signage, acquiring lands and rights-of-way necessary thereto or incidental therewith; (3) acquiring, constructing, improving, extending, and equipping municipal airport facilities; (4) the purchase of materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes; and (5) payment for professional services relating to the design, construction, project management, and financing of the aforementioned projects. (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.)

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

The Certificates 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 Certificates. (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 Certificates will be available for initial delivery through DTC on or about October 28, 2026.

BIDS DUE MONDAY, SEPTEMBER 28, 2026 BY 10:00 A.M., CENTRAL TIME

* Preliminary, subject to change

$4,000,000*
CITY OF SMITHVILLE, TEXAS
(A political subdivision of the State of Texas located in Bastrop County, Texas)
COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026

MATURITY SCHEDULE*
(Due February 1)

CUSIP Prefix No. [1] 832636

Stated Maturity 2/1	Principal Amount	Interest Rate	Initial Yield	CUSIP No. Suffix [1]
2027	$ 220,000			
2028	200,000			
2029	210,000			
2030	220,000			
2031	230,000			
2032	240,000			
2033	250,000			
2034	260,000			
2035	270,000			
2036	285,000			
2037	295,000			
2038	310,000			
2039	325,000			
2040	335,000			
2041	350,000			

(Interest to accrue from Dated Date)

The Issuer reserves the right to redeem the Certificates maturing on or after February 1, 2036, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof on February 1, 2035, or any date thereafter, at the redemption price of par plus accrued interest as further described herein. Additionally, the Purchaser may select certain consecutive maturities of the Certificates to be grouped together as a "Term Certificate" and such "Term Certificates" would also be subject to mandatory sinking fund redemption. (See "THE CERTIFICATES - Redemption Provisions of the Certificates" herein.)

* Preliminary, subject to change.

[1] CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services ("CGS") is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright[(c)] 2026 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the City, the Financial Advisor nor the Purchaser shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

[The remainder of this page intentionally left blank]

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

ELECTED OFFICIALS

Name	Years Served	Term Expires (May)
Sharon Foerster, Mayor	7*	2028
Tyrone Washington Councilmember, Place 1	3	2027
Brandon Dunham Councilmember, Place 2	1	2027
Jimmy Jenkins Councilmember, Place 3	3	2027
Wini "Neeka" Griffin Councilmember, Place 4	Elected May 2, 2026	2028
Daña Tovar Councilmember, Place 5	Elected May 2, 2026	2028

*Previously served as councilmember.

ADMINISTRATION

Name	Position	Length of Service (Years)
Cynthia White	Finance Director	21 years
Jennifer Lynch	City Secretary / HR Director / PIO	17 years

CONSULTANTS AND ADVISORS

Bond Counsel .....Norton Rose Fulbright US LLP
Austin, Texas

Certified Public Accountants .....ABIP, PC
San Antonio, Texas

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

For Additional Information Please Contact:

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

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

USE OF INFORMATION IN THE OFFICIAL STATEMENT

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

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

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

THE CERTIFICATES 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 CERTIFICATES IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THE CERTIFICATES 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 CERTIFICATE INSURER OR ITS MUNICIPAL BOND GUARANTY POLICY AS DESCRIBED HEREIN (OR INCORPORATED BY REFERENCE) UNDER THE CAPTIONS "BOOK-ENTRY-ONLY SYSTEM", "CERTIFICATE INSURANCE" AND "CERTIFICATE INSURANCE RISK FACTORS", AS SUCH INFORMATION WAS PROVIDED BY DTC AND THE CERTIFICATE INSURER, RESPECTIVELY.

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

TABLE OF CONTENTS

COVER PAGE 1
MATURITY SCHEDULE 2
ELECTED AND APPOINTED OFFICIALS 3
USE OF INFORMATION IN THE OFFICIAL STATEMENT 4
SELECTED DATA FROM THE OFFICIAL STATEMENT 5
INTRODUCTORY STATEMENT 7
THE CERTIFICATES 7
REGISTRATION, TRANSFER AND EXCHANGE 11
BOOK-ENTRY-ONLY SYSTEM 12
CERTIFICATE INSURANCE 13
CERTIFICATE INSURANCE RISK FACTORS 14
INVESTMENT POLICIES 14
AD VALOREM PROPERTY TAXATION 15
TAX MATTERS 20
CONTINUING DISCLOSURE OF INFORMATION 22
LEGAL MATTERS 24
FORWARD LOOKING STATEMENTS 25
OTHER PERTINENT INFORMATION 26

Financial Information Relating to the City of Smithville, Texas ..... Appendix A
General Information Regarding the City of Smithville and Bastrop County, Texas ..... Appendix B
Form of Legal Opinion of Bond Counsel ..... Appendix C
Excerpts from the Issuer's Audited Financial Statements for the Year Ended September 30, 2025 ..... Appendix D

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 Certificates 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 2026 population is 4,445. The City is a Type A General Law city. The City operates under a City Manager/Council form of government. The City Manager is appointed by the Council and serves as the executive officer of the City. (See "APPENDIX B – General Information Regarding the City of Smithville and Bastrop County, Texas" herein.)
The Certificates	The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly the Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064, Texas Local Government Code, as amended), Chapter 1502, as amended, Texas Government Code, an ordinance (the "Ordinance") to be adopted by the City Council of the City, on September 28, 2026. (See "THE CERTIFICATES - Authority for Issuance" herein.)
Paying Agent/Registrar	The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas.
Security	The Certificates constitute direct and general obligations of the Issuer payable primarily from the proceeds of an annual ad valorem tax levied upon all taxable property within the City, within the limitations prescribed by law, and are further payable from and secured by a lien on and pledge of the Pledged Revenues (identified and defined in the Ordinance), being a limited amount of the Net Revenues derived from the operation of the City's combined utility system (the "System"), not to exceed $1,000 during the entire period the Certificates or interest thereon remain outstanding, such lien on and pledge of the limited amount of Net Revenues being subordinate and inferior to the lien on and pledge of such Net Revenues securing the payment of any Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations hereafter issued by the City. The City previously authorized the issuance of the currently outstanding Limited Pledge Obligations (identified and defined in the Ordinance) which are payable, in part, from and secured by a lien on and pledge of a limited amount of the Net Revenues of the System in the manner provided in the ordinances authorizing the issuance of the currently outstanding Limited Pledge Obligations. In the Ordinance, the City reserves and retains the right to issue Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations (all as identified and defined in the Ordinance), while the Certificates are Outstanding, without limitation as to principal amount but subject to any terms, conditions or restrictions as may be applicable thereto under law or otherwise. (See "THE CERTIFICATES - Security for Payment" and "AD VALOREM PROPERTY TAXATION" herein.)
Redemption Provisions of the Certificates	The Issuer reserves the right, at its sole option, to redeem Certificates stated to mature on or after February 1, 2036, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on February 1, 2035, or any date thereafter, at the redemption price of par plus accrued interest to the date fixed for redemption. Additionally, the Purchaser may select certain consecutive maturities of the Certificates to be grouped together as a "Term Certificate" and such "Term Certificates" would also be subject to mandatory sinking fund redemption. (See "THE CERTIFICATES - Redemption Provisions of the Certificates" herein.)
Tax Matters	In the opinion of Bond Counsel, the interest on the Certificates will be excludable from gross income of the owners thereof for purposes of federal income taxation under existing statutes, regulations, published rulings and court decisions, subject to matters discussed herein under "TAX MATTERS". (See "TAX MATTERS" and "APPENDIX C - Form of Opinion of Bond Counsel" herein.)
Qualified Tax-Exempt Obligations	The Issuer will designate the Certificates as "Qualified Tax-Exempt Obligations", for financial institutions. (See "TAX MATTERS – Qualified Tax-Exempt Obligations" herein.)

Use of Certificate Proceeds	Proceeds from the sale of the Certificates 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, to-wit: (1) designing, engineering, constructing, acquiring, purchasing, renovating, enlarging, and improving the City's utility system; (2) designing, demolishing, constructing, renovating, improving, reconstructing, restructuring and extending streets and thoroughfares and related land and right-of-way sidewalks, streetscapes, collectors, drainage, landscape, signage, acquiring lands and rights-of-way necessary thereto or incidental therewith; (3) acquiring, constructing, improving, extending, and equipping municipal airport facilities; (4) the purchase of materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes; and (5) payment for professional services relating to the design, construction, project management, and financing of the aforementioned projects. (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.)
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 Certificates will be made to the beneficial owners of the Certificates. Such Book-Entry-Only System may affect the method and timing of payments on the Certificates and the manner the Certificates 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 to the Purchaser as soon as possible. (See "OTHER PERTINENT INFORMATION - Ratings" herein.)
Certificate Insurance	The City has made an application to municipal bond insurance companies to have the payment of the principal of and interest on the Certificates insured by a municipal bond insurance policy. If a municipal bond insurance policy is acquired, the Purchaser will pay the bond insurance premium for this certificated issuance. (See "CERTIFICATE INSURANCE" and "CERTIFICATE INSURANCE RISK FACTORS" herein.)
Other Debt Issues	The City currently has no plans to issue additional ad valorem tax supported debt in 2026.
Payment Record	The City has never defaulted on the payment of its general obligation or revenue indebtedness.
Delivery	When issued, anticipated on or about October 28, 2026.
Legality	Delivery of the Certificates is subject to the approval by 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 remainder of this page intentionally left blank.)

PRELIMINARY OFFICIAL STATEMENT

relating to

$4,000,000*
CITY OF SMITHVILLE, TEXAS
(A political subdivision of the State of Texas located in Bastrop County, Texas)
COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026

INTRODUCTORY STATEMENT

This Official Statement, including the appendices hereto, provides certain information in connection with the issuance by the City of Smithville, Texas (the "City" or the "Issuer") of its $4,000,000* Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2026 (the "Certificates") identified on the cover page.

The Issuer is a political subdivision of the State of Texas (the "State") and a municipal corporation organized and existing under the Constitution and laws of the State of Texas. 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 Certificates and certain information about the Issuer and its finances. ***ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT***. Copies of such documents may be obtained upon request from the Issuer or its Financial Advisor, SAMCO Capital Markets, Inc., 1020 NE Loop 410, Suite 640, San Antonio, Texas 78209, via electronic mail or upon payment of reasonable copying, handling, and delivery charges.

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

This Official Statement speaks only as to its date, and the information contained herein is subject to change. A copy of the Final Official Statement pertaining to the Certificates 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 CERTIFICATES

General Description of the Certificates

The Certificates will be dated October 1, 2026 (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 Certificates will be registered and issued in denominations of $5,000 or any integral multiple thereof. The Certificates 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, 2027, until stated maturity or prior redemption. Principal of and interest on the Certificates 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 Certificates 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 Certificates will be payable at stated maturity or prior redemption 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 Certificates 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 Certificates are being issued pursuant to the Constitution and general laws of the State of Texas (the "State") particularly Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064 Texas Local Government Code, as amended), Chapter 1502, as amended, Texas Government Code, an ordinance (the "Ordinance") to be adopted by the City Council of the City (the "City Council") on September 28, 2026.

*Preliminary, subject to change.

Security for Payment

The Certificates are general obligations of the City, payable from its collection of an ad valorem tax levied annually, within the legal limitations imposed by law, upon all taxable property located in the City. (See "AD VALOREM PROPERTY TAXATION" herein.)

Limited Revenue Pledge Benefiting the Certificates. Solely to comply with Texas law allowing the Certificates to be sold for cash, the Certificates are further secured by a lien on and pledge of the Pledged Revenues (being a limited amount of the Net Revenues derived from the operation of the Issuer's combined utility system (the "System") not to exceed $1,000 during the entire period the Certificates or interest thereon remain outstanding, such lien and pledge, however, being subordinate and inferior to the lien on and pledge of the Net Revenues securing the payment of any Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations (each as described and defined in the Ordinance) hereinafter issued by the Issuer. The City previously authorized the issuance of the currently outstanding Limited Pledge Obligations (as described and defined in the Ordinance) which are payable, in part, from and secured by a lien on and pledge of a limited amount of the Net Revenues in the manner provided in the ordinances authorizing the issuance of the currently outstanding Limited Pledge Obligations. In the Ordinance, the City reserves and retains the right to issue Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations (all as identified and defined in the Ordinance), while the Certificates are Outstanding, without limitation as to principal amount but subject to any terms, conditions or restrictions as may be applicable thereto under law or otherwise.

Redemption Provisions of the Certificates

The Issuer reserves the right, at its sole option, to redeem Certificates stated to mature, on or after February 1, 2036, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof on February 1, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. Two or more consecutive maturities of the Certificates may be grouped together as a "Term Certificate" by the Purchaser, and such "Term Certificates" would also be subject to mandatory sinking fund redemption.

Selection of Certificates for Redemption

If less than all of the Certificates within a stated maturity are to be redeemed, the particular Certificates to be redeemed shall be selected by lot or by other customary random method by the Paying Agent/Registrar.

Notice of Redemption

At least 30 days prior to the date fixed for any redemption of any Certificates or portions thereof prior to stated maturity, the Issuer shall cause notice of such redemption to be sent by United States mail, first-class postage prepaid, to the registered owner of each Certificate or a portion thereof to be redeemed at its address as it appeared on the registration books of the Paying Agent/Registrar on the day such notice of redemption is mailed. By the date fixed for any such redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Certificates or portions thereof which are to be so redeemed. If such notice of redemption is given and if due provision for such payment is made, all as provided above, the Certificates or portions thereof which are to be so redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment.

ANY NOTICE OF REDEMPTION SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER RECEIVED BY THE CERTIFICATEHOLDER, AND, PROVIDED THAT PROVISION FOR PAYMENT OF THE REDEMPTION PRICE IS MADE AND ANY OTHER CONDITIONS TO REDEMPTION ARE SATISFIED, INTEREST ON THE REDEEMED CERTIFICATES SHALL CEASE TO ACCRUE FROM AND AFTER SUCH REDEMPTION DATE NOTWITHSTANDING THAT A CERTIFICATE HAS NOT BEEN PRESENTED FOR PAYMENT.

The Paying Agent/Registrar and the Issuer, so long as a Book-Entry-Only System is used for the Certificates, will send any notice of redemption, notice of proposed amendment to the Ordinance or other notices with respect to the Certificates only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the Beneficial Owner, will not affect the validity of the redemption of the Certificates called for redemption or any other action premised on any such notice. Redemption of portions of the Certificates by the Issuer will reduce the outstanding principal amount of such Certificates held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Certificates held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Certificates from the Beneficial Owners. Any such selection of Certificates to be redeemed will not be governed by the Ordinance and will not be conducted by the Issuer or the Paying Agent/Registrar. Neither the Issuer nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Certificates or the providing of notice to DTC participants, indirect participants, or Beneficial Owners of the selection of portions of the Certificates for redemption. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Selection of Certificates to be Redeemed

The Certificates of a denomination larger than $5,000 may be redeemed in part (in increments of $5,000 or any integral multiple thereof). The Certificates to be partially redeemed must be surrendered in exchange for one or more new Certificates for the unredeemed portion of the principal. If less than all of the Certificates are to be redeemed, the Issuer will determine the amounts to be redeemed and will direct the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) to select, at random and by lot, the particular Certificates, or portion thereof, to be redeemed. If a Certificate (or any portion of the principal sum thereof) will have been called for redemption and notice of such redemption will have been given, such Certificate (or the principal amount thereof to be redeemed), will

become due and payable on such redemption date and interest thereon will cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

Use of Certificate Proceeds

Proceeds from the sale of the Certificates 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, to-wit: (1) designing, engineering, constructing, acquiring, purchasing, renovating, enlarging, and improving the City's utility system; (2) designing, demolishing, constructing, renovating, improving, reconstructing, restructuring and extending streets and thoroughfares and related land and right-of-way sidewalks, streetscapes, collectors, drainage, landscape, signage, acquiring lands and rights-of-way necessary thereto or incidental therewith; (3) acquiring, constructing, improving, extending, and equipping municipal airport facilities; (4) the purchase of materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes; and (5) payment for professional services relating to the design, construction, project management, and financing of the aforementioned projects.

Sources and Uses

Sources	
Par Amount of the Certificates	$
Accrued Interest on the Certificates	
[Net] Reoffering Premium	
Total Sources of Funds	
Uses	
Project Fund Deposit	$
Purchaser's Discount	
Certificate Fund Deposit	
Costs of Issuance	
Total Uses	

Payment Record

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

Amendments

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

Defeasance

The Ordinance provides for the defeasance of the Certificates when payment of the principal amount of the Certificates plus interest accrued on the Certificates to their due date (whether such due date be by reason of stated maturity, redemption, 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) Government 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 Government 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 Government Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance. The Ordinance provides that "Government Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Certificates. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of the purchase thereof, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that on the date the governing body of the City adopts or approves the proceedings authorizing the financial arrangements have been refunded and are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (d) any additional securities and obligations hereafter authorized by State law as eligible for use to accomplish the discharge of obligations such as

the Certificates. City officials are authorized to restrict such eligible securities as deemed appropriate. There is no assurance that the ratings for U.S. Treasury securities acquired to defease any Certificates, or those for any other Government Securities, will be maintained at any particular rating category. Further, there is no assurance that current State law will not be amended in a manner that expands or contracts the list of permissible defeasance securities (such list consisting of these securities identified in clauses (a) through (c) above), or any rating requirement thereon, that may be purchased with defeasance proceeds relating to the Certificates ("Defeasance Proceeds"), though the City has reserved the right to utilize any additional securities for such purpose in the event the aforementioned list is expanded. Because the Ordinance does not contractually limit such permissible defeasance securities and expressly recognizes the ability of the City to use lawfully available Defeasance Proceeds to defease all or any portion of the Certificates, registered owners of Certificates are deemed to have consented to the use of Defeasance Proceeds to purchase such other defeasance securities, notwithstanding the fact that such defeasance securities may not be of the same investment quality as those currently identified under State law as permissible defeasance securities.

Upon such deposit as described above, such Certificates shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment of the Certificates have been made as described above, all rights of the City to initiate proceedings to call the Certificates for redemption or take any other action amending the terms of the Certificates are extinguished; provided, however, the City has the option, to be exercised at the time of the defeasance of the Certificates, to call for redemption at an earlier date those Certificates which have been defeased to their maturity date, if the City (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Certificates for redemption, (ii) gives notice of the reservation of that right to the owners of the Certificates immediately following the making of the firm banking and financial arrangements, and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

Default and Remedies

If the City defaults in the payment of principal, interest, or redemption price on the Certificates 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 Certificates, if there is no other available remedy at law to compel performance of the Certificates 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 Certificates 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 for a second time and issued an opinion on October 5, 2018, clarifying that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of the alleged breach. Therefore, in regard to municipal contract cases (as in tort claims), it is incumbent on the courts to determine whether a function 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 Certificates. 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 Certificates 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 is BOKF, NA, Dallas, Texas. In the Ordinance, the Issuer retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the Issuer, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar, selected at the sole discretion of the Issuer, shall be a national or state banking association or corporation organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise trust powers, shall be subject to supervision or examination by federal or state authority, and registered as a transfer agent with the United States Securities and Exchange Commission. Upon a change in the Paying Agent/Registrar for the Certificates, the Issuer agrees to promptly cause written notice thereof to be sent to each registered owner of the Certificates affected by the change by United States mail, first-class, postage prepaid.

The Certificates 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 or prior redemption 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 of or interest on the Certificates shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the Paying Agent/ Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

Record Date

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

Special Record Date for Interest Payment

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

Future Registration

In the event the Certificates are not in the Book-Entry-Only System, the Certificates 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 Certificate may be assigned by the execution of an assignment form on the Certificate or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Certificate or Certificates will be delivered by the Paying Agent/Registrar in lieu of the Certificates being transferred or exchanged at the corporate trust office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. New Certificates issued in an exchange or transfer of Certificates 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 Certificates 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 Certificates 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 Certificate or Certificates surrendered for exchange or transfer. (See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized in regard to ownership and transferability of the Certificates.)

Limitation on Transfer of Certificates

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

Replacement Certificates

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

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Certificates is to be transferred and how the principal of, premium, if any, and interest on the Certificates are to be paid to and credited by The Depository Trust Company ("DTC"), New York, New York, while the Certificates 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, the Financial Advisor, and the Purchaser cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Certificates, or any 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 Certificates), or any 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 (the "SEC"), and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

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

Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("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 Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive physical certificates representing their ownership interests in Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates 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 Certificates 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 Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates 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 Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Certificates 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 Certificates, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, payment or notices that are to be given to registered owners under the Ordinance will be given only to DTC.

Effect of Termination of Book-Entry-Only System

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

CERTIFICATE INSURANCE

The City has applied for a municipal bond insurance policy on the Certificates 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 "Certificate Insurer") concerning the Certificates. If the City accepts a bid for the Certificates 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 certificate insurance is purchased, purchasers of the Certificates should be aware of the risks described below.

CERTIFICATE INSURANCE RISK FACTORS

If an insurance policy is purchased as a result of the City accepting a bid for the Certificates that incorporated the acquisition of such a policy, the following are risk factors relating to the certificate insurance.

In the event of default of the payment of the principal or interest with respect to the Certificates when all or some become due, any owner of the Certificates 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 Certificates by the City, which is recovered by the City from the Certificates owner as a voidable preference under applicable bankruptcy law may be covered by the Policy; however, such payments will be made by the Certificate Insurer at such time and in such amounts as would have been due absent such prepayment by the City, unless the Certificate 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 Certificate Insurer may direct and must consent to any remedies that the Paying Agent/Registrar exercises and the Certificate Insurer's consent may be required in connection with amendments to any applicable Certificate documents. In the event the Certificate Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Certificates are payable solely from the security provided pursuant to the applicable Certificate documents. In the event the Certificate Insurer becomes obligated to make payments with respect to the Certificates, no assurance is given that such event will not adversely affect the market price of the Certificates or the marketability (liquidity) for the Certificates. If a Policy is acquired, the long-term ratings of the Certificates are dependent in part on the financial strength of the Certificate Insurer and its claim-paying ability. The Certificate 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 Certificate Insurer and the ratings on the Certificates insured by the Certificate Insurer will not be subject to downgrade and such event could adversely affect the price of the Certificates or the marketability (liquidity) for the Certificates. See "OTHER PERTINENT INFORMATION – Rating" herein. The obligations of the Certificate Insurer are general obligations of the Certificate Insurer and in an event of default by the Certificate 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 Certificate Insurer, and no insurance or representation regarding the financial strength or projected financial strength of any potential Certificate 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 Certificates and the claims-paying ability of any potential Certificate Insurer, particularly over the life of the Certificates.

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 Certificates. 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 Certificates and the claims-paying ability of any such bond insurer, particularly over the life of the Certificates.

INVESTMENT POLICIES

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

Legal Investments

Under State law and subject to certain limitations, the City 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 City 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 City 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 City 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 City is not required to liquidate the investment unless it no longer carries a required rating, in which case the City 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 August 15, 2026, the City held investments as follows:

Investment Type	Amount	Percentage
Certificates of Deposit and Investment Pools	$5,881,298	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.

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.*

Regular and Special Legislative Sessions

The regular session of the 90th Texas Legislature (the "Legislature") is scheduled to commence on January 12, 2027. The Legislature meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, 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. Texas Governor Greg Abbott has identified on his agenda property tax relief as a legislative priority. The City cannot predict the likelihood of legislative property tax reform at the legislative level or the impacts therefrom, if implemented.

Valuation of Taxable Property

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

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

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

Through December 31, 2026 an appraisal district is prohibited from increasing the appraised value of real property during the 2026 tax year on certain non-homestead properties (the "Subjected Property") whose appraised values are not more than $5.32 million dollars (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. 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.

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.

Cities, counties and school districts that adopted an optional homestead exemption described in (1), above, for the 2022 tax year are prohibited from repealing or reducing 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. At a Statewide election held on November 4, 2025, voters approved a constitutional amendment to 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. A person who leases tangible personal property is also entitled to a tax exemption of $125,000, 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 State 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 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. 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 governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exception. For more information on the exemption, reference is made to Section 11.35, Texas 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.

(The remainder of this page intentionally left blank.)

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.

Chapter 380 Agreements

Cities are also authorized, pursuant to Chapter 380, Texas Local Government Code, as amended ("Chapter 380") to establish programs to promote state or local economic development and to stimulate business and commercial activity in the City. In accordance with a program established pursuant to Chapter 380, the City may make loans or grants of public funds for economic development purposes.

City and Taxpayer Remedies

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

Owners of certain property with a taxable value in excess of the current year "minimum eligibility amount", as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount was set at $62,883,169 for the 2026 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 City 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 difference between a city’s voter-approval tax rate and its actual tax rate for each of the three tax years prior to the current tax year divided by the current total.

“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. Furthermore, beginning for tax year 2026, if the Texas Attorney General determines that a city did not have its audited annual financial statements on file with its city secretary before the 180th day after the city's fiscal year end, the city may not adopt an ad valorem tax rate that exceeds the city's no-new-revenue tax rate.

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 Certificates.

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 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $2.50 per $100 of taxable assessed valuation. Administratively, the Attorney General of the State of Texas will permit allocation of $1.50 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 $152k per year based on 521 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.

(The remainder of this page intentionally left blank.)

TAX MATTERS

Tax Exemption

The delivery of the Certificates is subject to the opinion of Norton Rose Fulbright US LLP, Bond Counsel, to the effect that interest on the Certificates for federal income tax purposes (1) 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 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 certifications of the Issuer made in a certificate of even date with the initial delivery of the Certificates pertaining to the use, expenditure, and investment of the proceeds of the Certificates and will assume continuing compliance with the provisions of the Ordinance by the Issuer subsequent to the issuance of the Certificates. The Ordinance contains covenants by the Issuer with respect to, among other matters, the use of the proceeds of the Certificates and the facilities financed or refinanced therewith by persons other than state or local governmental units, the manner in which the proceeds of the Certificates 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 Certificates to be includable in the gross income of the owners thereof from the date of the issuance of the Certificates.

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 Certificates. 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 Certificates is commenced, under current procedures the IRS is likely to treat the Issuer as the "taxpayer," and the owners of the Certificates 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 Certificates, the Issuer may have different or conflicting interests from the owners of the Certificates. Public awareness of any future audit of the Certificates could adversely affect the value and liquidity of the Certificates during the pendency of the audit, regardless of its ultimate outcome.

Tax Changes

Existing law may change to reduce or eliminate the benefit to Certificate holders of the exclusion of interest on the Certificates 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 Certificates. Prospective purchasers of the Certificates 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 Certificates should be aware that the ownership of tax-exempt obligations such as the Certificates may result in collateral federal tax consequences to, among others, financial institutions, 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 Certificates. Prospective purchasers that could be subject to this minimum tax should consult with their own tax advisors regarding the potential impact of owning the Certificates.

Tax Accounting Treatment of Discount Certificates

The initial public offering price to be paid for certain Certificates may be less than the amount payable on such Certificates at maturity (the "Discount Certificates"). An amount equal to the difference between the initial public offering price of a Discount Certificate (assuming that a substantial amount of the Discount Certificates 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 Certificates. A portion of such original issue discount,

allocable to the holding period of a Discount Certificate 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 Certificates. Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Certificate, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Certificate 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, life insurance companies, property and casualty insurance companies, corporations subject to the alternative minimum tax on adjusted financial statement income, 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 Certificate by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Certificate in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Certificate was held) is includable in gross income.

Owners of Discount Certificates should consult with their own tax advisors with respect to the determination for federal income tax purposes of accrued interest upon disposition of Discount Certificates and with respect to the state and local tax consequences of owning Discount Certificates. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on the Discount Certificates 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 Certificates

The initial public offering price to be paid for certain Certificates may be greater than the stated redemption price on such Certificates at maturity (the "Premium Certificates"). An amount equal to the difference between the initial public offering price of a Premium Certificate (assuming that a substantial amount of the Premium Certificates 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 Certificates. The basis for federal income tax purposes of a Premium Certificate in the hands of such initial purchaser must be reduced each year by the amortizable Certificate premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable Certificate premium with respect to the Premium Certificates. 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 Certificate. 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 Certificates should consult with their own tax advisors with respect to the determination of amortizable Certificate premium on Premium Certificates for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Certificates.

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 Certificates 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 Certificates 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 Certificates will not be subject to the 100% disallowance of interest expense allocable to interest on the Certificates 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 Certificates will be reduced by 20% pursuant to section 291 of the Code.

(The remainder of this page intentionally left blank.)

CONTINUING DISCLOSURE OF INFORMATION

The City in the Ordinance has made the following agreement for the benefit of the holders and beneficial owners of the Certificates. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board ("MSRB"). This information will be available to the public free of charge from the MSRB via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org, as further described below under "Availability of Information".

In the Ordinance, the City has made the following agreement for the benefit of the registered owners of the Certificates. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates. 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

Under Texas law, including, but not limited to, Chapter 103, as amended, Texas Local Government Code, the Issuer must keep its fiscal records in accordance with generally accepted accounting principles, must have its financial accounts and records audited by a certified public accountant and must file each audit report within 180 days after the close of the Issuer's fiscal year. The Issuer's fiscal records and audit reports are available for public inspection during the regular business hours, and the Issuer is required to provide a copy of the Issuer's audit reports to any bondholder or other member of the public within a reasonable time on request upon payment of charges prescribed by the Texas General Services Commission.

The City shall provide annually to the MSRB (1) within six months after the end of each fiscal year of the City beginning in the year 2026, financial information and operating data with respect to the City of the general type included in the body of this Official Statement under "INVESTMENT POLICIES - Current Investments" and in Tables 1 through 12 of "Appendix A - Financial Information of the Issuer" to this Official Statement (the "Annual Financial Information"), and (2) within six months after the end of each fiscal year of the City beginning in the year 2026, the audited financial statements of the City (the "Audited Financial Statements"). If the audit of such financial statements is not complete within six (6) months after any such fiscal year end, then the City shall file unaudited financial statements by the required time and audited financial statements for the applicable fiscal year, when and if the audit report becomes available. Any financial statements to be provided shall be prepared in accordance with the accounting principles described in APPENDIX D to this Official Statement, or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation, and shall be in substantially the form included in this Official Statement as APPENDIX D.

The Issuer may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements for the Issuer, if the Issuer commissions an audit and it is completed by the required time. If audited financial statements are not available by that time, the Issuer will provide by the required time unaudited financial statements for the applicable fiscal year to the MSRB with the financial information and operating data and will file the annual audit report when and if the same becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Issuer's annual financial statements or such other accounting principles as the Issuer may be required to employ from time to time pursuant to state law or regulation.

The Issuer's current fiscal year end is September 30. Accordingly, it must provide updated information by the end of March in each year following end of its fiscal year, unless the Issuer changes its fiscal year. If the Issuer changes its fiscal year, it will notify the MSRB through EMMA of the 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 Certificates 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 Certificates, or other material events affecting the tax status of the Certificates, as the case may be; (7) modifications to rights of holders of the Certificates, if material; (8) Certificate calls, if material, and tender offers; (9) defeasances;(10) release, substitution, or sale of property securing repayment of the Certificates, 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 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 Certificates nor the Ordinance make provision for credit enhancement, 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 filings required to be made by the City in accordance with its undertaking made for the Certificates 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 Certificates 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 Certificates 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 Certificates in the offering described herein in compliance with the Rule and either the holders of a majority in aggregate principal amount of the outstanding Certificates 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 Certificates. 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 Certificates, respectively, in the primary offering of the Certificates.

Compliance with Prior Agreements

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

LEGAL MATTERS

Legal Opinions and No-Litigation Certificate

The Issuer will furnish the Purchasers with a complete transcript of proceedings incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Initial Certificate is a valid and legally binding obligation of the Issuer, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel, to the effect that the Certificates, 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 Certificates 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 Certificates, Bond Counsel was engaged by, and only represents, the City in connection with the issuance of the Certificates. 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 CERTIFICATES" (except under the subcaptions "Use of Certificate Proceeds",

"Sources and Uses" "Payment Record", and "Default and Remedies", as to which no opinion is expressed), "REGISTRATION, TRANSFER AND EXCHANGE", "TAX MATTERS", "CONTINUING DISCLOSURE OF INFORMATION" (except under the subheading "Compliance with Prior Agreements" 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 Certificates for Sale" in the Official Statement and such firm is of the opinion that the information relating to the Certificates 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 Certificates or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Certificates will also be furnished. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of Certificates are contingent on the sale and initial delivery of the Certificates. The legal opinion of Bond Counsel will accompany the Certificates deposited with DTC or will be printed on the definitive Certificates 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 Certificates 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 Certificates, 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 Certificates or that affects the payment and security of the Certificates or in any other manner questioning the issuance, sale, or delivery of the Certificates.

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 Certificates 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 Certificates must 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 – Ratings" herein.) In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates 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 Certificates for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Certificates for such purposes. The City has made no review of laws in other states to determine whether the Certificates 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 Certificates for Sale

The sale of the Certificates has not been registered under the Securities Act of 1933, as amended, in reliance upon exemptions provided in such Act; the Certificates have not been qualified under the Securities Act of Texas in reliance upon exemptions contained therein; nor have the Certificates been qualified under the securities acts of any other jurisdiction. The Issuer assumes no responsibility for qualification of the Certificates 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 Certificates 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 Certificates 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 Certificates 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 Certificates 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 Certificates by S&P reflects only the view of S&P at the time the rating is given, and the Issuer makes no representation 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 Certificates.

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 Certificates. In this capacity, the Financial Advisor has compiled certain data relating to the Certificates 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 Certificates.

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 Certificates, the City accepted the bid of _____ (previously defined as the "Purchaser" or the "Initial Purchaser") to purchase the Certificates 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 Certificates 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 Certificates after their sale by the City to the Purchaser. The City has no control over the price at which the Certificates are subsequently sold and the initial yield at which the Certificates 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 Certificates, 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 Certificates, on the date of such Official Statement, on the date of sale of said Certificates 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, 2025, 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 or 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 Certificates 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 Certificates 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

(this page intentionally left blank)

APPENDIX A

FINANCIAL INFORMATION RELATING TO
THE CITY OF SMITHVILLE, TEXAS

(this page intentionally left blank)

FINANCIAL INFORMATION OF THE ISSUER

ASSESSED VALUATION — **TABLE 1**

2026 Market Value of Taxable Property (100% of Market Value)	**$**	**632,299,589**
Less Exemptions:		
Over-65/Disabled Exemptions	$	5,410,160
Veterans Exemptions		14,035,114
Pollution Control		11,045
Exemption/Other		105,964,789
Productivity Loss		8,153,132
Loss to 10% HO Cap		19,833,923
TOTAL EXEMPTIONS	$	153,408,163
2026 Assessed Value of Taxable Property	$	478,891,426

Source: Bastrop County Appraisal District.

GENERAL OBLIGATION BONDED DEBT

(as of September 1, 2026)

General Obligation Debt (Principal Outstanding)

Certificates of Obligation, Series 2007	$	665,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2019		2,235,000
Tax Notes, Series 2021		210,000
Tax Notes, Series 2022		540,000
Tax Notes, Series 2023		2,030,000
Tax Notes, Series 2025		2,505,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2026 (the "Certificates")		4,000,000 *
Total Gross General Obligation Debt	$	12,185,000 *
Less: Self Supporting Debt		
Certificates of Obligation, Series 2007 (100%)	$	665,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2019 (84.1%)		1,880,000
Tax Notes, Series 2025 (33.33%)		835,000
The Certificates (100%)		4,000,000 *
Total Self-Supporting Debt	$	7,380,000 *
Total Net General Obligation Debt Outstanding	$	4,805,000 *
2026 Certified Net Assessed Valuation	$	478,891,426
Ratio of Gross General Obligation Debt Principal to Net Taxable Assessed Valuation		2.54%
Ratio of Net General Obligation Debt to Net Taxable Assessed Valuation		1.00%

Population: 2000 - 3,901; 2010 - 3,817; 2020 - 3,922; est. 2025 - 4,445
Per Capita Net Taxable Assessed Valuation - $107,737.10
Per Capita Gross General Obligation Debt Principal - $2,741.28
Per Capita Net General Obligation Debt Principal - $1,080.99

* *Preliminary, subject to change.*

CITY DEBT OBLIGATIONS - CAPITAL LEASE AND NOTES PAYABLE **TABLE 2**

(As of September 30, 2025)

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2025, were as follows:

Government Activities:

Year Ending 9/30	Principal	Interest	Total Requirements
2026	$ 42,719	$ 1,085	$ 43,804
	$ 42,719	$ 1,085	$ 43,804

Business-Type Activities:

Year Ending 9/30	Principal	Interest	Total Requirements
2026	$ 193,953	$ 42,086	$ 236,039
2027	192,300	34,976	227,276
2028	196,400	27,863	224,263
2029	200,500	20,597	221,097
2030	204,800	13,180	217,980
2031-2035	204,449	5,605	210,054
	$ 1,192,402	$ 144,307	$ 1,336,709

_____

Source: Annual Financial Report for Fiscal Year Ended September 30, 2025.

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ending Sept. 30	Current Total Outstanding Debt [(a)]	The Certificates*			Combined Debt Service[(a)]	Less: Self-Supporting Debt*	Total Net Debt Service*
		Principal	Interest	Total			
2027	$ 1,887,472	$ 220,000	$ 151,158	$ 371,158	$ 2,258,630	$ 1,028,738	$ 1,229,892
2028	1,888,306	200,000	156,400	356,400	2,244,706	1,010,240	1,234,466
2029	1,493,743	210,000	147,688	357,688	1,851,431	723,813	1,127,618
2030	1,302,200	220,000	138,550	358,550	1,660,750	718,300	942,450
2031	745,425	230,000	128,988	358,988	1,104,413	721,913	382,500
2032	736,125	240,000	119,000	359,000	1,095,125	719,575	375,550
2033	257,375	250,000	108,588	358,588	615,963	560,001	55,963
2034	205,463	260,000	97,750	357,750	563,213	563,213	-
2035	204,250	270,000	86,488	356,488	560,738	560,738	-
2036	202,863	285,000	74,694	359,694	562,557	562,557	-
2037	201,063	295,000	62,369	357,369	558,432	558,432	-
2038	203,750	310,000	49,513	359,513	563,263	563,263	-
2039	-	325,000	36,019	361,019	361,019	361,019	-
2040	-	335,000	21,994	356,994	356,994	356,994	-
2041	-	350,000	7,438	357,438	357,438	357,438	-
Total	$ 9,328,034	$ 4,000,000	$ 1,386,637	$ 5,386,637	$ 14,714,671	$ 9,366,232	$ 5,348,439

[(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)

2026 Net Taxable Assessed Valuation	$	478,891,426	
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-27)		2,258,630	*
Indicated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements	$	0.4813	*

** Includes the Certificates. 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)

2026 Net Taxable Assessed Valuation	$	478,891,426	
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-28)		1,234,466	*
Indicated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements	$	0.26304	*

** Includes the Certificates. 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, 2025	$	638,674
2025 Interest and Sinking Fund Tax Levy at 98% Collections Produce		1,129,116
Total Available for General Obligation Debt	$	1,767,790
Less: General Obligation Debt Service Requirements, Fiscal Year Ending 9/30/26[(1)]		1,204,812
Estimated Surplus at Fiscal Year Ending 9/30/26	$	562,978

[(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

(as of September 1, 2026)

Fiscal Year Ending 9-30	Currently Outstanding[(a)]	The Certificates*	Total*	Principal Unpaid at End of Year*	Percent of Principal Retired (%)*
2027	$ 1,570,000	$ 220,000	$ 1,790,000	$ 10,395,000	15%
2028	1,640,000	200,000	1,840,000	8,555,000	30%
2029	1,310,000	210,000	1,520,000	7,035,000	42%
2030	1,175,000	220,000	1,395,000	5,640,000	54%
2031	660,000	230,000	890,000	4,750,000	61%
2032	680,000	240,000	920,000	3,830,000	69%
2033	220,000	250,000	470,000	3,360,000	72%
2034	175,000	260,000	435,000	2,925,000	76%
2035	180,000	270,000	450,000	2,475,000	80%
2036	185,000	285,000	470,000	2,005,000	84%
2037	190,000	295,000	485,000	1,520,000	88%
2038	200,000	310,000	510,000	1,010,000	92%
2039	-	325,000	325,000	685,000	94%
2040	-	335,000	335,000	350,000	97%
2041	-	350,000	350,000	-	100%
Total	$ 8,185,000	$ 4,000,000	$ 12,185,000		

[(a)] *Includes self-supporting debt.*

** Preliminary, subject to change.*

TAXABLE ASSESSED VALUATION **TABLE 3**

Year	Net Taxable Assessed Valuation	Change from Preceding Year Amount ($)	Percent
2017	$ 238,040,334	-	-
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%
2026	478,891,426	9,197,585	1.96%

Source: Bastrop County Appraisal District.

PRINCIPAL TAXPAYERS 2026 **TABLE 4**

Name	Type of Business/Property	2026 Net Taxable Assessed Valuation	% of Total 2026 Assessed Valuation
SOLAREIT A-I LLC	Real Estate	$ 7,533,080	1.57%
UNION PACIFIC RAILROAD CO	Railroad	5,252,269	1.10%
SOUTHWEST HOUSING PARTNERS LTD	Residential Development	2,650,018	0.55%
CENTERPOINT ENERGY ENTEX	Utility	1,812,270	0.38%
SPECTRUM GULF COAST LLC	Utility	1,803,090	0.38%
UNION PACIFIC RAILROAD CO	Railroad	1,743,715	0.36%
SMITHVILLE SELF STORAGE LLC	Storage	1,670,971	0.35%
CENTEX MARINE FABRICATION	Manufacturing	1,658,140	0.35%
WEBB STREET LLC	Consulting	1,502,195	0.31%
BLI EAST TEXAS #2 LTD	Manufacturing	1,447,009	0.30%
		$ 27,072,757	5.65%

Source: Bastrop County Appraisal District.

CLASSIFICATION OF ASSESSED VALUATION **TABLE 5**

	2026	% of Total	2025	% of Total	2024	% of Total
Real, Residential, Single-Family	$ 387,657,880	61.31%	$ 383,709,252	63.45%	$ 406,153,451	65.53%
Real, Residential, Multi-Family	15,096,692	2.39%	13,921,269	2.30%	10,971,174	1.77%
Real, Vacant Lots/Tracts	13,462,560	2.13%	12,435,011	2.06%	13,637,425	2.20%
Real, Acreage (Land Only)	7,151,125	1.13%	14,013,405	2.32%	14,013,405	2.26%
Real, Farm & Ranch Improv	9,451,462	1.49%	5,840,389	0.97%	5,131,121	0.83%
Real, Commercial and Industrial	56,432,421	8.92%	47,301,551	7.82%	43,591,391	7.03%
Real & Tangible, Personal Utilities	11,667,233	1.85%	10,249,128	1.69%	9,969,652	1.61%
Tangible Personal, Commercial & Industrial	18,383,746	2.91%	14,524,831	2.40%	14,781,235	2.38%
Tangible Personal, Mobile Homes	6,558,660	1.04%	4,829,157	0.80%	5,319,376	0.86%
Special Inventory	112,500	0.02%	87,805	0.01%	101,979	0.02%
Totally Exempted Property	106,325,310	16.82%	97,785,667	16.17%	96,166,711	15.51%
Total Appraised Value	$ 632,299,589	100.00%	$ 604,697,465	100.00%	$ 619,836,920	100.00%
Less:						
Over-65/Disabled Exemptions	$ 5,410,160		$ 5,163,580		$ 5,183,294	
Veterans Exemptions	14,035,114		8,391,992		6,948,877	
Pollution Control	11,045		11,045		11,045	
Exemption/Other	105,964,789		94,827,048		94,463,416	
Productivity Loss	8,153,132		13,943,615		13,952,551	
Loss to 10% HO Cap	19,833,923		12,666,344		25,141,012	
Total Exemptions	$ 153,408,163		$ 135,003,624		$ 145,700,195	
Net Taxable Assessed Valuation	$ 478,891,426		$ 469,693,841		$ 474,136,725	

Source: Bastrop County Appraisal District.

TAX DATA **TABLE 6**

Tax Year	Net Taxable Assessed Valuation	Tax Rate	Tax Levy	% of Collections Current	% of Collections Total	Year Ended
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	0.6389	2,826,466	95.37	97.53	9/30/2026*
2026	478,891,426	*[To be adopted]*				9/30/2027

** As of August 17, 2026*

TAX RATE DISTRIBUTION **TABLE 7**

	2025	2024	2023	2022	2021
General Fund	$ 0.3936	$ 0.3614	$ 0.3765	$ 0.3831	$ 0.4194
I & S Fund	0.2453	0.2276	0.1724	0.1658	0.1296
Total Tax Rate	$ 0.6389	$ 0.5890	$ 0.5489	$ 0.5489	$ 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
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	937,032	33.15%	0.20
2026	677,608	*(as of August, 2026)*	

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

OVERLAPPING DEBT INFORMATION

(as of September 1, 2026)

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 9/1/26)	% Overlapping	Amount Overlapping
Bastrop County	$ 127,141,000	3.16%	$ 4,017,656
Smithville ISD	29,115,000	23.47%	6,833,291
Total Gross Overlapping Debt			$ 10,850,946
Smithville, City of			$ 12,185,000 *
Total Gross Direct and Overlapping Debt			$ 23,035,946 *
Ratio of Gross Direct Debt and Overlapping Debt			4.81% *
Per Capita Gross Direct Debt and Overlapping Debt			$5,182.44 *

Note: The above figures show Gross General Obligation Debt for the City of Smithville, Texas. The Issuer's Net General Obligation Debt is $4,805,000*. Calculations on the basis of Net General Obligation Debt would change the above figures as follows:

Total Net Direct and Overlapping Debt	$ 15,655,946
Ratio of Net Direct and Overlapping Debt to 2026 Net Assessed Valuation	3.27%
Per Capita Net Direct and Overlapping Debt	$3,522.15

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

** Preliminary, subject to change. Includes the Certificates.*

ASSESSED VALUATION AND TAX RATE OF OVERLAPPING ISSUERS

Governmental Subdivision	2026 Assessed Valuation	% of Actual	2026 Tax Rate
Bastrop County *	$ 16,952,219,886	100%	$ 0.350500
Smithville ISD	1,692,865,836	100%	0.918600

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas.
*** 2026 tax rate expected to be adopted on September 14, 2026.*

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 9/30/2025	9/30/2024	9/30/2023	9/30/2022	9/30/2021
Fund Balance - Beginning of Year	$ 1,551,078	$ 1,596,631	$ 1,337,125	$ 1,272,109	$ 1,775,565
Revenues	5,514,704	5,359,495	4,746,367	4,593,302	3,941,834
Expenditures	6,872,309	6,771,981	5,846,320	5,964,956	5,823,777
Excess (Deficit) of Revenues Over Expenditures	$ (1,357,605)	$ (1,412,486)	$ (1,099,953)	$ (1,371,654)	$ (1,881,943)
Other Financing Sources (Uses):					
Operating Transfers In	$ 1,287,837	$ 1,319,459	$ 1,334,325	$ 1,394,000	$ 1,107,000
Sale of Capital Assets	87,908	16,325	24,390	8,500	33,144
Insurance recoveries	29,241	31,149	744	34,170	17,014
Operating Transfers Out	-	-	-	-	(17,876)
Capital Leases	-	-	-	-	239,240
Total Other Financing Sources (Uses):	$ 1,404,986	$ 1,366,933	$ 1,359,459	$ 1,436,670	$ 1,378,522
Fund Balance - End of Year*	$ 1,598,459	$ 1,551,078	$ 1,596,631	$ 1,337,125	$ 1,272,144

Source: The Issuer's Comprehensive Annual Financial Reports.
** The City anticipates an unaudited ending fund balance in the General Fund of $1,586,885 on September 30, 2026.*

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

The Defined Benefit Pension Plan can be obtained from the City's 2025 Financial Report Note "E", page 47.

(this page intentionally left blank)

APPENDIX B

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

(this page intentionally left blank)

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 2026 estimated population is 121,879.

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]

	2026 [2]	2025 [3]	2024 [3]	2023 [3]	2022 [3]	2021 [3]
Civilian Labor Force	58,727	58,065	55,733	54,024	48,156	45,560
Total Employed	56,197	55,921	53,706	52,091	46,546	43,508
Total Unemployed	2,530	2,144	2,027	1,933	1,610	2,052
% Unemployment	4.3%	3.7%	3.6%	3.6%	3.3%	4.5%
Texas Unemployment	4.5%	4.0%	4.0%	4.0%	3.9%	5.6%

(1) Source: Texas Workforce Commission.
(2) As of July 2026.
(3) Average Annual Statistics.

(this page intentionally left blank)

APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

NORTON ROSE FULBRIGHT

October 28, 2026

Norton Rose Fulbright US LLP
98 San Jacinto Boulevard, Suite 1100
Austin, Texas 78701-4255
United States

Tel +1 512 474 5201
Fax +1 512 536 4598
nortonrosefulbright.com

DRAFT

IN REGARD to the authorization and issuance of the "City of Smithville, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2026" (the *Certificates*), dated October 1, 2026 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 Certificates are issuable in fully registered form only in denominations of $5,000 or any integral multiple thereof (within a Stated Maturity). The Certificates have Stated Maturities of February 1 in each of the years 20[__] through 20[__], unless redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Certificates. Interest on the Certificates 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 Certificates. 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 Certificates under the laws of the State of Texas and with respect to the exclusion of the interest on the Certificates 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 or the Issuer's combined utility system and 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 Certificates. We express no opinion and make no comment with respect to the sufficiency of the security for or the marketability of the Certificates. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Certificates 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 Certificates, 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 Certificates 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 Certificate executed and delivered initially by the Issuer and such matters of law as we deem relevant to the matters discussed below. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements and information contained in such certificates. We express no opinion concerning any effect on the following opinions which may result from changes in law effected after the date hereof.

Norton Rose Fulbright US LLP is a limited liability partnership registered under the laws of Texas.

Norton Rose Fulbright US LLP, Norton Rose Fulbright LLP, Norton Rose Fulbright Australia, Norton Rose Fulbright Canada LLP and Norton Rose Fulbright South Africa Inc are separate legal entities and all of them are members of Norton Rose Fulbright Verein, a Swiss verein. Norton Rose Fulbright Verein helps coordinate the activities of the members but does not itself provide legal services to clients. Details of each entity, with certain regulatory information, are available at nortonrosefulbright.com.

Legal Opinion of Norton Rose Fulbright US LLP, Austin, Texas, in connection with the authorization and issuance of "CITY OF SMITHVILLE, TEXAS COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026"

BASED ON OUR EXAMINATION, IT IS OUR OPINION that the Certificates have been duly authorized and issued in conformity with the laws of the State of Texas now in force and that the Certificates 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 Certificates are payable from the proceeds of an ad valorem tax levied, within the limitations prescribed by law, upon all taxable property in the Issuer and are additionally payable from and secured by a lien on and pledge of the Pledged Revenues, being a limited amount of the Net Revenues derived from the operation of the Issuer's combined utility system (the *System*), such lien on and pledge of the limited amount of Net Revenues being subordinate and inferior to the lien on and pledge thereof providing for the payment and security of any Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations hereafter issued by the Issuer. The Issuer has previously authorized the issuance of the Limited Pledge Obligations that are payable in part from and secured by a lien on and pledge of a limited amount of the Net Revenues of the System in accordance with the ordinances authorizing the issuance of the currently outstanding Limited Pledge Obligations. In the Ordinance, the Issuer reserves and retains the right to issue Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise.

BASED ON OUR EXAMINATION, 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 Certificates, under existing statutes, regulations, published rulings, and court decisions (1) interest on the Certificates 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 Certificates 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 Certificates. Ownership of tax-exempt obligations such as the Certificates 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.

Legal Opinion of Norton Rose Fulbright US LLP, Austin, Texas, in connection with the authorization and issuance of "CITY OF SMITHVILLE, TEXAS COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026"

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.

Norton Rose Fulbright US LLP

APPENDIX D

FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025

(Independent Auditor's Report, General Financial Statements and Certificates 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.)

(this page intentionally left blank)

CITY OF SMITHVILLE, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2025

Singleton Clark
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SMITHVILLE, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025

TABLE OF CONTENTS

Page

FINANCIAL SECTION
Independent Auditor's Report 1
Management's Discussion and Analysis 5

Basic Financial Statements:
Government-wide Financial Statements:
Statement of Net Position 15
Statement of Activities 16
Fund Financial Statements:
Balance Sheet – Governmental Funds 20
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position 23
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds 24
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities 27

Proprietary Fund Financial Statements
Statement of Net Position – Proprietary Funds 28
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds 29
Statement of Cash Flows – Proprietary Funds 31

Fiduciary Fund Financial Statements
Statement of Fiduciary Net Position – Fiduciary Funds 32
Statement of Changes in Fiduciary Net Position – Fiduciary Funds 33

Notes to the Financial Statements 37

Required Supplementary Information:
Schedule of Changes in Net Pension Liability and Related Ratios 62
Schedule of Employer Contributions – Net Pension Liability 64
Notes to Schedule of Employer Contributions – Net Pension Liability 67

Schedule of Changes in OPEB Liability and Related Ratios 68
Schedule of Employer Contributions – OPEB Liability 70
Notes to Schedule of Employer Contributions – OPEB Liability 73

CITY OF SMITHVILLE, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025

TABLE OF CONTENTS
(Continued)

Combining and Individual Fund Financial Statements and Schedules:
Combining Balance Sheet – Nonmajor Governmental Funds · · · · · 78
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds · · · · · 82

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund · · · · · 86
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Interest and Sinking · · · · · 87

Other Reporting:
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* · · · · · 91
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 · · · · · 95

Schedule of Expenditures of Federal Awards · · · · · 99

Notes to the Schedule of Expenditures of Federal Awards · · · · · 101

Schedule of Findings and Questioned Costs · · · · · 113

FINANCIAL SECTION

THIS PAGE LEFT BLANK INTENTIONALLY

Singleton Clark
CERTIFIED PUBLIC ACCOUNTANTS

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, 2025, 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, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof 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 combining and individual nonmajor financial statements 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 within 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 27, 2026 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.

Singleton, Clark & Company, PC

Singleton, Clark & Company, PC
Cedar Park, Texas

February 27, 2026

THIS PAGE LEFT BLANK INTENTIONALLY

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, 2025. 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 $5,111,677 as a result of this year's current operations to end at $17,095,105.
- The General Fund of the City reported a fund balance of $1,598,459 as of year-end, which is $47,381 more than last year's ending fund balance of $1,551,078.
- The City's net position for the Utility Fund decreased by $47,530 a result of this year's current operations to end at $5,170,118.

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 inspection, 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.

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

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

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

The City maintains twenty individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the 2009 TXCDBG Project Fund, the GLO-CDBG-MIT Grant, and the 2025 Tax Note Project Fund, which are considered to be major funds. Data from the other sixteen 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. Budgetary comparison schedules have been provided both funds to demonstrate compliance with these budgets.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the electric utility and water/wastewater utility which is 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 62 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.

Government-wide Overall Financial Analysis

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 $22,265,223 at the close of the most recent fiscal year.

Condensed Statement of Net Position
As of September 30

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Current assets	$ 6,555,434	$ 4,803,213	$ 3,349,926	$ 2,317,345	$ 9,905,360	$ 7,120,558
Capital assets	19,320,025	14,435,447	8,367,464	8,769,786	27,687,489	23,205,233
Total assets	25,875,459	19,238,660	11,717,390	11,087,131	37,592,849	30,325,791
Deferred outflows of resources	709,687	819,372	349,547	403,571	1,059,234	1,222,943
Current liabilities	2,563,070	1,332,454	1,447,933	510,976	4,011,003	1,843,430
Noncurrent liabilities	6,507,955	6,338,801	5,242,506	5,563,418	11,750,461	11,902,219
Total liabilities	9,071,025	7,671,255	6,690,439	6,074,394	15,761,464	13,745,649
Deferred inflows of resources	419,016	403,339	206,380	198,660	625,396	601,999
Net position:						
Net investment in capital assets	15,679,900	9,630,357	3,121,437	3,901,716	18,801,337	13,532,073
Restricted	701,188	508,345	-	-	701,188	508,345
Unrestricted	714,017	1,844,736	2,048,681	1,315,932	2,762,698	3,160,668
Total net position	$ 17,095,105	$ 11,983,438	$ 5,170,118	$ 5,217,648	$22,265,223	$17,201,086

By far, the largest portion of the City's net position (84.4%) 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 (3.1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of $2,762,698 (12.4%) 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.

The City's overall net position increased by $5,064,137 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 by $5,111,667 from the prior fiscal year for an ending balance of $17,095,105. The increase in the overall net position of governmental activities is primarily due to the capitalization of assets and a transfer from the Utility Fund.

Condensed Statement of Activities
For the Years Ended September 30

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Program Revenues:						
Charges for services	$ 2,497,745	$ 2,126,989	$ 8,088,276	$ 8,089,431	$ 10,586,021	$ 10,216,420
Operating grants &	1,201,626	660,944	-	-	1,201,626	660,944
Capital grants and contributions	5,962,804	2,037,497	-	-	5,962,804	2,037,497
General Revenues:						
Property taxes	2,684,020	2,466,561	-	-	2,684,020	2,466,561
Other taxes	1,204,512	1,020,982	-	-	1,204,512	1,020,982
Grants and contributions not restricted to specific programs	802,635	139,001	-	-	802,635	139,001
Other	437,946	434,434	259,353	340,755	697,299	775,189
Total revenue	14,791,288	8,886,408	8,347,629	8,430,186	23,138,917	17,316,594
Expenses:						
General government	3,795,565	2,798,695	-	-	3,795,565	2,798,695
Public safety	2,247,740	2,282,673	-	-	2,247,740	2,282,673
Code enforcement and inspection	209,009	149,255				
Highways and streets	546,618	617,030	-	-	546,618	617,030
Sanitation	1,653,688	1,574,454	-	-	1,653,688	1,574,454
Health and welfare	3,885	3,529	-	-	3,885	3,529
Culture and recreation	1,575,590	1,562,763	-	-	1,575,590	1,562,763
Cemetary	171,860	165,947				
Airport	389,645	199,974	-	-	389,645	199,974
Economic dev. and assistance	230,286	199,281	-	-	230,286	199,281
Interest on long-term debt	152,228	172,916	-	-	152,228	172,916
Utility Fund	-	-	7,098,666	6,880,651	7,098,666	6,880,651
Total expenses	10,976,114	9,726,517	7,098,666	6,880,651	17,693,911	16,291,966
Increase (decrease) in net position before transfers	3,815,174	(840,109)	1,248,963	1,549,535	5,064,137	709,426
Transfers	1,296,493	1,537,126	(1,296,493)	(1,537,126)	-	-
Increase (decrease) in net position	5,111,667	697,017	(47,530)	12,409	5,064,137	709,426
Net position - beginning	11,983,438	11,286,421	5,217,648	5,205,239	17,201,086	16,491,660
Net position - ending	$ 17,095,105	$ 11,983,438	$ 5,170,118	$ 5,217,648	$ 22,265,223	$ 17,201,086

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 decreased to reach an ending balance of $5,170,118. The total decrease in net position for business-type activities (the Utility Fund) was $47,530 or 1% from the prior fiscal year. The increase before transfer was $1,248,963, but a transfer of $1,296,493 to the General Fund reduced that amount to the overall decrease of $47,530.

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, 2025, the City's governmental funds reported combined fund balances of $4,928,275, an increase of $1,583,958 in comparison with the prior year. Approximately 32% of this amount $1,586,885 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 $11,574; 2) restricted for particular purposes $3,262,865; or 3) committed for particular purposes $66,951.

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 $1,586,885. 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 increased by $47,381 during the current fiscal year. The increase aligns with the final amended budget and is due to a transfer from the Utility Fund to supplement the General Fund.

The 2009 TXCDBG Project Fund, a major fund, had revenues and other source inflows that totaled $2,086,602 and matching expenditures of the same resulting in a $-0- change in fund balance resulting in an ending fund balance of $61.

The GLO-CDBG-MIT Grant, a major fund, had an increase in fund balance of $742 resulting in an ending fund balance of $2,096. This increase in fund balance is due to residual interest earnings. Total expenditures during the year were $4,611,137.

The 2025 Tax Note Project Fund, a major fund, had an increase of $2,000,545 in fund balance resulting in an ending fund balance of $2,000,545. This increase is due to the issuance of the Series 2025 Tax Note during the year.

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

Ending net position of the Utility Fund was $5,170,118, a decrease of $47,530 from the prior year net position of $5,217,648. Net investment of capital assets represents $3,121,437 and unrestricted net position of $2,048,681 represents the remaining amount.

General Fund Budgetary Highlights

Original budget compared to final budget. Over the course of the year, the City Council generally revised the City's budget based on financial updates provided by management. These amendments involve moving funds from functions that did not need all the resources originally appropriated to them to functions with resource needs, or to budget for new revenues or new estimated costs. The budget amendments made to the property taxes, sales taxes, contributions and donations from private sources, miscellaneous revenue, general government, public safety, and airport functional line items during the year 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, 2025, amounts to $27,687,489 (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 19%.

Capital Assets, Net of Accumulated Depreciation

	Governmental Activities 2025	Governmental Activities 2024	Change
Land	$ 1,270,593	$ 1,270,593	$ -
Construction in progress	4,100,257	1,366,521	2,733,736
Buildings	10,492,132	7,371,250	3,120,882
Machinery, equipment, and vehicles	4,290,926	4,362,393	(71,467)
Infrastructure	10,003,786	9,998,286	5,500
Total	30,157,694	24,369,043	5,788,651
Less accumulated depreciation	(10,837,669)	(9,933,596)	(904,073)
Capital assets, net of depreciation	$ 19,320,025	$ 14,435,447	$ 4,884,578

	Business-Type Activities 2025	Business-Type Activities 2024	Change
Land	$ 174,319	$ 174,319	$ -
Construction in progress	419,002	373,775	45,227
Machinery, equipment, and vehicles	1,528,487	1,532,442	(3,955)
Infrastructure	17,907,194	17,907,194	-
Total	20,029,002	19,987,730	41,272
Less accumulated depreciation	(11,661,538)	(11,217,944)	(443,594)
Capital assets, net of depreciation	$ 8,367,464	$ 8,769,786	$ (402,322)

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

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of $11,342,834. Of this amount, $10,107,713 is debt backed by the full faith and credit of the government. The remainder of the City long-term obligations comprises of right to use lease asset payable.

Outstanding Debt

	Governmental Activities 2025	Governmental Activities 2024	Change
Certificates of obligation	$ 400,000	$ 445,000	$ (45,000)
Premium on issuance	274,088	147,876	126,212
Notes payable	5,380,000	4,100,000	1,280,000
Right to use lease assets payable	42,719	112,214	(69,495)
Total	$ 6,096,807	$ 4,805,090	$ 1,291,717

	Business-Type Activities 2025	Business-Type Activities 2024	Change
General obligation bonds	$ 975,000	$ 1,270,000	$ (295,000)
Certificates of obligations	1,960,000	2,040,000	(80,000)
Premium on issuance	158,625	89,383	69,242
Notes Payable	960,000	-	960,000
Right to use lease assets payable	1,192,402	1,411,466	(219,064)
Total	$ 5,246,027	$ 4,810,849	$ 435,178

The City's total debt increased by $1,726,895 during the current fiscal year. The increase is due to the issuance of the Series 2025 Tax Note which is payable from both the Utility Fund and Governmental Funds.

Economic Factors and Next Year's Budgets and Rates

The City considered many factors when setting the fiscal year 2026 budget. The City's General Fund budget for the fiscal year 2026 includes expenditures of approximately $7 million which represents a decrease of approximately $325 thousand from the fiscal year 2025 originally adopted budget. The city increased the tax rate for 2025-2026 to $0.393626 for the General Fund and to $0.245326 for the Interest and Sinking Fund. The overall total tax rate increased to $0.638952 per $100 valuation.

Requests for Information

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

THIS PAGE LEFT BLANK INTENTIONALLY

GOVERNMENT-WIDE FINANCIAL STATEMENTS

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF SMITHVILLE, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	$ 2,499,201	$ 1,326,254	$ 3,825,455
Investments	1,860,759	1,458,278	3,319,037
Taxes receivable, delinquent	210,160	-	210,160
Allowance for uncollectible taxes	(21,019)	-	(21,019)
Accounts receivable, net	234,768	1,116,060	1,350,828
Intergovernmental receivable	997,165	145,511	1,142,676
Internal balances	762,826	(762,609)	217
Inventories	-	59,246	59,246
Prepaid items	11,574	7,186	18,760
Capital assets, not being depreciated:			
Land	1,270,593	174,319	1,444,912
Construction in progress	4,100,257	1,927,668	6,027,925
Capital assets, being depreciated:			
Buildings and improvements	7,751,487	-	7,751,487
Machinery, equipment, and vehicles	4,290,926	-	4,290,926
Infrastructure	12,744,431	17,927,015	30,671,446
Accumulated depreciation	(10,837,669)	(11,661,538)	(22,499,207)
Total assets	25,875,459	11,717,390	37,592,849
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows NPL	695,404	342,512	1,037,916
Deferred outflows OPEB	14,283	7,035	21,318
Total deferred outflows of resources	709,687	349,547	1,059,234
LIABILITIES			
Accounts payable	914,063	476,020	1,390,083
Accrued payroll and benefits	162,806	41,784	204,590
Accrued liabilities	-	21,247	21,247
Retainage payable	164,910	-	164,910
Accrued interest payable	27,137	37,661	64,798
Unearned revenue	93,227	-	93,227
Bonds and other long-term payables, current	1,097,915	751,121	1,849,036
Other current liabilities	98,437	-	98,437
Customer deposits	4,575	120,100	124,675
Noncurrent liabilities:			
Bonds and other long-term payables, noncurrent	5,129,063	4,563,351	9,692,414
Net pension liability	1,236,677	609,109	1,845,786
Other post-employment benefits	142,215	70,046	212,261
Total liabilities	9,071,025	6,690,439	15,761,464
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows NPL	384,453	189,357	573,810
Deferred inflows OPEB	34,563	17,023	51,586
Total deferred inflows of resources	419,016	206,380	625,396
NET POSITION			
Net investment in capital assets	15,679,900	3,121,437	18,801,337
Restricted for debt service	698,589	-	698,589
Restricted for federal programs	2,599	-	2,599
Unrestricted	714,017	2,048,681	2,762,698
Total net position	$ 17,095,105	$ 5,170,118	$ 22,265,223

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, 2025

Functions/Programs:	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	$ 3,795,565	$ 370,969	$ 23,477	$ -
Public safety	2,247,740	180,693	2,716	-
Code enforcement and inspection	209,009	-	-	-
Highways and streets	546,618	-	-	5,962,804
Sanitation	1,653,688	1,429,646	-	-
Health and welfare	3,885	-	1,000,212	-
Culture and recreation	1,575,590	166,235	-	-
Cemetery	171,860	19,950	-	-
Airport	389,645	330,252	-	-
Economic development and assistance	230,286	-	175,221	-
Interest and bank fees	152,228	-	-	-
Total governmental activities:	10,976,114	2,497,745	1,201,626	5,962,804
Business-type activities:				
Utility Fund	7,098,666	8,088,276	-	-
Total business-type activities:	7,098,666	8,088,276	-	-
Total primary government	$ 18,074,780	$ 10,586,021	$ 1,201,626	$ 5,962,804

General revenues:	
Property taxes	
Sales taxes	
Hotel/motel taxes	
Franchise taxes	
Contributions and donations	
Investment earnings	
Gain (Loss) on sale of capital assets	
Miscellaneous	
Intergovernmental revenue	
Total general revenues	
Transfers	
Total general revenues 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 Activites	Total
$ (3,401,119)	$ -	$ (3,401,119)
(2,064,331)	-	(2,064,331)
(209,009)	-	(209,009)
5,416,186	-	5,416,186
(224,042)	-	(224,042)
996,327	-	996,327
(1,409,355)	-	(1,409,355)
(151,910)	-	(151,910)
(59,393)	-	(59,393)
(55,065)	-	(55,065)
(152,228)	-	(152,228)
(1,313,939)	-	(1,313,939)
-	989,610	989,610
-	989,610	989,610
(1,313,939)	989,610	(324,329)
2,684,020	-	2,684,020
1,030,790	-	1,030,790
46,328	-	46,328
127,394	-	127,394
802,635	-	802,635
123,621	35,503	159,124
87,908	2,450	90,358
126,418	176,362	302,780
99,999	45,038	145,037
5,129,113	259,353	5,388,466
1,296,493	(1,296,493)	-
6,425,606	(1,037,140)	5,388,466
5,111,667	(47,530)	5,064,137
11,983,438	5,217,648	17,201,086
$ 17,095,105	$ 5,170,118	$ 22,265,223

THIS PAGE LEFT BLANK INTENTIONALLY

FUND BASIS FINANCIAL STATEMENTS

CITY OF SMITHVILLE, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2025

	General Fund	2009 TXCDBG Project Fund	GLO-CDBG-MIT Grant
ASSETS			
Cash and cash equivalents	$ 357,362	$ 61	$ 2,094
Investments	482,676	-	-
Taxes receivable, delinquent	143,586	-	-
Allowance for uncollectible delinquent taxes	(14,360)	-	-
Accounts receivable	195,703	-	-
Intergovernmental receivable	-	418,872	450,318
Due from other funds	983,004	-	-
Prepaid items	11,574	-	-
Total assets	$ 2,159,545	$ 418,933	$ 452,412
LIABILITIES			
Accounts payable	$ 157,661	$ 363,979	$ 277,445
Accrued payroll and benefits	159,544	-	-
Retainage payable	-	54,439	110,471
Due to other funds	-	454	62,400
Unearned revenue	11,643	-	-
Other current liabilities	98,437	-	-
Customer deposits	4,575	-	-
Total liabilities	431,860	418,872	450,316
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	129,226	-	-
Total deferred inflows of resources	129,226	-	-
FUND BALANCES			
Nonspendable:			
Nonspendable prepaid expenditures	11,574	-	-
Restricted:			
Restricted for debt service	-	-	-
Restricted for federal programs	-	61	2,096
Restricted for capital projects	-	-	-
Committed:			
Committed for specific purposes	-	-	-
Unassigned	1,586,885	-	-
Total fund balances	1,598,459	61	2,096
Total liabilities, deferred inflows, and fund balances	$ 2,159,545	$ 418,933	$ 452,412

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

2025 Tax Note Project Fund	Total Nonmajor Funds	Total Governmental Funds
$ 2,000,545	$ 139,139	$ 2,499,201
-	1,378,083	1,860,759
-	66,574	210,160
-	(6,659)	(21,019)
-	39,065	234,768
-	127,975	997,165
-	2,326	985,330
-	-	11,574
$ 2,000,545	$ 1,746,503	$ 6,777,938
$ -	$ 114,978	$ 914,063
-	3,262	162,806
-	-	164,910
-	159,650	222,504
-	81,584	93,227
-	-	98,437
-	-	4,575
-	359,474	1,660,522
-	59,915	189,141
-	59,915	189,141
-	-	11,574
-	638,674	638,674
-	442	2,599
2,000,545	621,047	2,621,592
-	66,951	66,951
-	-	1,586,885
2,000,545	1,327,114	4,928,275
$ 2,000,545	$ 1,746,503	$ 6,777,938

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF SMITHVILLE, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

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

Total fund balance of all governmental funds	$	4,928,275
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		19,320,025
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.		189,141
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		(6,254,115)
Additional long-term liabilities related to the recognition of the net pension liability and the net OPEB liability are not reported in the funds.		(1,088,221)
Net position of governmental activities	$	17,095,105

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, 2025

	General Fund	2023 Tax Note Project Fund	2009 TXCDBG Project Fund
REVENUES			
Property taxes	$ 1,632,553	$ -	$ -
Sales taxes	1,030,790	-	-
Hotel/motel taxes	46,328	-	-
Franchise taxes	127,394	-	-
Licenses and permits	170,473	-	-
Intergovernmental revenues	5,232	-	2,047,253
Charges for services	2,078,350	-	-
Fines	45,387	-	-
Investment earnings	36,060	-	-
Rents and royalties	68,229	-	-
Grants and contributions	205,253	-	-
Miscellaneous revenue	68,655	-	25,785
Total revenues	5,514,704	-	2,073,038
EXPENDITURES			
Current:			
General government	604,917	-	961,784
Public safety	1,955,946	-	-
Code enforcement and inspection	182,543	-	-
Highways and streets	479,251	-	-
Sanitation	1,458,763	-	-
Health and welfare	-	-	-
Culture and recreation	1,374,276	-	-
Cemetary	150,055	-	-
Airport	344,913	-	-
Economic development and assistance	201,076	-	-
Debt service:			
Bond principal	69,494	-	-
Interest - bonds	3,093	-	-
Capital outlay	47,982	-	1,124,818
Total expenditures	6,872,309	-	2,086,602
Excess (deficiency) of revenues over expenditures	(1,357,605)	-	(13,564)
OTHER FINANCING SOURCES (USES)			
Transfers in	1,287,837	-	13,564
Transfers out	-	-	-
Sale of general capital assets	87,908	-	-
Insurance recoveries	29,241	-	-
General obligation bonds issued	-	-	-
Premium on bonds issued	-	-	-
Total other financing sources (uses)	1,404,986	-	13,564
Net change in fund balance	47,381	-	-
Fund balance - beginning, as previously reported	1,551,078	1,245,584	-
Change to finanical reporting entity (major to nonmajor fund)	-	(1,245,584)	-
Change to finanical reporting entity (nonmajor to major fund)	-	-	61
Fund balance - beginning, as adjusted	1,551,078	-	61
Fund balance - ending	$ 1,598,459	$ -	$ 61

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

GLO-CDBG-MIT Grant	2025 Tax Note Project Fund	Total Nonmajor Funds	Total Governmental Funds
$ -	$ -	$ 1,018,483	$ 2,651,036
-	-	-	1,030,790
-	-	-	46,328
-	-	-	127,394
-	-	-	170,473
4,611,138	-	600,806	7,264,429
-	-	135,306	2,213,656
-	-	-	45,387
741	544	86,276	123,621
-	-	-	68,229
-	-	597,382	802,635
-	1	2,736	97,177
4,611,879	545	2,440,989	14,641,155
454,170	65,858	1,255,144	3,341,873
-	-	-	1,955,946
-	-	-	182,543
-	-	-	479,251
-	-	-	1,458,763
-	-	3,439	3,439
-	-	-	1,374,276
-	-	-	150,055
-	-	-	344,913
-	-	-	201,076
-	-	680,000	749,494
-	-	176,360	179,453
4,156,967	-	785,848	6,115,615
4,611,137	65,858	2,900,791	16,536,697
742	(65,313)	(459,802)	(1,895,542)
-	-	27,264	1,328,665
-	-	(32,172)	(32,172)
-	-	-	87,908
-	-	-	29,241
-	1,915,000	-	1,915,000
-	150,858	-	150,858
-	2,065,858	(4,908)	3,479,500
742	2,000,545	(464,710)	1,583,958
1,354	-	546,301	3,344,317
-	-	1,245,584	-
-	-	(61)	-
1,354	-	1,791,824	3,344,317
$ 2,096	$ 2,000,545	$ 1,327,114	$ 4,928,275

THIS PAGE LEFT BLANK INTENTIONALLY

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, 2025

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

Net change in fund balances for total governmental funds	$	1,583,958
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.		4,884,578
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		32,984
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.		(1,297,366)
The net effect of various transactions involving the net pension liability and the net OPEB liability is to decrease net position.		(92,487)
Change in net position for governmental activities	$	5,111,667

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, 2025

	Business-Type Activities Utility Fund
ASSETS	
Current Assets:	
Cash and cash equivalents	$ 1,326,254
Investments	1,458,278
Accounts receivable, net	1,116,060
Intergovernmental receivable	145,511
Due from other funds	63,950
Inventories	59,246
Prepaid items	7,186
Total current assets	4,176,485
Noncurrent Assets:	
Land	174,319
Infrastructure	17,927,015
Accumulated depreciation	(11,661,538)
Construction/development in progress	1,927,668
Total noncurrent assets	8,367,464
Total assets	12,543,949
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows NPL	342,512
Deferred outflows OPEB	7,035
Total deferred outflows of resources	349,547
LIABILITIES	
Current liabilities:	
Accounts payable	476,020
Accrued payroll and benefits	41,784
Accrued liabilities	21,247
Due to other funds	826,559
Accrued interest payable	37,661
Current portion of long-term debt	751,121
Customer deposits	120,100
Total current liabilities	2,274,492
Noncurrent Liabilities:	
Bonds/notes payable	3,380,000
Unamortized premium on bonds/notes	158,625
Right to use leases payable	998,449
Compensated absences	26,277
Net pension liability	609,109
Other post-employment benefits	70,046
Total noncurrent liabilities	5,242,506
Total liabilities	7,516,998
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows NPL	189,357
Deferred inflows OPEB	17,023
Total deferred inflows of resources	206,380
NET POSITION	
Net investment in capital assets	3,121,437
Unrestricted	2,048,681
Total net position	$ 5,170,118

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, 2025

	Business-Type Activities Utility Fund
REVENUES	
Operating revenues:	
Charges for services:	
Water	$ 1,186,863
Electricity	5,444,497
Wastewater/sewer	1,050,919
Other charges	405,997
Miscellaneous revenue	163,874
Total operating revenues	8,252,150
EXPENSES	
Operating expenses:	
Salaries and wages	1,802,369
Purchased services	260,654
Other purchased services	3,003,453
Other operating expenses	1,396,027
Depreciation	447,549
Total operating expenses	6,910,052
Operating income (loss)	1,342,098
Nonoperating revenues (expenses)	
Intergovernmental	45,038
Investment earnings	35,503
Gain on disposal of property	2,450
Insurance recoveries	12,488
Interest expense	(152,988)
Cost of issuance	(35,626)
Total nonoperating revenues (expenses)	(93,135)
Income before transfers in (out)	1,248,963
Transfers out	(1,296,493)
Change in net position	(47,530)
Net position-beginning	5,217,648
Net position-ending	$ 5,170,118

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

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF SMITHVILLE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
SEPTEMBER 30, 2025

	Business-Type Activities Utility Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 8,153,953
Receipt (return) of customer deposits	6,668
Other receipts	163,874
Payments to suppliers and service providers	(4,462,142)
Payments to employees for salaries and benefits	(1,745,594)
Net cash provided by (used for) operating activities	2,116,759
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers to other funds	(1,296,493)
Operating grants	45,038
Net cash provided by (used for) capital and financing activities	(1,251,455)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from the issuance of debt	1,035,626
Acquisition and construction of capital assets	(45,227)
Principal paid on capital debt	(594,064)
Interest paid on capital debt	(166,812)
Debt issuance costs	(35,626)
Net cash provided by (used for) capital and related financing activities	193,897
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sale of capital assets	2,450
Purchases of investments	(215,643)
Interest on investments	35,503
Insurance recoveries	12,488
Net cash provided by investing activities	(165,202)
Net increase (decrease) in cash and cash equivalents	893,999
Cash and cash equivalents-beginning	432,255
Cash and cash equivalents-ending	$ 1,326,254
Reconciliation of operating income (loss) to net cash provided (used for) operating activities:	
Operating income (loss)	$ 1,342,098
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation expense	447,549
(Increase) decrease in accounts receivable	(32,141)
(Increase) decrease in due from other funds	142,856
(Increase) decrease in intergovernmental receivables	(45,038)
(Increase) decrease in inventories	(47,510)
(Increase) decrease in prepaid items	(197)
(Decrease) increase in deposits payable	6,668
(Decrease) increase in accounts payable	177,993
(Decrease) increase in accrued liabilities	8,615
(Decrease) increase in compensated absences	11,224
(Decrease) increase in due to other funds	59,091
(Decrease) increase in NPL/OPEB	45,551
Total adjustments	774,661
Net cash provided by (used for) operating activities	$ 2,116,759

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, 2025

	Trust Funds
	HRA Trust Fund
ASSETS	
Cash and cash equivalents	$ 74,710
Receivables	700
Total assets	75,410
LIABILITIES	
Accounts payable	1,310
Due to other funds	217
Total liabilities	1,527
NET POSITION	
Net position held in trust and other purposes	$ 73,883

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, 2025

	Trust Funds
	HRA Trust Fund
ADDITIONS	
Contributions:	
Employer	$ 42,550
Total contributions	42,550
Total additions	42,550
DEDUCTIONS	
Benefits	27,681
Total deductions	27,681
Change in net position	14,869
Net position - beginning	59,014
Net position - ending	$ 73,883

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

THIS PAGE LEFT BLANK INTENTIONALLY

NOTES TO THE FINANCIAL STATEMENTS

THIS PAGE LEFT BLANK INTENTIONALLY

I. Summary of Significant Accounting Policies

Implementation of New Governmental Accounting Pronouncements

Governmental Accounting Standards Board Statement No. 101 – Compensated Absences (GASB 101) provides guidance on the accounting and financial reporting for Compensated Absences for governments. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means.

Governmental Accounting Standards Board Statement No. 102 – Certain Risk Disclosures **(GASB 102).** This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

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, 2025, 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 2009 TXCDBG Project Fund is used to account for the receipt and disbursement of funds restricted for the purpose of this federal program.

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 2025 Tax Note Project Fund is used to account for construction expenditures financed by the City's related debt issuance. This fund is budgeted on a project basis rather than annually.

For the year ended September 30, 2025, the City reported an additional major fund, the 2009 TXCDBG Project Fund. This fund was not reported as a major fund for the year ended September 30, 2024 as it did not meet the quantitative threshold which would require it to be presented as a major fund. This is considered a change in circumstance.

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.

Debt Service Funds are 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.

Capital Project Funds account for the proceeds from long term debt financing and other revenues and expenditures related to the City's capital projects

Private Purpose Trust Funds are fiduciary funds used to account 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.

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

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

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

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

The appropriated budget is prepared by fund and department. The 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, 2025, expenditures did not significantly exceed appropriations in any of the City's legally adopted budgets.

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

1. Cash and cash equivalents

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

2. ***Investments***

Investments for the 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

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.

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.

G. 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, 2024, upon which the levy for the 2024-2025 fiscal year was based, was $449,408,101. 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, 2025, to finance General Fund and Debt Service Fund operations were $0.361372 and $0.227580, respectively, for a total tax rate of $0.588952 per $100 valuation. The total tax levy for the General Fund and Debt Service Fund for the 2024-2025 fiscal year was $2,646,798. Tax collections, including collections of prior year delinquent balances, for the year ended September 30, 2025, were 97% 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 hours are earned at rates ranging from 80-200 hours annually depending on tenure and may be accumulated up to a maximum of 200 hours. Sick leave is earned each pay period to the equivalence of 120 hours annually. There is currently no maximum amount of sick leave that can be accumulated each year. Upon separation from service no monetary obligation exists for either type of leaves.

The City's compensated absence liability represents only days that accumulate beyond one fiscal year, are for services already rendered, and are considered more likely than not to be used. For the year ending September 30, 2025, the City recognizes an ending liability of $198,616. Of this ending balance the city considers $122,364 due within 1 year.

There were no significant changes in the City's policies or rates of usage for the year ended September 30, 2025.

The City determines the compensated absence liability by calculating each employees accrued days as of the balance sheet date and multiplying those days by the employee's daily rate. Extended costs are first analyzed for long-term usage rates on the best available historical data. The City applies the First-In, First-Out (FIFO) flow assumption as it relates to compensated absences. Once a usage rate is calculated, a percentage of days that are awarded and subsequently go entirely unused is estimated and applied against the gross compensated absence liability to calculate a net compensated absence liability. The City analyzes the best available historical data to estimate near-term usage rates in order to determine the estimated current portion of the liability.

The changes in compensated absence liability in a fiscal year is recognized as an expense and reported as an adjustment in accordance with Governmental Accounting Standards Board Statement No. 101 – Compensated Absences. This adjustment represents the net change which includes additions and deletions to the City's compensated absence liability. Additions include days awarded to existing employees annually. Deletions to the compensated absence liability include days that are used during the fiscal year.

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, 2025 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, 2025, the government's bank balance was $3,937,720 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 AAAm from Standard & Poor's Financial Services. Local government investment pools in this rating category meet the highest standards for credit quality, conservative investment policies, and safety of principal. The Pool invests in a high quality portfolio of debt securities investments legally permissible for municipalities and school districts in the state.

The 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, 2025, the government had the following investments:

	In Years	
	Less than	
Investment Type	1	
Certificates of deposit	$	923,972
Investment pools		2,395,065
Total investments	$	3,319,037

The City had investments in one external local governmental investment pool at August 31, 2025, consisting of the Lone Star (First Public) investment pool.

Lone Star (First Public)

The Corporate Overnight Fund is a fund within the Lone Star Investment Pool. Its objective is to maintain a stable $1.00 per share net asset value (NAV), while it provides the highest possible rate of return. The fund represents one of three Texas public investment funds sponsored by the Texas Association of School Boards (TASB). The other funds--Government Overnight Fund and Corporate Overnight Plus Fund--also maintain S&P Global ratings. The Lone Star Investment Pool was created pursuant to the Interlocal Cooperation Act of the State of Texas as an investment vehicle for local school districts and other public entities. The funds within Lone Star Investment Pool are not registered mutual funds under the Investment Company Act of 1940, and are not available to individual investors.

The Lone Star Investment Pool is sponsored by TASB. The investment advisers to the pool are American Beacon Advisors and Standish. First Public LLC provides administrative and distribution services to the pool and State Street Bank is the custodian for all pool assets. In addition, CAPTRUST Financial Advisors monitors the pool's operations and performance and reports its findings to First Public and the board of trustees for the Lone Star Investment Pools.

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, 2025, the government's investment in the State Treasurer's investment pool was rated AAAm by Standard & Poor's.

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	TX CDBG Project Fund	GLO-CDBG MIT Grant	Nonmajor Governmental Funds	Total Governmental Funds
Property taxes	$ 143,586	$ -	$ -	$ 66,574	$ 210,160
Sales and mixed beverage taxes	156,406	-	-	-	156,406
Property leins	55,866	-	-	-	55,866
Grants	-	418,872	450,318	127,975	997,165
Other	14,394	-	-	39,065	53,459
Gross receivables	370,252	418,872	450,318	233,614	1,473,056
Less: Allowance for uncollectibles	(45,323)	-	-	(6,659)	(51,982)
Net receivables	$ 324,929	$ 418,872	$ 450,318	$ 226,955	$ 1,421,074

Proprietary Funds:

Receivables	Utility Fund
Utility billing	$ 2,122,576
Grants	145,511
Other	41,116
Gross receivables	2,309,203
Less: Allowance for uncollectibles	(1,047,632)
Net receivables	$ 1,261,571

D. Capital Assets

Capital assets activity for the year ended September 30, 2025, was as follows:

Governmental Activities:

	Balance 10/1/24	Increases	Decreases	Adjustments	Balance 9/30/25
Capital assets, not being depreciated:					
Land	$ 1,270,593	$ -	$ -	$ -	$ 1,270,593
Construction in progress	1,366,521	5,474,381	-	(2,740,645)	4,100,257
Total capital assets, not being depreciated	2,637,114	5,474,381	-	(2,740,645)	5,370,850
Capital assets, being depreciated:					
Buildings	7,371,250	383,237	(3,000)	2,740,645	10,492,132
Machinery, equipment, and vehicles	4,362,393	252,497	(323,964)	-	4,290,926
Infrastructure	9,998,286	5,500	-	-	10,003,786
Total capital assets, being depreciated	21,731,929	641,234	(326,964)	2,740,645	24,786,844
Less accumulated depreciation for:					
Buildings	(4,020,015)	(194,346)	3,000	-	(4,211,361)
Machinery, equipment, and vehicles	(2,820,799)	(596,149)	323,964	-	(3,092,984)
Infrastructure	(3,092,782)	(440,542)	-	-	(3,533,324)
Total accumulated depreciation	(9,933,596)	(1,231,037)	326,964	-	(10,837,669)
Total capital assets being depreciated, net	11,798,333	(589,803)	-	2,740,645	13,949,175
Governmental activities capital assets, net	$ 14,435,447	$ 4,884,578	$ -	$ -	$ 19,320,025

Business-Type Activities:

	Balance 10/1/24	Increases	Decreases	Balance 9/30/25
Capital assets, not being depreciated:				
Land	$ 174,319	$ -	$ -	$ 174,319
Construction in progress	373,775	45,227	-	419,002
Total capital assets, not being depreciated	548,094	45,227	-	593,321
Capital assets, being depreciated:				
Machinery, equipment, and vehicles	1,532,442	-	(3,955)	1,528,487
Infrastructure	17,907,194	-	-	17,907,194
Total capital assets, being depreciated	19,439,636	-	(3,955)	19,435,681
Less accumulated depreciation for:				
Machinery, equipment, and vehicles	(1,413,858)	(47,839)	3,955	(1,457,742)
Infrastructure	(9,804,086)	(399,710)	-	(10,203,796)
Total accumulated depreciation	(11,217,944)	(447,549)	3,955	(11,661,538)
Total capital assets being depreciated, net	8,221,692	(447,549)	-	7,774,143
Business-type activities capital assets, net	$ 8,769,786	$ (402,322)	$ -	$ 8,367,464

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

Governmental activities:	
General government	$ 433,408
Public safety	253,667
Code enforcement and inspection	23,674
Highways and streets	62,154
Sanitation	189,187
Health and Welfare	446
Culture and recreation	178,230
Cemetery	19,461
Airport	44,732
Economic development and assistance	26,078
Total depreciation expense - governmental activities	$ 1,231,037

E. Defined Benefit Pension Plan

Plan Description

The City participates as one of the over 940 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan 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 employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas.

TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at 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 Member's benefit is calculated on the sum of the Member's contributions, with interest, and the city-financed monetary credits with interest. The retiring Member may select one of seven benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the total Member contributions and interest.

Employees Covered by Benefit Terms

At the December 31, 2024 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	68
Active employees	72
	175

Contributions

Member contribution rates in TMRS are either 5%, 6%, or 7% of the Member's total compensation, 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 City's contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 5% of their annual compensation during the fiscal year. The contribution rates for the City were 11.62% and 12.33% in calendar years 2024 and 2025, respectively. The City's contributions to TMRS for the year ended September 30, 2025 were $479,725, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2024, 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, 2024 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
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 110% of the Public Safety table used for males and 100% of 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. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 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 the most recent Scale MP- 2021 to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018 to December 31, 2022. The assumptions were adopted in 2023 and first used in the December 31, 2023, 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.

The long-term expected rate of return on pension plan investments was determined by best estimate ranges of expected returns for each major asset class. The long-term expected rate of return is determined by weighting the expected return for each major asset class by the respective target asset allocation percentage. The target allocation and best estimates of the expected return for each major asset class in fiscal year 2025 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.0%	7.1%
Core Fixed Income	6.0%	5.0%
Non-Core Fixed Income	6.0%	6.8%
Hedge Funds	5.0%	6.4%
Private Equity	13.0%	8.5%
Private Debt	13.0%	8.2%
Real Estate	12.0%	6.7%
Infrastructure	6.0%	6.0%
Other Private Markets	4.0%	7.3%
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 Member 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 Members. 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.

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2023	$ 10,164,910	$ 8,271,624	$ 1,893,286
Changes for the year:			
Service cost	510,779	-	510,779
Interest	690,862	-	690,862
Change of benefit terms	-	-	-
Difference between expected and actual experience	259,267	-	259,267
Changes of assumptions	-	-	-
Contributions - employer	(370,615)	451,498	(822,113)
Contributions - employee	-	203,012	(203,012)
Net investment income	-	859,540	(859,540)
Benefit payments, including refunds of employee contr.	-	(370,615)	370,615
Administrative expense	-	(5,512)	5,512
Other changes	-	(129)	129
Net changes	1,090,293	1,137,794	(47,501)
Balance at 12/31/2024	$ 11,255,203	$ 9,409,417	$ 1,845,785

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	$ 3,378,565	$ 1,845,786	$ 576,265

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 tmrs.com.

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

For the year ended September 30, 2025, the City recognized pension expense of $39,743.

At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual investment earnings	$ 446,369	$ 545,625
Differences between expected and actual economic experience	221,708	-
Difference in assumption changes	-	28,185
Contributions subsequent to the measurement date	369,839	-
Total	$ 1,037,916	$ 573,810

$369,839 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
2025	$ 112,875
2026	174,152
2027	(132,519)
2028	(60,241)
2029	-
Thereafter	-
Total	$ 94,267

F. Other Post-Employment Benefit (OPEB) Obligations

Benefits Provided

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

Employees Covered by Benefit Terms

At the December 31, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	31
Inactive employees entitled to but not yet receiving benefits	6
Active employees	72
	109

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, 2025 and 2024 were $18,305 and $17,315 respectively, which equaled the required contributions each year.

Plan Assets

At the December 31, 2024 valuation and measurement date, there are no assets accumulated in trust.

Actuarial Assumptions

The Total OPEB Liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Salary increases	3.50%-11.85% including inflation per year
Discount rate	4.08%
Retirees' share of benefit costs	$0

All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB No. 68. Mortality rates for service retirees are calculated using the RP2019 Municipal Retirees of Texas Mortality Tables with male rates multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generation basis by the most recent Scale MP-2021 (with immediate convergence). Mortality rates for disable retirees are calculated using the 2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

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 12/31/2023	$ 213,829	$ -	$ 213,829
Changes for the year:			
Service cost	13,399	-	13,399
Interest	8,169	-	8,169
Change of benefit terms	-	-	-
Difference between expected and actual experience	(5,847)	-	(5,847)
Changes of assumptions	(9,575)	-	(9,575)
Contributions - employer	(7,714)	-	(7,714)
Contributions - employee	-	-	-
Net investment income	-	-	-
Benefit payments, including refunds of employee contr.	-	-	-
Administrative expense	-	-	-
Other changes	-	-	-
Net changes	(1,568)	-	(1,568)
Balance at 12/31/2024	$ 212,261	$ -	$ 212,261

Sensitivity of the OPEB liability to changes in the discount rate

The following presents the OPEB liability of the City, calculated using the discount rate of 4.08%, as well as what the City's OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower 3.08% or 1-percentage-point higher 5.08% than the current rate:

	1% Decrease in Discount Rate (3.08%)	Current Discount Rate (4.08%)	1% Increase in Discount Rate (5.08%)
City's net OPEB liability	$ 245,582	$ 212,261	$ 185,266

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 tmrs.com.

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

For the year ended September 30, 2025, the city recognized OPEB expense of $98,295.

At September 30, 2025, the city reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual investment earnings	$ 1,362	$ 15,002
Difference in assumption changes	6,592	36,584
Contributions subsequent to the measurement date	13,364	-
Total	$ 21,318	$ 51,586

$13,364 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
2025	$ (24,120)
2026	(15,672)
2027	(1,246)
2028	(2,594)
2029	-
Thereafter	-
Total	$ (43,632)

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.

The City calculates the amortization of the discount on the lease liability and report that amount as outflows of resources. Payments are allocated first to accrued interest liability and then to the lease liability. Variable lease payments based on the usage of the underlying assets are not included in the lease liability calculations but are recognized as outflows of resources in the period in which the obligation was incurred.

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2025, were as follows:

	Governmental Activities		
	Right to Use Lease Assets Payable		
Year Ending September 30,	Principal	Interest	Total Requirements
2026	$ 42,719	$ 1,085	$ 43,804
	$ 42,719	$ 1,085	$ 43,804

	Business-Type Activities		
	Right to Use Lease Assets Payable		
Year Ending September 30,	Principal	Interest	Total Requirements
2026	$ 193,953	$ 42,086	$ 236,039
2027	192,300	34,976	227,276
2028	196,400	27,863	224,263
2029	200,500	20,597	221,097
2030	204,800	13,180	217,980
2031-2035	204,449	5,605	210,054
	$ 1,192,402	$ 144,307	$ 1,336,709

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.

Details of long-term debt obligations outstanding at September 30, 2025 are as follows:

Governmental Activities:

Type	Sale Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding 9/30/25
Bonds Payable					
Certificates of Obligation, Series 2019	2019	490,000	3.50-5.00%	2033	$ 400,000
Total Bonds Payable					$ 400,000

Notes Payable:					
Tax Notes, Series 2021	2021	785,000	1.13%	2028	$ 315,000
Tax Notes, Series 2022	2022	1,300,000	3.29%	2029	710,000
Tax Notes, Series 2023	2023	2,915,000	5.00%	2030	2,440,000
Tax Notes, Series 2025	2025	1,915,000	5.00%	2033	1,915,000
Total Notes Payable					$ 5,380,000
Right to Use Lease Assets Payable:					
Right to Use Lease - Multiple Vehicles	2020	239,240	2.98%	2026	$ 42,719
Total Right to Use Lease Assets Payable					$ 42,719

Business-type Activities:

Type	Sale Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding 9/30/25
General Obligation Bonds:					
General Refunding Bonds, Series 2007	2007	4,500,000	4.20%	2028	$ 975,000
Certificate of Obligation, Series 2019	2019	2,485,000	3.50-5.00%	2033	1,960,000
Total General Obligation Bonds					$ 2,935,000
Notes Payable:					
Tax Notes, Series 2025	2025	960,000	5.00%	2033	$ 960,000
Total Notes Payable					$ 960,000

Changes in Long-Term Liabilities

Changes in the government's long-term liabilities for the year ended September 30, 2025 are as follows:

Governmental Activities:

Description	Balance 10/1/24	Additions	Deletions	Balance 9/30/25	Due in One Year
Bonds Payable					
Certificates of obligation	$ 445,000	$ -	$ (45,000)	$ 400,000	$ 45,000
Premium	147,876	150,858	(24,646)	274,088	-
Total bonds payable	592,876	150,858	(69,646)	674,088	45,000
Notes payable	4,100,000	1,915,000	(635,000)	5,380,000	930,000
Right to Use Lease Assets Payable	112,214	-	(69,495)	42,719	42,719
Compensated absences*	121,944	8,227	-	130,171	80,196
Net pension benefit obligation	1,268,502	-	(31,825)	1,236,677	-
Other postemployment benefit obligation	143,265	-	(1,050)	142,215	-
Governmental activities long-term liabilities	$6,338,801	$2,074,085	$ (807,016)	$7,605,870	$ 1,097,915

*The change in compensated absences liability is presented as a net change.

Business-type Activities:

Description	Balance 10/1/24	Additions	Deletions	Balance 9/30/25	Due in One Year
Bonds Payable					
Bonds	$1,270,000	$ -	$ (295,000)	$ 975,000	$ 310,000
Certificates of obligation	2,040,000	-	(80,000)	1,960,000	80,000
Premium	89,383	75,626	(6,384)	158,625	-
Total bonds payable	3,399,383	75,626	(381,384)	3,093,625	390,000
Notes payable	-	960,000	-	960,000	125,000
Right to Use Lease Assets Payable	1,411,466	-	(219,064)	1,192,402	193,953
Compensated absences*	57,221	11,224	-	68,445	42,168
Net pension benefit obligation	624,784	-	(15,675)	609,109	-
Other postemployment benefit obligation	70,564	-	(518)	70,046	-
Governmental activities long-term liabilities	$5,563,418	$1,046,850	$ (616,641)	$5,993,627	$ 751,121

*The change in compensated absences liability is presented as a net change.

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

Governmental Activities:

	Governmental Activities				Total	
	Bonds Payable		Notes Payable		Governmental Activities	
Year Ended September 30,	Principal	Interest	Principal	Interest	Principal	Interest
2026	$ 45,000	$ 12,888	$ 930,000	$ 216,925	$ 975,000	$ 229,813
2027	45,000	10,975	990,000	183,917	1,035,000	194,892
2028	50,000	9,075	1,035,000	140,391	1,085,000	149,466
2029	50,000	7,325	975,000	95,293	1,025,000	102,618
2030	50,000	5,825	835,000	51,625	885,000	57,450
2031-2035	160,000	7,888	615,000	31,125	775,000	39,013
Totals	$ 400,000	$ 53,976	$ 5,380,000	$ 719,276	$ 5,780,000	$ 773,252

Business-type Activities:

	Business-Type Activities				Total Primary	
	Bonds Payable		Notes Payable		Government Debt	
Year Ended September 30,	Principal	Interest	Principal	Interest	Principal	Interest
2026	$ 390,000	$ 100,790	$ 125,000	$ 40,875	$ 1,490,000	$ 371,478
2027	410,000	83,955	125,000	38,625	1,570,000	317,472
2028	425,000	66,590	130,000	32,250	1,640,000	248,306
2029	150,000	55,500	135,000	25,625	1,310,000	183,743
2030	150,000	51,000	140,000	18,750	1,175,000	127,200
2031-2035	835,000	179,250	305,000	15,375	1,915,000	233,638
2036-2040	575,000	32,675	-	-	575,000	32,675
Totals	$ 2,935,000	$ 569,760	$ 960,000	$ 171,500	$ 9,675,000	$ 1,514,512

J. Interfund Receivables and Payables

The composition of interfund balances as of September 30, 2025 is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	TX CDBG Project Fund	$ 454
General Fund	GLO-CDBG-MIT Grant	62,400
General Fund	Utility Fund	826,559
General Fund	Trust Fund	217
General Fund	Other Governmental Funds	93,373
Utility Fund	Other Governmental Funds	63,950
Other Governmental Funds	Utility Fund	2,327
Total		$ 1,049,280

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

K. Interfund Transfers

The composition of interfund transfers for the year ended September 30, 2025 is as follows:

	Transfer in to:			
	Governmental Funds			
	General Fund	TXCDBG Project Fund	Nonmajor Gov. Funds	Total
Transfer out from:				
Nonmajor Gov. Funds	$ -	$ 13,564	$ 18,608	$ 32,172
Utility Fund	1,287,837	-	8,656	1,296,493
Total	$ 1,287,837	$ 13,564	$ 27,264	$ 1,328,665

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.

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. Disclosure of Accounting Changes and Error Corrections

GASB 100 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.

For the year ended September 30, 2025 the City's 2023 Tax Note Project Fund met the quantitative threshold to be considered a major fund. Additionally, the 2009 CDBG Project Fund no longer meets this threshold to be considered a major fund in the current fiscal year. The corresponding effect on beginning major and nonmajor fund balance is summarized below:

	Reporting Units Affected by Adjustments to Beginning Balances		
	Governmental Funds		
	2023 Tax Note Projects Fund	2009 CDBG Project Fund	Nonmajor Gov. Funds
Fund Balance - September 30, 2024, as Previously Reported	$ 1,245,584	$ -	$ 546,301
Change Within Reporting Entity (Major to Nonmajor Fund)	(1,245,584)	-	1,245,584
Change Within Reporting Entity (Nonmajor to Major Fund)	-	61	(61)
Fund Balance - September 30, 2024, as Adjusted	$ -	$ 61	$ 1,791,824

THIS PAGE LEFT BLANK INTENTIONALLY

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SMITHVILLE, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Measurement Year 2024	Measurement Year 2023	Measurement Year 2022	Measurement Year 2021
A. Total pension liability				
1. Service cost	$ 510,779	$ 421,606	$ 399,423	$ 292,686
2. Interest (on the Total Pension Liability)	690,862	644,276	589,436	498,632
3. Changes of benefit terms	-	-	728,598	-
4. Difference between expected and actual experience	259,267	166,033	259,409	58,866
5. Changes of assumptions	-	(92,983)	-	-
6. Benefit payments, including refunds of employee contributions	(370,615)	(616,099)	(277,728)	(296,087)
7. Net change in total pension liability	$ 1,090,293	$ 522,833	$ 1,699,138	$ 554,097
8. Total pension liability - beginning	10,164,910	9,642,077	7,942,939	7,388,842
9. Total pension liability - ending	$ 11,255,203	$ 10,164,910	$ 9,642,077	$ 7,942,939
B. Plan fiduciary net position				
1. Contributions - employer	$ 451,498	$ 371,111	$ 227,430	$ 206,429
2. Contributions - employee	203,012	176,552	167,229	146,197
3. Net investment income	859,540	866,258	(579,887)	910,174
4. Benefit payments, including refunds of employee contributions	(370,615)	(616,099)	(277,728)	(296,087)
5. Administrative expense	(5,512)	(5,507)	(5,016)	(4,210)
6. Other changes	(129)	(38)	5,987	29
7. Net change in plan fiduciary net position	$ 1,137,794	$ 792,277	$ (461,985)	$ 962,532
8. Plan fiduciary net position - beginning	8,271,624	7,479,347	7,941,332	6,978,800
9. Plan fiduciary net position - ending	$ 9,409,417	$ 8,271,624	$ 7,479,347	$ 7,941,332
C. Net pension liability [A.9 - B.9]	$ 1,845,786	$ 1,893,286	$ 2,162,730	$ 1,607
D. Plan fiduciary net position as a percentage of the total pension liability [B.9 / A.9]	83.60%	81.37%	77.57%	99.98%
E. Covered-employee payroll	$ 4,060,244	$ 3,531,038	$ 3,336,870	$ 2,923,941
F. Net position as a percentage of covered employee payroll [C / E]	45.46%	53.62%	64.81%	0.05%

Measurement Year 2020	Measurement Year 2019	Measurement Year 2018	Measurement Year 2017	Measurement Year 2016	Measurement Year 2015
$ 275,425	$ 271,573	$ 250,807	$ 234,022	$ 214,184	$ 197,338
474,361	438,829	407,615	377,443	347,256	331,919
-	-	-	-	-	-
(83,029)	60,824	(13,107)	26,295	73,787	24,762
-	18,673	-	-	-	40,818
(335,558)	(195,286)	(191,255)	(207,054)	(188,818)	(212,038)
$ 331,199	$ 594,613	$ 454,060	$ 430,706	$ 446,409	$ 382,799
7,057,643	6,463,030	6,008,970	5,578,264	5,131,855	4,749,056
$ 7,388,842	$ 7,057,643	$ 6,463,030	$ 6,008,970	$ 5,578,264	$ 5,131,855
$ 191,336	$ -	$ 172,002	$ 154,591	$ 129,248	$ 142,066
137,850	135,786	126,288	118,552	108,613	105,079
493,228	853,570	(167,272)	672,056	304,080	6,584
(335,558)	(195,286)	(191,255)	(207,054)	(188,818)	(212,038)
(3,190)	(4,822)	(3,232)	(3,483)	(3,434)	(4,010)
(125)	(144)	(170)	(177)	(185)	(198)
$ 483,541	$ 789,104	$ (63,639)	$ 734,485	$ 349,504	$ 37,483
6,495,259	5,519,857	5,583,496	4,849,011	4,499,507	4,462,024
$ 6,978,800	$ 6,308,961	$ 5,519,857	$ 5,583,496	$ 4,849,011	$ 4,499,507
$ 410,042	$ 748,682	$ 943,173	$ 425,474	$ 729,253	$ 632,348
94.45%	89.39%	85.41%	92.92%	86.93%	87.68%
$ 2,757,005	$ 2,715,726	$ 2,525,752	$ 2,371,040	$ 2,172,253	$ 2,101,573
14.87%	27.57%	37.34%	17.94%	33.57%	30.09%

CITY OF SMITHVILLE, TEXAS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
OPEB LIABILITY
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Fiscal Year			
	2025	2024	2023	2022
Actuarially Determined Contribution	$ 479,725	$ 341,612	$ 331,814	$ 222,881
Contributions in relation to the actuarially determined contribution	(479,725)	(341,612)	(331,814)	(222,881)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered employee payroll	$ 4,096,074	$ 3,531,038	$ 3,451,311	$ 3,249,073
Contributions as a percentage of covered employee payroll	11.71%	9.67%	9.61%	6.86%

Fiscal Year						
2021	2020	2019	2018	2017	2016
$ 208,147	$ 190,054	$ 179,053	$ 168,019	$ 147,681	$ 132,289
(208,147)	(190,054)	(179,053)	(168,019)	(147,681)	(132,289)
$ -	$ -	$ -	$ -	$ -	$ -
$ 2,961,602	$ 2,747,477	$ 2,659,919	$ 2,496,669	$ 2,321,089	$ 2,140,771
7.03%	6.92%	6.73%	6.73%	6.36%	6.18%

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF SMITHVILLE, TEXAS
NET PENSION LIABILITY
NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

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	21 Years (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 with 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	Removed statutory max.

CITY OF SMITHVILLE, TEXAS
SCHEDULE OF CHANGES IN OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Measurement Year 2024	Measurement Year 2023	Measurement Year 2022	Measurement Year 2021
A. Total pension liability				
1. Service cost	$ 13,399	$ 12,712	$ 22,357	$ 17,544
2. Interest on Total OPEB Liability	8,169	7,806	5,252	5,353
3. Changes of benefit terms	-	-	-	-
4. Difference between expected & actual experience	(5,847)	2,324	(25,332)	(8,191)
5. Changes of assumptions	(9,575)	9,013	(82,049)	7,533
6. Benefit payments	(7,714)	(8,828)	(7,341)	(6,433)
7. Net changes	$ (1,568)	$ 23,027	$ (87,113)	$ 15,806
8. Total OPEB Liability - beginning of the year	213,829	190,802	277,915	262,109
9. Total OPEB Liability - end of the year	$ 212,261	$ 213,829	$ 190,802	$ 277,915
E. Covered-employee payroll	$ 4,060,244	$ 3,531,038	$ 3,336,870	$ 2,923,941
F. Total OPEB Liability as a Percentage of Covered Payroll	5.23%	6.06%	5.72%	9.50%

Measurement Year 2020	Measurement Year 2019	Measurement Year 2018	Measurement Year 2017
$ 13,234	$ 9,505	$ 9,345	$ 7,824
6,268	6,615	5,996	5,862
-	-	-	-
(9,231)	(757)	(5,284)	-
31,477	34,333	(11,273)	12,956
(1,930)	(1,901)	(1,515)	(1,186)
$ 39,818	$ 47,795	$ (2,731)	$ 25,456
222,291	174,496	177,227	151,771
$ 262,109	$ 222,291	$ 174,496	$ 177,227
$ 2,757,005	$ 2,715,726	$ 2,525,752	$ 2,371,040
9.51%	8.19%	6.91%	7.47%

CITY OF SMITHVILLE, TEXAS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
OPEB LIABILITY
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Fiscal Year			
	2025	2024	2023	2022
Actuarially Determined Contribution	$ 18,305	$ 15,360	$ 17,315	$ 11,372
Contributions in relation to the actuarially determined contribution	(18,305)	(15,360)	(17,315)	(11,372)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered employee payroll	$ 4,096,074	$ 3,531,038	$ 3,451,311	$ 3,249,073
Contributions as a percentage of covered employee payroll	0.45%	0.43%	0.50%	0.35%

Fiscal Year				
2021	2020	2019	2018	2017
$ 9,737	$ 7,263	$ 5,852	$ 5,493	$ 5,171
(9,737)	(7,263)	(5,852)	(5,493)	(5,171)
$ -	$ -	$ -	$ -	$ -
$ 2,961,602	$ 2,747,477	$ 2,659,919	$ 2,496,669	$ 2,321,089
0.33%	0.26%	0.22%	0.22%	0.22%

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF SMITHVILLE, TEXAS
OPEB LIABILITY
NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Summary of Actuarial Assumptions:

Inflation	2.50%
Salary increases	3.60% to 11.85%; including inflation
Discount rate*	4.08%
Retirees' share of benefit-related costs	$0
Administrative expenses	All administrative expenses are paid through the Pention 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	* The discount rate was based on the Bond Buyer “20-Bond GO Index" rate closest to, but not later than December 31, 2024. The Actuarial assumptions used in the December 31, 2024 valuation were based on the results of an actuarial experience study for the period ending December 31, 2022.

THIS PAGE LEFT BLANK INTENTIONALLY

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

THIS PAGE LEFT BLANK INTENTIONALLY

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 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.

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 of construction of the governments' major capital facilities, other than those financed by proprietary funds.

2023 Tax Note Project Fund is used to account for capital improvements associated with this debt issuance.

Capital Replacement Fund is used to account for equipment expenditures not recorded through the City's other funds or capital projects funds.

CITY OF SMITHVILLE, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Railroad Part Fund	Police Seized Asset Fund	CLFRF	HOMES Project Fund
ASSETS				
Cash and cash equivalents	$ 701	$ 7,373	$ 203	$ 239
Investments - current	-	-	-	-
Taxes receivable - delinquent	-	-	-	-
Allowance for uncollectable taxes	-	-	-	-
Accounts receivable	-	-	-	-
Intergovernmental receivable	-	-	-	9,000
Due from other funds	-	-	-	-
Total assets	$ 701	$ 7,373	$ 203	$ 9,239
LIABILITIES				
Accounts payable	$ -	$ -	$ -	$ -
Compensated absences payable	-	-	-	-
Due to other funds	-	-	-	9,000
Unearned revenue	-	-	-	-
Total liabilities	-	-	-	9,000
DEF. INFLOWS OF RESOURCES				
Unavailable revenue	-	-	-	-
Total deferred inflows of resources	-	-	-	-
FUND BALANCES (DEFICITS)				
Restricted for:				
Restricted for debt service	-	-	-	-
Restricted for federal programs	-	-	203	239
Restricted for capital projects	-	-	-	-
Committed for:				
Committed for specific purposes	701	7,373	-	-
Total Fund balances	701	7,373	203	239
Total liabilities, deferred inflows, and fund balances	$ 701	$ 7,373	$ 203	$ 9,239

HMGP Grant Fund	TxDOT Sidewalk Grant Fund	Grant and Donation Fund	Veterans Memorial Park Fund	Smithville Cares Fund	School Resource Officer Fund	PEG Capital Fee Fund
$ -	$ -	$ 89,688	$ 1,063	$ 1,864	$ -	$ 20,378
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	39,065	-
86,380	10,020	22,575	-	-	-	-
2,326	-	-	-	-	-	-
$ 88,706	$ 10,020	$ 112,263	$ 1,063	$ 1,864	$ 39,065	$ 20,378
$ 24,756	$ 2,340	$ 7,365	$ -	$ -	$ -	$ -
-	-	-	-	-	3,262	-
63,950	7,680	23,314	-	-	35,803	-
-	-	81,584	-	-	-	-
88,706	10,020	112,263	-	-	39,065	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	1,063	1,864	-	20,378
-	-	-	1,063	1,864	-	20,378
$ 88,706	$ 10,020	$ 112,263	$ 1,063	$ 1,864	$ 39,065	$ 20,378

CITY OF SMITHVILLE, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Airport Fly-In Fund	Independence Park Fund	Interest & Sinking Fund	Capital Replacement Fund
ASSETS				
Cash and cash equivalents	$ 10,765	$ 6,865	$ -	$ -
Investments - current	-	-	638,674	17,965
Taxes receivable - delinquent	-	-	66,574	-
Allowance for uncollectable taxes	-	-	(6,659)	-
Accounts receivable	-	-	-	-
Intergovernmental receivable	-	-	-	-
Due from other funds	-	-	-	-
Total assets	$ 10,765	$ 6,865	$ 698,589	$ 17,965
LIABILITIES				
Accounts payable	$ -	$ -	$ -	$ -
Compensated absences payable	-	-	-	-
Due to other funds	23	-	-	-
Unearned revenue	-	-	-	-
Total liabilities	23	-	-	-
DEF. INFLOWS OF RESOURCES				
Unavailable revenue	-	-	59,915	-
Total deferred inflows of resources	-	-	59,915	-
FUND BALANCES (DEFICITS)				
Restricted for:				
Restricted for debt service	-	-	638,674	-
Restricted for federal programs	-	-	-	-
Restricted for capital projects	-	-	-	-
Committed for:				
Committed for specific purposes	10,742	6,865	-	17,965
Total Fund balances	10,742	6,865	638,674	17,965
Total liabilities, deferred inflows, and fund balances	$ 10,765	$ 6,865	$ 698,589	$ 17,965

2023 Tax Note Project Fund	Total Non-Major Governmental Funds
$ -	$ 139,139
721,444	1,378,083
-	66,574
-	(6,659)
-	39,065
-	127,975
-	2,326
$ 721,444	$ 1,746,503
$ 80,517	$ 114,978
-	3,262
19,880	159,650
-	81,584
100,397	359,474
-	59,915
-	59,915
-	638,674
-	442
621,047	621,047
-	66,951
621,047	1,327,114
$ 721,444	$ 1,746,503

CITY OF SMITHVILLE, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Railroad Part Fund	Police Seized Asset Fund	CLFRF	HOMES Project Fund
REVENUES				
Property taxes	$ -	$ -	$ -	$ -
Intergovernmental revenues	-	-	38,428	175,221
Charges for services	-	-	-	-
Investment earnings	25	249	654	-
Grants and contributions	23	-	-	-
Miscellaneous revenue	-	-	-	-
Total revenues	48	249	39,082	175,221
EXPENDITURES				
Current:				
General government	52	-	38,136	175,221
Culture and recreation	-	-	-	-
Debt service:				
Bond principal	-	-	-	-
Interest - bonds	-	-	-	-
Capital outlay	-	-	27,658	-
Total expenditures	52	-	65,794	175,221
Excess (deficiency) of revenues over expenditures	(4)	249	(26,712)	-
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	(4)	249	(26,712)	-
Fund balance - beginning, as previously reported	705	7,124	26,915	239
Change to finanical reporting entity (major to nonmajor fund)	-	-	-	-
Change to finanical reporting entity (nonmajor to major fund)	-	-	-	-
Fund balance - beginning, as adjusted	705	7,124	26,915	239
Fund balance - ending	$ 701	$ 7,373	$ 203	$ 239

HMGP Grant Fund	TxDOT Sidewalk Grant Fund	Grant and Donation Fund	Veterans Memorial Park Fund	Smithville Cares Fund	School Resource Officer Fund	PEG Capital Fee Fund
$ -	$ -	$ -	$ -	$ -	$ -	$ -
81,073	75,148	130,936	-	-	-	-
-	-	-	-	-	135,306	-
-	-	-	303	63	-	20
-	-	596,209	-	-	-	-
-	-	-	12	-	-	-
81,073	75,148	727,145	315	63	135,306	20
-	-	617,469	8,640	-	135,306	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
92,055	91,430	109,676	-	-	-	-
92,055	91,430	727,145	8,640	-	135,306	-
(10,982)	(16,282)	-	(8,325)	63	-	20
10,982	16,282	-	-	-	-	-
-	-	-	-	-	-	-
10,982	16,282	-	-	-	-	-
-	-	-	(8,325)	63	-	20
-	-	-	9,388	1,801	-	20,358
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	9,388	1,801	-	20,358
$ -	$ -	$ -	$ 1,063	$ 1,864	$ -	$ 20,378

CITY OF SMITHVILLE, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Airport Fly-In Fund	Independence Park Fund	Interest & Sinking Fund	Capital Replacement Fund
Property taxes	$ -	$ -	$ 1,018,483	$ -
Intergovernmental revenues	-	-	-	-
Charges for services	-	-	-	-
Investment earnings	11	232	39,989	910
Grants and contributions	1,150	-	-	-
Miscellaneous revenue	2,723	-	1	-
Total revenues	3,884	232	1,058,473	910
Current:				
General government	-	-	400	-
Culture and recreation	3,439	-	-	-
Debt service:				
Bond principal	-	-	680,000	-
Interest - bonds	-	-	176,360	-
Capital outlay	-	-	-	-
Total expenditures	3,439	-	856,760	-
Excess (deficiency) of revenues over expenditures	445	232	201,713	910
Transfers in	-	-	-	-
Transfers out	-	-	-	(8,764)
Total other financing sources (uses)	-	-	-	(8,764)
Net change in fund balance	445	232	201,713	(7,854)
Fund balance - beginning, as previously reported	10,297	6,633	436,961	25,819
Change to finanical reporting entity (major to nonmajor fund)	-	-	-	-
Change to finanical reporting entity (nonmajor to major fund)	-	-	-	-
Fund balance - beginning, as adjusted	10,297	6,633	436,961	25,819
Fund balance - ending	$ 10,742	$ 6,865	$ 638,674	$ 17,965

2023 Tax Note Project Fund	2009 TXCDBG Project Fund	Total Non-Major Governmental Funds
$ -	$ -	$ 1,018,483
100,000	-	600,806
-	-	135,306
43,820	-	86,276
-	-	597,382
-	-	2,736
143,820	-	2,440,989
279,920	-	1,255,144
-	-	3,439
-	-	680,000
-	-	176,360
465,029	-	785,848
744,949	-	2,900,791
(601,129)	-	(459,802)
-	-	27,264
(23,408)	-	(32,172)
(23,408)	-	(4,908)
(624,537)	-	(464,710)
-	61	546,301
-	(61)	(61)
1,245,584	-	1,245,584
1,245,584	-	1,791,824
$ 621,047	$ -	$ 1,327,114

CITY OF SMITHVILLE, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Property taxes	$ 1,947,409	$ 1,702,553	$ 1,632,553	$ (70,000)
Sales taxes	944,000	1,016,210	1,030,790	14,580
Hotel/motel taxes	55,075	55,829	46,328	(9,501)
Franchise taxes	135,700	127,394	127,394	-
Licenses and permits	186,900	167,773	170,473	2,700
Intergovernmental revenues	-	-	5,232	5,232
Charges for services	1,667,675	1,694,209	2,078,350	384,141
Fines	57,250	48,238	45,387	(2,851)
Investment earnings	37,900	36,060	36,060	-
Rents and royalties	-	400	68,229	67,829
Contributions and donations, private sources	616,650	210,484	205,253	(5,231)
Miscellaneous revenue	427,059	635,366	68,655	(566,711)
Total revenues	6,075,618	5,694,516	5,514,704	(179,812)
EXPENDITURES				
Current:				
General government	535,696	604,747	604,917	(170)
Public safety	2,019,175	1,911,125	1,955,946	(44,821)
Code enforcement and inspections	201,201	182,595	182,543	52
Highways and streets	516,428	499,635	479,251	20,384
Sanitation	1,496,202	1,480,471	1,458,763	21,708
Culture and recreation	1,375,415	1,377,098	1,374,276	2,822
Cemetery	144,034	150,056	150,055	1
Airport	720,210	344,913	344,913	-
Economic development and assistance	202,025	201,076	201,076	-
Debt service:				
Bond principal	69,494	69,494	69,494	-
Interest - bonds	3,093	3,093	3,093	-
Capital outlay	47,982	47,982	47,982	-
Total Expenditures	7,330,955	6,872,285	6,872,309	(24)
Excess (deficiency) of revenues over expenditures	(1,255,337)	(1,177,769)	(1,357,605)	(179,836)
OTHER FINANCING SOURCES (USES)				
Transfers in	1,255,337	1,217,837	1,287,837	70,000
Total other financing sources (uses)	1,255,337	1,217,837	1,404,986	187,149
Net change in fund balances	-	40,068	47,381	7,313
Fund balance - beginning	1,551,078	1,551,078	1,551,078	-
Fund balance - ending	$ 1,551,078	$ 1,591,146	$ 1,598,459	$ 7,313

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

CITY OF SMITHVILLE, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – INTERST AND SINKING
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Property taxes	$ 856,360	$ 1,032,425	$ 1,018,483	$ (13,942)
Investment earnings	-	28,211	39,989	11,778
Miscellaneous revenues	-	-	1	1
Total revenues	856,360	1,060,636	1,058,473	(2,163)
EXPENDITURES				
Current:				
General government	-	400	400	-
Debt service:				
Bond principal	680,000	680,000	680,000	-
Interest - bonds	176,360	176,360	176,360	-
Total Expenditures	856,360	856,760	856,760	-
Excess (deficiency) of revenues over expenditures	-	203,876	201,713	(2,163)
Net Change in Fund Balances	-	203,876	201,713	(2,163)
Fund balance - beginning	436,961	436,961	436,961	-
Fund balance - ending	$ 436,961	$ 640,837	$ 638,674	$ (2,163)

THIS PAGE LEFT BLANK INTENTIONALLY

OTHER REPORTING

THIS PAGE LEFT BLANK INTENTIONALLY

Singleton Clark
CERTIFIED PUBLIC ACCOUNTANTS

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 the City of Smithville, Texas (the "City"), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 27, 2026.

Report on Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Singleton, Clark & Company, PC

Singleton, Clark & Company, PC
Cedar Park, Texas

February 27, 2026

THIS PAGE LEFT BLANK INTENTIONALLY

Singleton Clark
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE 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 (the "City") 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 the City's major federal programs for the year ended September 30, 2025. The City'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, the City 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, 2025.

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 the City 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 the City'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 the City'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 the City'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 the City'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 the City'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 the City'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 the City'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.

Report on Internal Control over Compliance

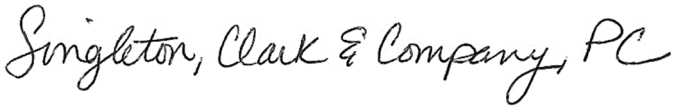
A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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 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, 2025, and have issued our report thereon dated February 27, 2026, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Singleton, Clark & Company, PC
Cedar Park, Texas

February 27, 2026

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF SMITHVILLE, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
FEDERAL HIGHWAY ADMINISTRATION			
Passed Through Texas Department of Transportation			
Safe Routes to School Sidewalks	20.205	0914-18-115	$ 10,020
TASA Program - Main St. ADA Ramps & 1st St. Sidewalkes	20.205	0914-18-118	65,128
Total Passed Through Texas Department of Transportation			75,148
TOTAL FEDERAL HIGHWAY ADMINISTRATION			75,148
UNITED STATES DEPARTMENT OF HOUSING AND DEVELOPMENT			
Passed Through Texas Department of Housing and Community Affairs			
Home Investment Partnership Program	14.239	1003214	166,221
Home Investment Partnership Program	14.239	1003635	9,000
Total Passed Through Texas Department of Housing and Community Affairs			175,221
Passed Through Texas General Land Office			
MIT Hurricane Harvey State Mitigation	14.228	25-085-020-D256	4,380,772
MIT Resilient Community Program Comprehensive Plan	14.228	23-160-003-E138	109,975
2022 GLO MIT MOD	14.228	24-065-102-E834	141,066
Total Passed Through Texas General Land Office			4,631,813
Passed Through Texas Department of Agriculture			
CDBG - Rural Economic Development 2 Construction	14.228	CRC22-0031-GPB-01	1,085,469
TX CDBG 2023 Fast Fund and Rural Outreach and Wellness	14.228	CFA23-0524	961,784
Total Passed Through Texas Department of Agriculture			2,047,253
TOTAL UNITED STATES DEPARTMENT OF HOUSING AND DEVELOPMENT			6,854,287
UNITED STATES DEPARTMENT OF TREASURY			
Passed Through Texas Department of Emergency Management			
Coronavirus State and Local Fiscal Recovery Funds (CSLFRF)	21.027	304-TX1742	38,428
Tota Passed Through Texas Department of Emergency Management			38,428
TOTAL UNITED STATES DEPARTMENT OF TREASURY			38,428
DEPARTMENT OF HOMELAND SECURITY			
Passed Through Texas Department of Emergency Management			
Hazard Mitigation Grant Program (HMPG)	97.039	DR-4485	81,074
Tota Passed Through Texas Department of Emergency Management			81,074
TOTAL DEPARTMENT OF HOMELAND SECURITY			81,074
Subtotal Pass-Through Programs			7,048,937
Total Expenditures of Federal Awards			$ 7,048,937

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF SMITHVILLE, TEXAS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

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, 2025. 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.

The City has elected to not use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

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.

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF SMITHVILLE, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

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

Typer of auditor's report issued on compliance for major programs:

Community Development Block Grant	Unmodified

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 of Cluster	Federal Expenditures
14.228	Community Development Block Grant	$6,679,066
Total Major Programs		$6,679,066

Dollar threshold used to distinguish Type A and Type B programs: $1,000,000

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

THIS PAGE LEFT BLANK INTENTIONALLY

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, 2025 and 2024.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

No findings or questioned costs required to be reported in accordance with federal Uniform Guidance for the years ended September 30, 2025 and 2024.

(this page intentionally left blank)

Financial Advisory Services
Provided By: