

CITY OF SMITHVILLE, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2023



SINGLETON, CLARK
& COMPANY, PC CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SMITHVILLE, TEXAS
 ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Smithville, Texas (the "City"), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise 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 City, as of September 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis section which precedes the basic financial statements and the pension and other post-employment benefits liabilities related schedules following the notes to the financial statements be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

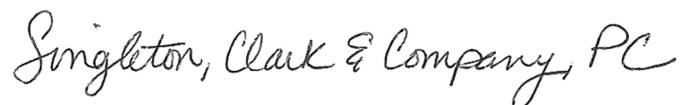
Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2024 on our consideration of 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 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 City's internal control over financial reporting and compliance.



Singleton, Clark & Company, PC
Cedar Park, Texas

March 1, 2024

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CITY OF SMITHVILLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

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, 2023. 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 \$463,178 to end at \$11,286,421.
- The City's fund balance in the General Fund increased by \$259,506 to end at \$1,596,631.
- The City's net position for the Utility Fund decreased by \$295,143 to end at \$5,205,239.

Overview of the Financial Statements

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

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

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

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

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

CITY OF SMITHVILLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

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

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

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

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

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

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

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

CITY OF SMITHVILLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

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

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 60 of this report. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

CITY OF SMITHVILLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities by \$16,491,660 at the close of the most recent fiscal year.

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

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current assets	\$ 3,456,255	\$ 3,175,379	\$ 2,599,664	\$ 3,464,889	\$ 6,055,919	\$ 6,640,268
Capital assets	12,077,314	11,170,144	9,129,787	9,568,829	21,207,101	20,738,973
Total assets	15,533,569	14,345,523	11,729,451	13,033,718	27,263,020	27,379,241
Deferred outflows of resources	930,750	244,666	458,429	120,506	1,389,179	365,172
Current liabilities	686,839	1,123,360	609,976	1,361,288	1,296,815	2,484,648
Noncurrent liabilities	4,173,349	2,230,547	6,216,181	6,089,117	10,389,530	8,319,664
Total liabilities	4,860,188	3,353,907	6,826,157	7,450,405	11,686,345	10,804,312
Deferred inflows of resources	317,710	413,039	156,484	203,437	474,194	616,476
Net position:						
Net investment in capital assets	9,577,751	9,218,762	3,690,272	3,616,440	13,268,023	12,835,202
Restricted	480,029	432,425	-	-	480,029	432,425
Unrestricted	1,228,641	1,172,056	1,514,967	1,883,942	2,743,608	3,055,998
Total net position	\$ 11,286,421	\$ 10,823,243	\$ 5,205,239	\$ 5,500,382	\$ 16,491,660	\$ 16,323,625

By far, the largest portion of the City's net position (80.4%) 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 (2.9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,743,608 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors. At the end of the current fiscal year, the City is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

CITY OF SMITHVILLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

The City's overall net position increased by \$168,035 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 \$463,178 from the prior fiscal year for an ending balance of \$11,286,421. The increase in the overall net position of governmental activities is primarily the result of the transfer between the City's governmental activities and business-type activities.

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

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Program Revenues:						
Charges for services	\$ 1,787,958	\$ 1,831,564	\$ 8,214,266	\$ 7,900,152	\$ 10,002,224	\$ 9,731,716
Operating grants & contributions	1,278,000	758,963	-	-	1,278,000	758,963
Capital grants and contributions	978,356	588,813	-	-	978,356	588,813
General Revenues:						
Property taxes	2,203,327	1,824,474	-	-	2,203,327	1,824,474
Other taxes	1,145,011	1,144,346	-	-	1,145,011	1,144,346
Other	689,348	411,260	238,927	149,007	928,275	560,267
Total revenue	8,082,000	6,559,420	8,453,193	8,049,159	16,535,193	14,608,579
Expenses:						
General government	2,632,627	1,919,405	-	-	2,632,627	1,919,405
Public safety	1,968,742	1,656,769	-	-	1,968,742	1,656,769
Code enforcement and inspection	144,000	148,825	-	-	144,000	148,825
Highways and streets	730,333	831,734	-	-	730,333	831,734
Sanitation	1,438,730	1,356,131	-	-	1,438,730	1,356,131
Health and Welfare	1,730	2,164	-	-	1,730	2,164
Culture and recreation	1,540,535	1,294,471	-	-	1,540,535	1,294,471
Cemetery	152,656	114,699	-	-	152,656	114,699
Airport	114,263	139,177	-	-	114,263	139,177
Economic dev. and assistance	242,458	141,178	-	-	242,458	141,178
Interest and bank fees	74,073	55,123	-	-	74,073	55,123
Utility Fund	-	-	7,327,011	6,775,445	7,327,011	6,775,445
Total expenses	9,040,147	7,659,676	7,327,011	6,775,445	16,367,158	14,435,121
Increase (decrease) in net position before transfers	(958,147)	(1,100,256)	1,126,182	1,273,714	168,035	173,458
Transfers	1,421,325	1,481,000	(1,421,325)	(1,481,000)	-	-
Increase (decrease) in net position	463,178	380,744	(295,143)	(207,286)	168,035	173,458
Net position - beginning	10,823,243	10,442,499	5,500,382	5,707,668	16,323,625	16,150,167
Net position - ending	\$ 11,286,421	\$ 10,823,243	\$ 5,205,239	\$ 5,500,382	\$ 16,491,660	\$ 16,323,625

CITY OF SMITHVILLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Business-type Activities. For the City's business-type activities overall net position decreased to reach an ending balance of \$5,205,239. The total decrease in net position for business-type activities (Utility Fund) was \$295,143 or 5% from the prior fiscal year. The City's income before transfers out was \$1,126,182. The decrease is attributable to a transfer of \$1,421,325 from the Utility Fund to the General Fund.

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, 2023, the City's governmental funds reported combined fund balances of \$2,627,924, an increase of \$695,692 in comparison with the prior year. Approximately 60% of this amount, \$1,566,627, constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable, restricted, committed, or assigned* to indicate that it is 1) not in spendable form \$30,004, 2) legally required to be maintained intact, \$0, 3) restricted for particular purposes \$433,238, 4) committed for particular purposes \$598,055, or 5) assigned for particular purposes \$0.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,566,627, while total fund balance increased to \$1,596,631. 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 27% of total general fund expenditures, while total fund balance represents approximately 98% of that same amount.

The fund balance of the City's General Fund increased by \$259,506 during the current fiscal year. As discussed earlier in connection with governmental activities, the increase to fund balance is attributed to the transfer from the Utility Fund to supplement the General Fund.

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

Unrestricted net position of the Utility Fund at the end of the year was \$1,514,967, a decrease of \$295,143 from prior year net position of \$5,500,382. Total net position for the Utility Fund is reported at \$5,205,239 with \$3,690,272 of this representing net investments in capital assets.

CITY OF SMITHVILLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

General Fund Budgetary Highlights

Original budget compared to final budget. During the year significant amendments were made to increase original budgeted appropriations. The amendments made for the public safety, highways and streets, and airport expenditure line items were considered significant.

Capital Assets and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2023, amounts to \$21,207,101 (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 2.3%.

Capital Assets, Net of Accumulated Depreciation

	Governmental Activities 2023	Governmental Activities 2022	Change
Land	\$ 669,891	\$ 664,891	\$ 5,000
Construction in progress	1,068,880	604,844	464,036
Buildings	6,569,088	6,495,613	73,475
Machinery, equipment, and vehicles	3,221,690	2,973,602	248,088
Infrastructure	9,481,498	8,722,504	758,994
Total	<u>21,011,047</u>	<u>19,461,454</u>	<u>1,549,593</u>
Less accumulated depreciation	<u>(8,933,733)</u>	<u>(8,291,310)</u>	<u>(642,423)</u>
Capital assets, net of depreciation	<u>\$ 12,077,314</u>	<u>\$ 11,170,144</u>	<u>\$ 907,170</u>
	Business-Type Activities 2023	Business-Type Activities 2022	Change
Land	\$ 174,319	\$ 174,319	\$ -
Construction in progress	249,845	468,342	(218,497)
Machinery, equipment, and vehicles	1,536,942	1,536,942	-
Infrastructure	17,907,194	17,631,693	275,501
Total	<u>19,868,300</u>	<u>19,811,296</u>	<u>57,004</u>
Less accumulated depreciation	<u>(10,738,513)</u>	<u>(10,242,467)</u>	<u>(496,046)</u>
Capital assets, net of depreciation	<u>\$ 9,129,787</u>	<u>\$ 9,568,829</u>	<u>\$ (439,042)</u>

Additional information on the City's capital assets can be found in Note III.D on pages 45-46 of this report.

CITY OF SMITHVILLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Long-term Debt. At the end of the current fiscal year, the City had total debt outstanding of \$8,035,998. Of this amount, \$4,535,767 is debt backed by the full faith and credit of the government.

Outstanding Debt

	Governmental Activities 2023	Governmental Activities 2022	Change
General obligation bonds	\$ 315,000	\$ 620,000	\$ (305,000)
Certificates of obligation	455,000	465,000	(10,000)
Notes payable	1,550,000	615,000	935,000
Leases payable	179,563	251,382	(71,819)
Compensated absences payable	96,920	91,887	5,033
Total	<u>\$ 2,596,483</u>	<u>\$ 2,043,269</u>	<u>\$ 553,214</u>

	Business-Type Activities 2023	Business-Type Activities 2022	Change
General obligation bonds	\$ 1,555,000	\$ 1,825,000	\$ (270,000)
Certificates of obligations	2,115,000	2,190,000	(75,000)
Premium on issuance	95,767	102,151	(6,384)
Leases payable	1,625,735	1,835,238	(209,503)
Compensated absences payable	48,013	44,486	3,527
Total	<u>\$ 5,439,515</u>	<u>\$ 5,996,875</u>	<u>\$ (557,360)</u>

The City's total debt decreased by \$4,146 during the current fiscal year. The reason for the decrease was that the only new debt issuance during the year was for an amount that was less than the regularly scheduled principal reductions on the existing outstanding debt. The new issuance was a tax note with a face value of \$1,300,000.

Additional information on the City's long-term debt can be found in Note III.I on pages 54-56 of this report.

Economic Factors and Next Year's Budgets and Rates

The City considered many factors when setting the fiscal year 2024 budget. The City's General Fund budget for fiscal year 2024 includes expenditures of \$6,526,057 which is an increase of approximately \$588,800 from fiscal year 2023 total adopted expenditures. The city decreased the maintenance and operations tax rate to 0.37643 and increased the interest and sinking tax rate to 0.172. The overall total tax rate increased to \$0.548952 per \$100 valuation.

CITY OF SMITHVILLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Requests for Information

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

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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CITY OF SMITHVILLE, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 654,792	\$ 709,665	\$ 1,364,457
Investments - current	1,322,097	1,599,558	2,921,655
Taxes receivable - delinquent	172,285	-	172,285
Allowance for uncollectible taxes	(17,230)	-	(17,230)
Accounts receivable, net	185,787	1,165,650	1,351,437
Intergovernmental receivable	136,786	66,492	203,278
Internal balances	971,734	(971,589)	145
Inventories	-	13,475	13,475
Prepaid items	30,004	16,413	46,417
Capital assets, not being depreciated:			
Land	669,891	174,319	844,210
Construction in progress	1,068,880	1,758,511	2,827,391
Capital assets, being depreciated:			
Buildings and improvements	6,569,088	-	6,569,088
Machinery, equipment, and vehicles	3,221,690	-	3,221,690
Infrastructure	9,481,498	17,935,470	27,416,968
Accumulated depreciation	(8,933,733)	(10,738,513)	(19,672,246)
Total assets	<u>15,533,569</u>	<u>11,729,451</u>	<u>27,263,020</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows NPL	905,418	445,952	1,351,370
Deferred outflows OPEB	25,332	12,477	37,809
Total deferred outflows of resources	<u>930,750</u>	<u>458,429</u>	<u>1,389,179</u>
LIABILITIES			
Accounts payable	320,711	391,403	712,114
Accrued salaries and benefits	53,161	23,826	76,987
Accrued liabilities	-	21,454	21,454
Retainage payable	24,232	-	24,232
Accrued interest payable	13,563	52,354	65,917
Unearned revenue	265,416	-	265,416
Other current liabilities	6,581	3,207	9,788
Customer deposits	3,175	117,732	120,907
Noncurrent liabilities:			
Due within one year	652,350	574,269	1,226,619
Due in more than one year	3,520,999	5,641,912	9,162,911
Total liabilities	<u>4,860,188</u>	<u>6,826,157</u>	<u>11,686,345</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows NPL	255,656	125,920	381,576
Deferred inflows OPEB	62,054	30,564	92,618
Total deferred inflows of resources	<u>317,710</u>	<u>156,484</u>	<u>474,194</u>
NET POSITION			
Net investment in capital assets	9,577,751	3,690,272	13,268,023
Restricted for debt service	453,932	-	453,932
Restricted for federal programs	26,097	-	26,097
Unrestricted	1,228,641	1,514,967	2,743,608
Total net position	<u>\$ 11,286,421</u>	<u>\$ 5,205,239</u>	<u>\$ 16,491,660</u>

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

CITY OF SMITHVILLE, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Functions/Programs:	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 2,632,627	\$ 153,361	\$ 1,239,978	\$ 407,216
Public safety	1,968,742	108,307	23,914	145,931
Code enforcement and inspection	144,000	-	-	-
Highways and streets	730,333	-	-	425,209
Sanitation	1,438,730	1,342,511	-	-
Health and welfare	1,730	-	-	-
Culture and recreation	1,540,535	136,309	14,108	-
Cemetery	152,656	3,820	-	-
Airport	114,263	43,650	-	-
Economic development and assistance	242,458	-	-	-
Interest and bank fees	74,073	-	-	-
Total governmental activities:	<u>9,040,147</u>	<u>1,787,958</u>	<u>1,278,000</u>	<u>978,356</u>
Business-type activities:				
Utility Fund	7,327,011	8,214,266	-	-
Total business-type activities:	<u>7,327,011</u>	<u>8,214,266</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 16,367,158</u>	<u>\$ 10,002,224</u>	<u>\$ 1,278,000</u>	<u>\$ 978,356</u>

General revenues:
Property taxes
Sales taxes
Hotel/motel taxes
Franchise taxes
Investment earnings
Gain (Loss) on sale of capital assets
Miscellaneous
Total general revenues
Transfers
Total general revenues 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

<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
<u>Activities</u>	<u>Activites</u>	
\$ (832,072)	\$ -	\$ (832,072)
(1,690,590)	-	(1,690,590)
(144,000)	-	(144,000)
(305,124)	-	(305,124)
(96,219)	-	(96,219)
(1,730)	-	(1,730)
(1,390,118)	-	(1,390,118)
(148,836)	-	(148,836)
(70,613)	-	(70,613)
(242,458)	-	(242,458)
(74,073)	-	(74,073)
<u>(4,995,833)</u>	<u>-</u>	<u>(4,995,833)</u>
-	887,255	887,255
-	887,255	887,255
<u>(4,995,833)</u>	<u>887,255</u>	<u>(4,108,578)</u>
2,203,327	-	2,203,327
954,962	-	954,962
45,523	-	45,523
144,526	-	144,526
113,860	50,728	164,588
24,390	4,082	28,472
551,098	184,117	735,215
<u>4,037,686</u>	<u>238,927</u>	<u>4,276,613</u>
1,421,325	(1,421,325)	-
<u>5,459,011</u>	<u>(1,182,398)</u>	<u>4,276,613</u>
463,178	(295,143)	168,035
10,823,243	5,500,382	16,323,625
<u>\$ 11,286,421</u>	<u>\$ 5,205,239</u>	<u>\$ 16,491,660</u>

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FUND BASIS FINANCIAL STATEMENTS

CITY OF SMITHVILLE, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2023

	General Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 298,519	\$ 356,273	\$ 654,792
Investments - current	364,281	957,816	1,322,097
Taxes receivable - delinquent	127,277	45,008	172,285
Allowance for uncollectible delinquent taxes	(12,729)	(4,501)	(17,230)
Accounts receivable	175,285	10,502	185,787
Intergovernmental receivable	-	136,786	136,786
Due from other funds	1,018,415	-	1,018,415
Prepaid items	30,004	-	30,004
Total assets	<u>\$ 2,001,052</u>	<u>\$ 1,501,884</u>	<u>\$ 3,502,936</u>
LIABILITIES			
Accounts payable	\$ 190,150	\$ 130,561	\$ 320,711
Accrued payroll	51,191	1,970	53,161
Retainage payable	-	24,232	24,232
Due to other funds	-	46,681	46,681
Unearned revenue	38,776	226,640	265,416
Other current liabilities	6,581	-	6,581
Customer deposits	3,175	-	3,175
Total liabilities	<u>289,873</u>	<u>430,084</u>	<u>719,957</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	114,548	40,507	155,055
Total deferred inflows of resources	<u>114,548</u>	<u>40,507</u>	<u>155,055</u>
FUND BALANCES			
Nonspendable:			
Fund balance - nonspendable-prepays	30,004	-	30,004
Restricted:			
Fund balance - restricted for debt service	-	413,425	413,425
Fund balance - restricted for federal programs	-	19,813	19,813
Committed:			
Fund balance - committed for specific purposes	-	598,055	598,055
Unassigned	1,566,627	-	1,566,627
Total fund balances	<u>1,596,631</u>	<u>1,031,293</u>	<u>2,627,924</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 2,001,052</u>	<u>\$ 1,501,884</u>	<u>\$ 3,502,936</u>

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

CITY OF SMITHVILLE, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

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

Total fund balance of all governmental funds	\$ 2,627,924
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	12,077,314
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.	155,055
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(2,610,046)
Additional long-term liabilities related to the recognition of the net pension liability and the net OPEB liability are not reported in the funds.	(963,826)
	(963,826)
Net position of governmental activities	\$ 11,286,421

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, 2023

	General Fund	Total Nonmajor Funds	Total Governmental Funds
REVENUES			
Property taxes	\$ 1,527,895	\$ 654,210	\$ 2,182,105
Sales taxes	954,962	-	954,962
Hotel/motel taxes	45,523	-	45,523
Franchise taxes	144,526	-	144,526
Licenses and permits	98,212	-	98,212
Intergovernmental revenues	50,070	1,774,482	1,824,552
Charges for services	1,517,790	64,631	1,582,421
Fines	43,256	-	43,256
Investment earnings	35,502	78,358	113,860
Rents and royalties	64,069	-	64,069
Grants and contributions	160,514	271,290	431,804
Miscellaneous revenue	104,048	446,306	550,354
Total revenues	<u>4,746,367</u>	<u>3,289,277</u>	<u>8,035,644</u>
EXPENDITURES			
Current:			
General government	513,977	1,800,584	2,314,561
Public safety	1,560,430	-	1,560,430
Code enforcement and inspections	114,121	-	114,121
Highways and streets	632,206	-	632,206
Sanitation	1,272,484	-	1,272,484
Health and welfare	-	1,571	1,571
Culture and recreation	1,261,354	-	1,261,354
Cemetery	124,659	-	124,659
Airport	103,782	-	103,782
Economic development and assistance	153,560	47,955	201,515
Debt service:			
Bond principal	-	680,000	680,000
Other debt principal	71,819	-	71,819
Interest - bonds	-	67,038	67,038
Interest - other debt	7,518	-	7,518
Capital outlay	30,410	1,642,943	1,673,353
Total expenditures	<u>5,846,320</u>	<u>4,240,091</u>	<u>10,086,411</u>
Excess (deficiency) of revenues over expenditures	<u>(1,099,953)</u>	<u>(950,814)</u>	<u>(2,050,767)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	1,334,325	115,000	1,449,325
Transfers out	-	(28,000)	(28,000)
Sale of general capital assets	24,390	-	24,390
Insurance recoveries	744	-	744
Taxnotes issued	-	1,300,000	1,300,000
Total other financing sources (uses)	<u>1,359,459</u>	<u>1,387,000</u>	<u>2,746,459</u>
Net change in fund balance	259,506	436,186	695,692
Fund balance - beginning	1,337,125	595,107	1,932,232
Fund balance - ending	<u>\$ 1,596,631</u>	<u>\$ 1,031,293</u>	<u>\$ 2,627,924</u>

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

CITY OF SMITHVILLE, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

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

Net change in fund balances for total governmental funds	\$ 695,692
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.	907,170
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	21,222
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.	(552,731)
The net effect of various transactions involving the net pension liability and the net OPEB liability is to decrease net position.	(608,175)
Change in net position for governmental activities	<u style="border-top: 1px solid black; border-bottom: 3px double black;">\$ 463,178</u>

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

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CITY OF SMITHVILLE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Property taxes	\$ 1,615,814	\$ 1,597,895	\$ 1,527,895	\$ (70,000)
Sales taxes	915,000	955,387	954,962	(425)
Hotel/motel taxes	51,000	55,807	45,523	(10,284)
Franchise taxes	137,900	144,526	144,526	-
Licenses and permits	120,522	96,212	98,212	2,000
Intergovernmental revenues	3,459	50,070	50,070	-
Charges for services	1,357,667	1,423,330	1,517,790	94,460
Fines	60,450	50,672	43,256	(7,416)
Investment earnings	6,400	35,502	35,502	-
Rents and royalties	-	5,000	64,069	59,069
Contributions and donations, private sources	173,764	146,094	160,514	14,420
Miscellaneous revenue	200,000	202,934	104,048	(98,886)
Total revenues	<u>4,641,976</u>	<u>4,763,429</u>	<u>4,746,367</u>	<u>(17,062)</u>
EXPENDITURES				
Current:				
General government	553,351	530,032	513,977	16,055
Public safety	1,698,008	1,561,802	1,560,430	1,372
Code enforcement and inspections	130,674	114,120	114,121	(1)
Highways and streets	582,919	632,726	632,206	520
Sanitation	1,293,740	1,272,984	1,272,484	500
Culture and recreation	1,256,121	1,261,254	1,261,354	(100)
Cemetery	124,725	124,660	124,659	1
Airport	53,955	103,782	103,782	-
Economic development and assistance	165,471	153,560	153,560	-
Debt service:				
Other debt principal	71,819	71,819	71,819	-
Other debt interest	7,518	7,518	7,518	-
Capital outlay	-	15,411	30,410	(14,999)
Total Expenditures	<u>5,938,301</u>	<u>5,849,668</u>	<u>5,846,320</u>	<u>3,348</u>
Excess (deficiency) of revenues over expenditures	<u>(1,296,325)</u>	<u>(1,086,239)</u>	<u>(1,099,953)</u>	<u>(13,714)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,264,325	1,264,325	1,334,325	70,000
Sale of general capital assets	5,000	24,390	24,390	-
Insurance recoveries	27,000	50,532	744	(49,788)
Total other financing sources (uses)	<u>1,296,325</u>	<u>1,339,247</u>	<u>1,359,459</u>	<u>20,212</u>
Net change in fund balances	-	253,008	259,506	6,498
Fund balance - beginning	1,337,125	1,337,125	1,337,125	-
Fund balance - ending	<u>\$ 1,337,125</u>	<u>\$ 1,590,133</u>	<u>\$ 1,596,631</u>	<u>\$ 6,498</u>

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, 2023

	Business-Type Activities
	Utility Fund
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 709,665
Investments - current	1,599,558
Accounts receivable, net	1,165,650
Intergovernmental receivable	66,492
Due from other funds	5,306
Inventories	13,475
Prepaid items	16,413
Total current assets	3,576,559
Noncurrent Assets:	
Land	174,319
Infrastructure	17,935,470
Accumulated depreciation	(10,738,513)
Construction/development in progress	1,758,511
Total noncurrent assets	9,129,787
Total assets	12,706,346
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows NPL	445,952
Deferred outflows OPEB	12,477
Total deferred outflows of resources	458,429
LIABILITIES	
Current liabilities:	
Accounts payable	391,403
Compensated absences payable	23,826
Accrued liabilities	21,454
Due to other funds	976,895
Accrued interest payable	52,354
Long term debt payable - current	574,269
Customer deposits	117,732
Total current liabilities	2,161,140
Noncurrent Liabilities:	
Bonds payable	3,310,000
Unamortized premium on bonds	95,767
Notes payable	48,012
Lease payables	1,411,467
Net pension liability	713,701
Net OPEB liability	62,965
Total noncurrent liabilities	5,641,912
Total liabilities	7,803,052
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows NPL	125,920
Deferred inflows OPEB	30,564
Total deferred inflows of resources	156,484
NET POSITION	
Net investment in capital assets	3,690,272
Unrestricted	1,514,967
Total net position	\$ 5,205,239

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, 2023

	Business-Type Activities
	Utility Fund
REVENUES	
Operating revenues:	
Charges for services:	
Water	\$ 1,107,544
Electricity	5,565,285
Wastewater	1,118,626
Other charges	422,811
Miscellaneous revenue	144,371
Total operating revenues	8,358,637
EXPENSES	
Operating expenses:	
Salaries and wages	1,791,532
Purchased services	304,653
Other purchased services	3,048,026
Other operating expenses	1,486,843
Depreciation	496,046
Total operating expenses	7,127,100
Operating income (loss)	1,231,537
Nonoperating revenues (expenses)	
Intergovernmental	39,746
Investment earnings	50,728
Insurance recoveries	4,082
Interest expense	(199,911)
Total nonoperating revenues (expenses)	(105,355)
Income before transfers in (out)	1,126,182
Transfers out	(1,421,325)
Change in net position	(295,143)
Net position-beginning	5,500,382
Net position-ending	\$ 5,205,239

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

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CITY OF SMITHVILLE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
SEPTEMBER 30, 2023

	Business-Type Utility Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 8,118,205
Receipt (return) of customer deposits	3,450
Payments to suppliers and service providers	(4,599,400)
Payments to employees for salaries and benefits	(1,510,408)
Net cash provided by (used for) operating activities	2,011,847
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	(1,421,325)
Insurance Recoveries	4,082
Net cash provided by (used for) capital and financing activities	(1,417,243)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital grants	
Acquisition and construction of capital assets	(57,004)
Principal paid on capital debt	(560,887)
Interest paid on capital debt	(199,911)
Net cash provided by (used for) capital and related financing activities	(817,802)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sale of investments	60,569
Interest on investments	50,728
Net cash provided by investing activities	111,297
Net increase (decrease) in cash and cash equivalents	(111,901)
Cash and cash equivalents-beginning	821,566
Cash and cash equivalents-ending	\$ 709,665
Reconciliation of operating income (loss) to net cash provided (used for) operating activities:	
Operating income (loss)	\$ 1,231,537
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation expense	496,046
(Increase) decrease in accounts receivable	(240,432)
(Increase) decrease in inventories	(2,102)
(Increase) decrease in prepaid items	(1,860)
(Decrease) increase in deposits payable	3,450
(Decrease) increase in accounts payable	(39,602)
(Decrease) increase in accrued liabilities	(24,539)
(Decrease) increase in compensated absences	1,294
(Decrease) increase in NPL/OPEB	304,369
(Decrease) increase in due to other funds	283,686
Total adjustments	780,310
Net cash provided by (used for) operating activities	\$ 2,011,847

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, 2023

	Custodial Fund
	HRA Trust Fund
ASSETS	
Cash and cash equivalents	\$ 26,903
Total assets	26,903
LIABILITIES	
Due to other funds	145
Total liabilities	145
NET POSITION	
Net position held in trust and other purposes	\$ 26,758

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, 2023

	Custodial Fund
	HRA Trust Fund
DEDUCTIONS	
Benefits	\$ 11,199
Total deductions	11,199
Change in net position	(11,199)
Net position - beginning	37,957
Net position - ending	\$ 26,758

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

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NOTES TO THE FINANCIAL STATEMENTS

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CITY OF SMITHVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
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I. Summary of Significant Accounting Policies

During the year the City implemented Governmental Accounting Standards Board Statement No. 96 – Subscription-Based Information Technology Arrangements (“GASB 96”). The objective of GASB 96 is to better meet the information needs of financial statement users by (a) establishing uniform accounting and financial reporting requirements for Subscription Based Information Technology Arrangements (SBITAs); (b) improving the comparability of financial statements among governments that have entered into SBITAs; and (c) enhancing the understandability, reliability, relevance, and consistency of information about SBITAs. At the commencement of the subscription term, a government should recognize a subscription liability and an intangible right-to-use asset (a capital asset). The commencement of the subscription term occurs when the initial implementation stage is completed, at which time the government has obtained control of the right to use the underlying IT assets, and therefore, the subscription asset is placed into service.

The right to use assets are initially measured at an amount equal to the initial measurement of the related subscription liability plus any payments made prior to the subscription term, less incentives, and plus ancillary charges necessary to place the subscription into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

As of September 30, 2023, the City did not have any items required to be reported as SBITAs as a result of implementing GASB 96.

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, 2023, 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.

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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 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.

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

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

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

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

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

D. Measurement Focus and Basis of Accounting

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

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

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*. Custodial 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. The capital projects fund is 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, 2023, expenditures did not significantly exceed appropriations in any of the City's legally adopted budgets.

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2. Investments

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

3. Inventories and prepaid items

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

4. Capital assets

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

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

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

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

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5. *Deferred outflows/inflows of resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The government currently does not have any financial transactions that qualify for reporting in this category. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government currently has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

6. *Net position flow assumption*

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

7. *Fund balance flow assumptions*

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

8. *Fund balance policies*

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed.

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The council has by resolution authorized the City Manager to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

F. Revenues and Expenditures/Expenses

1. Program revenues

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

2. Property taxes

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The City levies its taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. The assessed value of the property tax roll of January 1, 2022, upon which the levy for the 2022-2023 fiscal year was based, was \$386,261,919. 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, 2023, to finance General Fund and Debt Service Fund operations were \$0.383085 and \$0.165849, respectively, for a total tax rate of \$0.548934 per \$100 valuation. The total tax levy for the General Fund and Interest and Sinking Fund for the 2022-2023 fiscal year was \$2,120,323. Tax collections, including collections of prior year delinquent balances, for the year ended September 30, 2023, were 101% 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 Interest and Sinking Funds are based on historical experience in collecting taxes.

3. Compensated absences

Vacation

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

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Sick Leave

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

4. Proprietary funds operating and nonoperating revenues and expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Utility Fund are charges to customers for sales and services. The Utility 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, if applicable, 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, 2023 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, 2023, the government's bank balance was \$2,011,753 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.

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

As of September 30, 2023, the government had the following investments:

Investment Type	Maturity Time in Years			
	Less than 1	1-5	6-10	More Than 10
Certificates of deposit	\$ 866,024	\$ -	\$ -	\$ -
Investment pools	2,055,631	-	-	-
Total investments	<u>\$2,921,655</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Credit risk. State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). It is the government's policy to limit its investments in these investment types to the top rating issued by NRSROs. As of September 30, 2023, the government's investment in the State Treasurer's investment pool was rated AAA by Standard & Poor's and Aaa by Moody's Investors Service.

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

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

C. Receivables

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

Governmental Funds:

Receivables	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Property taxes	\$ 127,277	\$ 45,008	\$ 172,285
Sales and mixed beverage taxes	149,354	-	149,354
Property liens	51,001	-	51,001
Grants	-	136,786	136,786
Other	3,333	10,502	13,835
Gross receivables	330,965	192,296	523,261
Less: Allowance for uncollectibles	(41,132)	(4,501)	(45,633)
Net receivables	<u>\$ 289,833</u>	<u>\$ 187,795</u>	<u>\$ 477,628</u>

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Proprietary Funds:

Receivables	Utility Fund	Total Proprietary Funds
Utility Billing	\$ 2,055,477	\$ 2,055,477
Grants	66,492	66,492
Deposits Billed	150	150
Other	33,785	33,785
Gross receivables	2,155,904	2,155,904
Less: Allowance for uncollectibles	(923,762)	(923,762)
Net receivables	\$ 1,232,142	\$ 1,232,142

D. Capital Assets

Capital assets activity for the year ended September 30, 2023, was as follows:

Governmental Activities:

	Balance 10/1/22	Increases	Decreases	Adjustments	Balance 9/30/23
Capital assets, not being depreciated:					
Land	\$ 664,891	\$ 5,000	\$ -	\$ -	\$ 669,891
Construction in progress	604,844	1,223,030	-	(758,994)	1,068,880
Total capital assets, not being depreciated	1,269,735	1,228,030	-	(758,994)	1,738,771
Capital assets, being depreciated:					
Buildings and improvements	6,495,613	73,475	-	-	6,569,088
Machinery, equipment, and vehicles	2,973,602	371,848	(123,760)	-	3,221,690
Infrastructure	8,722,504	-	-	758,994	9,481,498
Total capital assets, being depreciated	18,191,719	445,323	(123,760)	758,994	19,272,276
Less accumulated depreciation for:					
Buildings and improvements	(3,683,810)	(139,016)	-	-	(3,822,826)
Machinery, equipment, and vehicles	(2,243,656)	(269,158)	123,760	-	(2,389,054)
Infrastructure	(2,363,844)	(358,009)	-	-	(2,721,853)
Total accumulated depreciation	(8,291,310)	(766,183)	123,760	-	(8,933,733)
Total capital assets being depreciated, net	9,900,409	(320,860)	-	758,994	10,338,543
Governmental activities capital assets, net	\$ 11,170,144	\$ 907,170	\$ -	\$ -	\$ 12,077,314

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Business-Type Activities:

	Balance 10/1/22	Increases	Decreases	Adjustments	Balance 9/30/23
Capital assets, not being depreciated:					
Land	\$ 174,319	\$ -	\$ -	\$ -	\$ 174,319
Construction in progress	468,342	57,004	-	(275,501)	249,845
Total capital assets, not being depreciated	<u>642,661</u>	<u>57,004</u>	<u>-</u>	<u>(275,501)</u>	<u>424,164</u>
Capital assets, being depreciated:					
Machinery, equipment, and vehicles	1,536,942	-	-	-	1,536,942
Infrastructure	17,631,693	-	-	275,501	17,907,194
Total capital assets, being depreciated	<u>19,168,635</u>	<u>-</u>	<u>-</u>	<u>275,501</u>	<u>19,444,136</u>
Less accumulated depreciation for:					
Machinery, equipment, and vehicles	(1,287,443)	(65,459)	-	-	(1,352,902)
Infrastructure	(8,955,024)	(430,587)	-	-	(9,385,611)
Total accumulated depreciation	<u>(10,242,467)</u>	<u>(496,046)</u>	<u>-</u>	<u>-</u>	<u>(10,738,513)</u>
Total capital assets being depreciated, net	<u>8,926,168</u>	<u>(496,046)</u>	<u>-</u>	<u>275,501</u>	<u>8,705,623</u>
Business-type activities capital assets, net	<u>\$ 9,568,829</u>	<u>\$ (439,042)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,129,787</u>

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

Governmental activities:

General government	\$ 236,641
Public safety	158,171
Inspections	11,568
Highways and streets	64,083
Sanitation	128,984
Health and welfare	159
Culture and recreation	127,856
Cemetery	12,636
Airport	10,520
Economic development and assistance	15,565
Total depreciation expense - governmental activities	<u>\$ 766,183</u>

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E. Defined Benefit Pension Plan

Plan Description

The City participates as one of more than 919 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.tmr.com.

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

Benefits Provided

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

Employees Covered by Benefit Terms

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	32
Inactive employees entitled to but not yet receiving benefits	72
Active employees	70
	174
	174

Contributions

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

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Employees for the City were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of Smithville, Texas were 6.80% and 10.51% in calendar years 2022 and 2023, respectively. The City's contributions to TMRS for the year ended September 30, 2023 were \$275,143, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2022, 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, 2022 actuarial valuation was determined using the following actuarial assumptions:

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the city, rates are multiplied by a factor of 95%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Table with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2022, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2014 through December 31, 2018. The assumptions were adopted in 2019 and first used in the December 31, 2019, actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income to satisfy the short-term and long-term needs of TMRS.

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

.CITY OF SMITHVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

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

Discount Rate

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

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2021	\$ 7,942,939	\$ 7,941,334	\$ 1,605
Changes for the year:			
Service cost	399,423	-	399,423
Interest	589,436	-	589,436
Change of benefit terms	728,598	-	728,598
Difference between expected and actual experience	259,409	-	259,409
Changes of assumptions	-	-	-
Contributions - employer	-	227,430	(227,430)
Contributions - employee	-	167,229	(167,229)
Net investment income	-	(579,887)	579,887
Benefit payments, including refunds of employee contr.	(277,728)	(277,728)	-
Administrative expense	-	(5,016)	5,016
Other changes	-	5,985	(5,985)
Net changes	1,699,138	(461,987)	2,161,125
Balance at 12/31/2022	\$ 9,642,077	\$ 7,479,347	\$ 2,162,730

.CITY OF SMITHVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

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	\$ 3,531,777	\$ 2,162,730	\$ 1,036,149

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2023, the city recognized pension expense of (\$908,313).

At September 30, 2023, 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	\$ 892,741	\$ 381,576
Differences between expected and actual economic experience	183,486	-
Difference in assumption changes	-	-
Contributions subsequent to the measurement date	275,143	-
Total	\$ 1,351,370	\$ 381,576

\$275,143 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, 2023. 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
2023	\$ 140,949
2024	195,154
2025	135,365
2026	223,183
2027	-
Thereafter	-
Total	\$ 694,651

.CITY OF SMITHVILLE, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

G. Other Post-Employment Benefit (OPEB) Obligations

Benefits Provided

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

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

Employees Covered by Benefit Terms

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	27
Inactive employees entitled to but not yet receiving benefits	6
Active employees	70
	103
	103

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, 2023 and 2022 were \$17,315 and \$11,372 respectively, which equaled the required contributions each year.

Plan Assets

At the December 31, 2022 valuation and measurement date, there are no assets accumulated in trust.

Actuarial Assumptions

The Total OPEB Liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Salary increases	3.50% - 11.50% including inflation
Discount rate	4.05%
Retirees’ share of benefit costs	\$0

.CITY OF SMITHVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

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 12/31/2021	\$ 277,915	\$ -	\$ 277,915
Changes for the year:			
Service cost	22,357	-	22,357
Interest	5,252	-	5,252
Change of benefit terms	-	-	-
Difference between expected and actual experience	(25,332)	-	(25,332)
Changes of assumptions	(82,049)	-	(82,049)
Contributions - employer	-	-	-
Contributions - employee	-	-	-
Net investment income	-	-	-
Benefit payments, including refunds of employee contr.	(7,341)	-	(7,341)
Administrative expense	-	-	-
Other changes	-	-	-
Net changes	(87,113)	-	(87,113)
Balance at 12/31/2022	\$ 190,802	\$ -	\$ 190,802

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

The following presents the net OPEB liability of the City, calculated using the discount rate of 4.05%, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower 3.05% or 1-percentage-point higher 5.05% than the current rate:

	1% Decrease in Discount Rate 3.05%	Current Discount Rate 4.05%	1% Increase in Discount Rate 5.05%
City's net OPEB liability	\$ 222,837	\$ 190,802	\$ 165,372

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2023, the city recognized OPEB expense of \$590.

At September 30, 2023, the city reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources on the next page:

.CITY OF SMITHVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual investment earnings	\$ -	\$ -
Differences between expected and actual economic experience	-	28,252
Difference in assumption changes	23,410	64,366
Contributions subsequent to the measurement date	14,399	-
Total	<u>\$ 37,809</u>	<u>\$ 92,618</u>

\$14,399 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the year ending September 30, 2023. 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
2023	\$ (12,009)
2024	(19,133)
2025	(23,257)
2026	(14,809)
2027	-
Thereafter	-
Total	<u>\$ (69,208)</u>

G. Risk Management

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

H. Lease Obligations

The future minimum lease obligations as of September 30, 2023, were as follows:

Year Ending September 30,	Leases Payable		Total Requirements
	Principal	Interest	
2024	\$ 67,350	\$ 5,237	\$ 72,587
2025	69,494	3,093	72,587
2026	42,720	1,084	43,804
	<u>\$ 179,564</u>	<u>\$ 9,414</u>	<u>\$ 188,978</u>

.CITY OF SMITHVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Business-Type Activities:

Year Ending September 30,	Leases Payable		Total Requirements
	Principal	Interest	
2024	\$ 214,269	\$ 57,390	\$ 271,659
2025	219,064	49,717	268,781
2026	193,953	42,038	235,991
2027	192,300	34,976	227,276
2028-2031	806,149	67,244	873,393
	<u>\$ 1,625,735</u>	<u>\$ 251,365</u>	<u>\$ 1,877,100</u>

I. Long-Term Liabilities

General Obligation Bonds

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

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

Details of long-term debt obligations outstanding at September 30, 2023 are as follows:

Governmental Activities:

Type	Sale Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding 9/30/23
Bonds Payable					
Certificates of Obligation, Series 2019	2019	\$ 490,000	3.50-5.00%	2033	\$ 455,000
General Refunding Bonds, Series 2018	2018	1,200,000	2.40-2.85%	2024	315,000
Total Bonds Payable					<u>\$ 770,000</u>
Notes Payable:					
Tax Notes, Series 2021	2021	785,000	1.13%	2028	\$ 515,000
Tax Notes, Series 2022	2022	1,300,000	3.29%	2029	1,035,000
Total Notes Payable					<u>\$ 1,550,000</u>
Right to Use Leases Payable					
Right to Use Lease - Multiple Vehicles	2020	239,240	2.98%	2026	\$ 123,987
Right to Use Lease - Multiple Vehicles	2019	159,194	2.84%	2025	55,576
Total Right to Use Leases Payable					<u>\$ 179,563</u>

.CITY OF SMITHVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Business-type Activities:

Type	Sale Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding 9/30/23
General Obligation Bonds:					
Certificates of Obligation, Series 2019	2019	2,485,000	3.50-5.00%	2033	\$ 2,115,000
General Refunding Bonds, Series 2007	2007	4,500,000	4.20%	2028	1,555,000
Total General Obligation Bonds					<u>\$ 3,670,000</u>
Right to Use Leases Payable					
Right to Use Lease - Utility Vehicle	2020	31,659	2.98%	2026	\$ 16,407
Right to Use Lease - Multiple Vehicles	2019	165,507	2.84%	2025	57,779
Right to Use Lease - QECB	2016	2,661,148	3.68%	2031	1,551,549
Total Right to Use Leases Payable					<u>\$ 1,625,735</u>

Changes in Long-Term Liabilities

Changes in the government's long-term liabilities for the year ended September 30, 2023 are as follows:

Governmental Activities:

Description	Balance 10/1/22	Additions	Deletions	Balance 9/30/23	Due in One Year
Bonds Payable					
General obligation bonds	\$ 620,000	\$ -	\$ (305,000)	\$ 315,000	\$ 315,000
Certificates of obligation	465,000	-	(10,000)	455,000	10,000
Total bonds payable	1,085,000	-	(315,000)	770,000	325,000
Notes payable	615,000	1,300,000	(365,000)	1,550,000	260,000
Leases payable	251,382	-	(71,819)	179,563	67,350
Compensated absences	91,887	5,033	-	96,920	-
Net other postemployment benefit obligation	187,278	1,447,954	(58,366)	1,576,866	-
Governmental activities long-term liabilities	<u>\$2,230,547</u>	<u>\$2,752,987</u>	<u>\$ (810,185)</u>	<u>\$4,173,349</u>	<u>\$ 652,350</u>

Business-type Activities:

Description	Balance 10/1/22	Additions	Deletions	Balance 9/30/23	Due in One Year
Bonds Payable					
Bonds	\$1,825,000	\$ -	\$ (270,000)	\$1,555,000	\$ 285,000
Certificates of obligation	2,190,000	-	(75,000)	2,115,000	75,000
Premium	102,151	-	(6,384)	95,767	-
Total bonds payable	4,117,151	-	(351,384)	3,765,767	360,000
Leases payable	1,835,238	-	(209,503)	1,625,735	214,269
Compensated absences	44,486	3,527	-	48,013	-
Net other postemployment benefit obligation	92,242	713,171	(28,747)	776,666	-
Business-type activities long-term liabilities	<u>\$6,089,117</u>	<u>\$ 716,698</u>	<u>\$ (589,634)</u>	<u>\$6,216,181</u>	<u>\$ 574,269</u>

.CITY OF SMITHVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

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

Governmental Activities:

Year Ended September 30,	Governmental Activities				Total	
	Bonds Payable		Notes Payable		Governmental Activities	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 325,000	\$ 21,164	\$ 260,000	\$ 36,674	\$ 585,000	\$ 57,838
2025	45,000	14,913	265,000	30,198	310,000	45,111
2026	45,000	12,888	275,000	23,529	320,000	36,417
2027	45,000	10,975	280,000	16,667	325,000	27,642
2028	50,000	9,075	285,000	9,641	335,000	18,716
2029-2033	260,000	21,038	185,000	3,043	445,000	24,081
Totals	\$ 770,000	\$ 90,053	\$ 1,550,000	\$ 119,752	\$ 2,320,000	\$ 209,805

Business-Type Activities:

Year Ended September 30,	Business-Type Activities	
	Bonds Payable	
	Principal	Interest
2024	\$ 360,000	\$ 132,950
2025	375,000	117,095
2026	390,000	100,790
2027	410,000	83,955
2028	425,000	66,590
2029-2033	780,000	231,038
2034-2038	930,000	87,388
Totals	\$ 3,670,000	\$ 819,806

J. Interfund Receivables and Payables

The composition of interfund balances as of September 30, 2023 is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Special Revenue Funds	\$ 41,150
General Fund	Capital Projects Funds	225
General Fund	Enterprise Funds	976,895
General Fund	Trust and Custodial Funds	145
Enterprise Funds	Special Revenue Funds	5,306
Total		\$ 1,023,721

.CITY OF SMITHVILLE, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

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, 2023 is as follows:

	Transfer in to:		
	Governmental Funds		
	General Fund	Nonmajor Gov. Funds	Total
Transfer out from:			
Nonmajor Gov. Funds	\$ -	\$ 28,000	\$ 28,000
Utility Fund	1,334,325	87,000	1,421,325
Total	\$ 1,334,325	\$ 115,000	\$ 1,449,325

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

Furthermore, during the year ended September 30, 2023 the government made the following one-time transfers:

1. A transfer of \$28,000 from the Capital Projects Fund to the TxDOT Sidewalk Grant Fund.
2. A transfer of \$1,421,325 from the Utility Fund consisting of \$1,334,325 and \$87,000 to the General Fund and Interest and Sinking Fund respectively.

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.

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the government's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the government.

M. Subsequent Events

As of March 1, 2024, there were no items noted requiring recording and/or disclosure.

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REQUIRED SUPPLEMENTARY INFORMATION
OTHER REPORTING

CITY OF SMITHVILLE, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Measurement Year 2022	Measurement Year 2021	Measurement Year 2020	Measurement Year 2019
A. Total pension liability				
1. Service cost	\$ 399,423	\$ 292,686	\$ 275,425	\$ 271,573
2. Interest (on the Total Pension Liability)	589,436	498,632	474,361	438,829
3. Changes of benefit terms	728,598	-	-	-
4. Difference between expected and actual experience	259,409	58,866	(83,029)	60,824
5. Changes of assumptions	-	-	-	18,673
6. Benefit payments, including refunds of employee contributions	(277,728)	(296,087)	(335,558)	(195,286)
7. Net change in total pension liability	\$ 1,699,138	\$ 554,097	\$ 331,199	\$ 594,613
8. Total pension liability - beginning	7,942,939	7,388,842	7,057,643	6,463,030
9. Total pension liability - ending	<u>\$ 9,642,077</u>	<u>\$ 7,942,939</u>	<u>\$ 7,388,842</u>	<u>\$ 7,057,643</u>
B. Plan fiduciary net position				
1. Contributions - employer	\$ 227,430	\$ 206,429	\$ 191,336	\$ -
2. Contributions - employee	167,229	146,197	137,850	135,786
3. Net investment income	(579,887)	910,174	493,228	853,570
4. Benefit payments, including refunds of employee contributions	(277,728)	(296,087)	(335,558)	(195,286)
5. Administrative expense	(5,016)	(4,210)	(3,190)	(4,822)
6. Other changes	5,987	29	(125)	(144)
7. Net change in plan fiduciary net position	\$ (461,985)	\$ 962,532	\$ 483,541	\$ 789,104
8. Plan fiduciary net position - beginning	7,941,332	6,978,800	6,495,259	5,519,857
9. Plan fiduciary net position - ending	<u>\$ 7,479,347</u>	<u>\$ 7,941,332</u>	<u>\$ 6,978,800</u>	<u>\$ 6,308,961</u>
C. Net pension liability [A.9 - B.9]	<u>\$ 2,162,730</u>	<u>\$ 1,607</u>	<u>\$ 410,042</u>	<u>\$ 748,682</u>
D. Plan fiduciary net position as a percentage of the total pension liability [B.9 / A.9]	77.57%	99.98%	94.45%	89.39%
E. Covered-employee payroll	\$ 3,336,870	\$ 2,923,941	\$ 2,757,005	\$ 2,715,726
F. Net position as a percentage of covered employee payroll [C / E]	64.81%	0.05%	14.87%	27.57%

Measurement Year 2018	Measurement Year 2017	Measurement Year 2016	Measurement Year 2015	Measurement Year 2014
\$ 250,807	\$ 234,022	\$ 214,184	\$ 197,338	\$ 171,454
407,615	377,443	347,256	331,919	326,676
-	-	-	-	-
(13,107)	26,295	73,787	24,762	(262,383)
-	-	-	40,818	-
<u>(191,255)</u>	<u>(207,054)</u>	<u>(188,818)</u>	<u>(212,038)</u>	<u>(135,516)</u>
\$ 454,060	\$ 430,706	\$ 446,409	\$ 382,799	\$ 100,231
6,008,970	5,578,264	5,131,855	4,749,056	4,648,825
<u>\$ 6,463,030</u>	<u>\$ 6,008,970</u>	<u>\$ 5,578,264</u>	<u>\$ 5,131,855</u>	<u>\$ 4,749,056</u>

\$ 172,002	\$ 154,591	\$ 129,248	\$ 142,066	\$ 29,724
126,288	118,552	108,613	105,079	99,355
(167,272)	672,056	304,080	6,584	241,945
(191,255)	(207,054)	(188,818)	(212,038)	(135,516)
(3,232)	(3,483)	(3,434)	(4,010)	(2,526)
(170)	(177)	(185)	(198)	(208)
\$ (63,639)	\$ 734,485	\$ 349,504	\$ 37,483	\$ 232,774
5,583,496	4,849,011	4,499,507	4,462,024	4,229,250
<u>\$ 5,519,857</u>	<u>\$ 5,583,496</u>	<u>\$ 4,849,011</u>	<u>\$ 4,499,507</u>	<u>\$ 4,462,024</u>
<u>\$ 943,173</u>	<u>\$ 425,474</u>	<u>\$ 729,253</u>	<u>\$ 632,348</u>	<u>\$ 287,032</u>

85.41% 92.92% 86.93% 87.68% 93.96%

\$ 2,525,752 \$ 2,371,040 \$ 2,172,253 \$ 2,101,573 \$ 1,987,091

37.34% 17.94% 33.57% 30.09% 14.44%

CITY OF SMITHVILLE, TEXAS
 SCHEDULE OF EMPLOYER CONTRIBUTIONS – NET PENSION LIABILITY
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Fiscal Year			
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Actuarially Determined Contribution	\$ 331,814	\$ 222,881	\$ 208,147	\$ 190,054
Contributions in relation to the actuarially determined contribution	<u>(331,814)</u>	<u>(222,881)</u>	<u>(208,147)</u>	<u>(190,054)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 3,451,311	\$ 3,249,073	\$ 2,961,602	\$ 2,747,477
Contributions as a percentage of covered employee payroll	9.61%	6.86%	7.03%	6.92%

Fiscal Year				
<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 179,053	\$ 168,019	\$ 147,681	\$ 132,289	\$ 138,556
<u>(179,053)</u>	<u>(168,019)</u>	<u>(147,681)</u>	<u>(132,289)</u>	<u>(138,556)</u>
<u>\$ -</u>				
\$ 2,659,919	\$ 2,496,669	\$ 2,321,089	\$ 2,140,771	\$ 2,049,642
6.73%	6.73%	6.36%	6.18%	6.76%

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CITY OF SMITHVILLE, TEXAS
NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS – NET PENSION LIABILITY
FOR THE YEAR ENDED SEPTEMBER 30, 2023

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	23 Years (longest amortization ladder)
Asset valuation method	10 Year smoothed market; 12% soft corridor
Inflation	2.50% per year
Salary increases	3.50% to 11.50%, including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes Increased city matching ratio from 1.5 - 1 to 2 - 1.
Increased statutory max to 11.50% due to plan changes.

CITY OF SMITHVILLE, TEXAS
SCHEDULE OF CHANGES IN OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Measurement Year 2022	Measurement Year 2021	Measurement Year 2020	Measurement Year 2019
A. Total pension liability				
1. Service cost	\$ 22,357	\$ 17,544	\$ 13,234	\$ 9,505
2. Interest on Total OPEB Liability	5,252	5,353	6,268	6,615
3. Changes of benefit terms	-	-	-	-
4. Difference between expected & actual experience	(25,332)	(8,191)	(9,231)	(757)
5. Changes of assumptions	(82,049)	7,533	31,477	34,333
6. Benefit payments	(7,341)	(6,433)	(1,930)	(1,901)
7. Net changes	\$ (87,113)	\$ 15,806	\$ 39,818	\$ 47,795
8. Total OPEB Liability - beginning of the year	277,915	262,109	222,291	174,496
9. Total OPEB Liability - end of the year	<u>\$ 190,802</u>	<u>\$ 277,915</u>	<u>\$ 262,109</u>	<u>\$ 222,291</u>
E. Covered-employee payroll	\$ 3,336,870	\$ 2,923,941	\$ 2,757,005	\$ 2,715,726
F. Total OPEB Liability as a Percentage of Covered Payroll	5.72%	9.50%	9.51%	8.19%

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

CITY OF SMITHVILLE, TEXAS
 SCHEDULE OF EMPLOYER CONTRIBUTIONS – NET OPEB LIABILITY
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Fiscal Year			
	2023	2022	2021	2020
Actuarially Determined Contribution	\$ 17,315	\$ 11,372	\$ 9,737	\$ 7,263
Contributions in relation to the actuarially determined contribution	(17,315)	(11,372)	(9,737)	(7,263)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$3,451,311	\$3,249,073	\$2,961,602	\$2,747,477
Contributions as a percentage of covered employee payroll	0.50%	0.35%	0.33%	0.26%

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

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CITY OF SMITHVILLE, TEXAS
 NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS – NET OPEB LIABILITY
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

Summary of Actuarial Assumptions:

Inflation	2.50%
Salary increases	3.50% to 11.50%; including inflation
Discount rate*	4.05%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements of GASB Statement No. 68.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale of UMP.
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 Scale UMP to account for future mortality improvements subject to the floor.
Notes	<p>*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2022.</p> <p>The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.</p>

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Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Debt Service Fund

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

Capital Projects Funds

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

CITY OF SMITHVILLE, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Special Revenue Funds					
	Railroad Park Fund	Police Seized Asset Fund	Drainage Project Fund	2009 TXCDBG Project	GLO CDBG- MIT Grant Fund	CLFRF
ASSETS						
Cash and cash equivalents	\$ 848	\$ 6,750	\$ -	\$ 61	\$ 220	\$ 240,363
Investments - current	-	-	-	-	-	-
Taxes receivable - delinquent	-	-	-	-	-	-
Allowance for uncoll. taxes	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-
Intergovernmental receivable	-	-	-	-	48,419	-
Total assets	<u>\$ 848</u>	<u>\$ 6,750</u>	<u>\$ -</u>	<u>\$ 61</u>	<u>\$ 48,639</u>	<u>\$ 240,363</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 43,419	\$ 1,027
Compensated absences payable	-	-	-	-	-	-
Retainage payable	-	-	-	-	-	24,232
Due to other funds	-	-	-	-	5,000	667
Unearned revenue	-	-	-	-	-	194,624
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,419</u>	<u>220,550</u>
DEF. INFLOWS OF RESOURCES						
Unavailable revenue	-	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS)						
Restricted for:						
Restricted for debt service	-	-	-	-	-	-
Restricted for federal programs	-	-	-	-	-	19,813
Committed for specific purposes	848	6,750	-	61	220	-
Total Fund balances	<u>848</u>	<u>6,750</u>	<u>-</u>	<u>61</u>	<u>220</u>	<u>19,813</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 848</u>	<u>\$ 6,750</u>	<u>\$ -</u>	<u>\$ 61</u>	<u>\$ 48,639</u>	<u>\$ 240,363</u>

Special Revenue Funds								
HOMES Project Fund	HMGP Grant Fund	TxDOT Sidewalk Grant Fund	Grant and Donation Fund	Veterans Memorial Park Fund	Smithville Cares Fund	School Resource Officer Fund	PEG Capital Fee Fund	Airport Fly- In Fund
\$ 27,135	\$ -	\$ -	\$ 35,125	\$ 8,955	\$ 1,707	\$ -	\$ 19,286	\$ 9,539
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	10,502	-	-
83,061	5,306	-	-	-	-	-	-	-
<u>\$ 110,196</u>	<u>\$ 5,306</u>	<u>\$ -</u>	<u>\$ 35,125</u>	<u>\$ 8,955</u>	<u>\$ 1,707</u>	<u>\$ 10,502</u>	<u>\$ 19,286</u>	<u>\$ 9,539</u>
\$ 83,006	\$ -	\$ -	\$ 3,109	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	1,970	-	-
-	-	-	-	-	-	-	-	-
26,951	5,306	-	-	-	-	8,532	-	-
-	-	-	32,016	-	-	-	-	-
<u>109,957</u>	<u>5,306</u>	<u>-</u>	<u>35,125</u>	<u>-</u>	<u>-</u>	<u>10,502</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
239	-	-	-	8,955	1,707	-	19,286	9,539
<u>239</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,955</u>	<u>1,707</u>	<u>-</u>	<u>19,286</u>	<u>9,539</u>
<u>\$ 110,196</u>	<u>\$ 5,306</u>	<u>\$ -</u>	<u>\$ 35,125</u>	<u>\$ 8,955</u>	<u>\$ 1,707</u>	<u>\$ 10,502</u>	<u>\$ 19,286</u>	<u>\$ 9,539</u>

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CITY OF SMITHVILLE, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS (CONCLUDED)
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

	SRF	DSF	CPF	Total
	Independence Park Fund	Interest & Sinking Fund	Capital Replacement Fund	Non-Major Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 6,284	\$ -	\$ -	\$ 356,273
Investments - current	-	413,425	544,391	957,816
Taxes receivable - delinquent	-	45,008	-	45,008
Allowance for uncoll. taxes	-	(4,501)	-	(4,501)
Accounts receivable	-	-	-	10,502
Intergovernmental receivable	-	-	-	136,786
Total assets	<u>\$ 6,284</u>	<u>\$ 453,932</u>	<u>\$ 544,391</u>	<u>\$ 1,501,884</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ 130,561
Compensated absences payable	-	-	-	1,970
Retainage payable	-	-	-	24,232
Due to other funds	-	-	225	46,681
Unearned revenue	-	-	-	226,640
Total liabilities	<u>-</u>	<u>-</u>	<u>225</u>	<u>430,084</u>
DEF. INFLOWS OF RESOURCES				
Unavailable revenue	-	40,507	-	40,507
Total deferred inflows of resources	<u>-</u>	<u>40,507</u>	<u>-</u>	<u>40,507</u>
FUND BALANCES (DEFICITS)				
Restricted for:				
Restricted for debt service	-	413,425	-	413,425
Restricted for federal programs	-	-	-	19,813
Committed for specific purposes	6,284	-	544,166	598,055
Total Fund balances	<u>6,284</u>	<u>413,425</u>	<u>544,166</u>	<u>1,031,293</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 6,284</u>	<u>\$ 453,932</u>	<u>\$ 544,391</u>	<u>\$ 1,501,884</u>

CITY OF SMITHVILLE, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Special Revenue Funds					
	Railroad Park	Police Seized	CDBG-DR	2009	GLO CDBG-	
	Fund	Asset Fund	Drainage Project Fund	TXCDBG Project	MIT Grant Fund	CLFRF
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-	-	207,216	386,631
Charges for services	-	-	-	-	-	-
Investment earnings	39	312	-	-	155	18,301
Grants and contributions	-	-	-	-	-	-
Miscellaneous revenue	-	-	446,306	-	-	-
Total revenues	39	312	446,306	-	207,371	404,932
EXPENDITURES						
Current:						
General government	25	-	-	-	202,216	213,495
Culture and recreation	-	-	-	-	-	-
Debt service:	-	-	-	-	-	-
Bond principal	-	-	-	-	-	-
Interest - bonds	-	-	-	-	-	-
Capital outlay	-	-	446,306	-	5,000	173,136
Total expenditures	25	-	446,306	-	207,216	386,631
Excess (deficiency) of revenues over expenditures	14	312	-	-	155	18,301
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
General obligation bonds issued	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balance	14	312	-	-	155	18,301
Fund balance - beginning	834	6,438	-	61	65	1,512
Fund balance - ending	\$ 848	\$ 6,750	\$ -	\$ 61	\$ 220	\$ 19,813

Special Revenue Funds

HOMES Project Fund	HMGP Grant Fund	TxDOT Sidewalk Grant Fund	Grant and Donation Fund	Veterans Memorial Park Fund	Smithville Cares Fund	School Resource Officer Fund	PEG Capital Fee Fund	Airport Fly- In Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
677,483	-	416,209	86,943	-	-	-	-	-
-	-	-	-	-	-	64,631	-	-
-	-	-	-	613	277	-	892	417
-	-	-	258,523	-	10,600	-	-	2,167
-	-	-	-	-	-	-	-	-
677,483	-	416,209	345,466	613	10,877	64,631	892	2,584
677,483	-	-	345,466	6,152	12,950	64,631	-	-
-	-	-	-	-	-	-	-	1,571
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	444,209	-	-	-	-	-	-
677,483	-	444,209	345,466	6,152	12,950	64,631	-	1,571
-	-	(28,000)	-	(5,539)	(2,073)	-	892	1,013
-	-	28,000	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	28,000	-	-	-	-	-	-
-	-	-	-	(5,539)	(2,073)	-	892	1,013
239	-	-	-	14,494	3,780	-	18,394	8,526
\$ 239	\$ -	\$ -	\$ -	\$ 8,955	\$ 1,707	\$ -	\$ 19,286	\$ 9,539

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CITY OF SMITHVILLE, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS (CONCLUDED)
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

	<u>SRF</u>	<u>DSF</u>	<u>CPF</u>	Total
	Independence Park	Interest & Sinking	Capital	Non-Major
	Fund	Fund	Replacement Fund	Governmental
				Funds
REVENUES				
Property taxes	\$ -	\$ 654,210	\$ -	\$ 654,210
Intergovernmental revenues	-	-	-	1,774,482
Charges for services	-	-	-	64,631
Investment earnings	290	18,059	39,003	78,358
Grants and contributions	-	-	-	271,290
Miscellaneous revenue	-	-	-	446,306
Total revenues	<u>290</u>	<u>672,269</u>	<u>39,003</u>	<u>3,289,277</u>
EXPENDITURES				
Current:				
General government	-	-	278,166	1,800,584
Culture and recreation	-	-	-	1,571
Debt service:	-	-	47,955	47,955
Bond principal	-	680,000	-	680,000
Interest - bonds	-	67,038	-	67,038
Capital outlay	-	-	574,292	1,642,943
Total expenditures	<u>-</u>	<u>747,038</u>	<u>900,413</u>	<u>4,240,091</u>
Excess (deficiency) of revenues over expenditures	<u>290</u>	<u>(74,769)</u>	<u>(861,410)</u>	<u>(950,814)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	87,000	-	115,000
Transfers out	-	-	(28,000)	(28,000)
General obligation bonds issued	-	-	1,300,000	1,300,000
Total other financing sources (uses)	<u>-</u>	<u>87,000</u>	<u>1,272,000</u>	<u>1,387,000</u>
Net change in fund balance	290	12,231	410,590	436,186
Fund balance - beginning	5,994	401,194	133,576	595,107
Fund balance - ending	<u>\$ 6,284</u>	<u>\$ 413,425</u>	<u>\$ 544,166</u>	<u>\$ 1,031,293</u>

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CITY OF SMITHVILLE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Property taxes	\$ 659,968	\$ 659,881	\$ 654,210	\$ (5,671)
Investment earnings	-	18,059	18,059	-
Total revenues	<u>659,968</u>	<u>677,940</u>	<u>672,269</u>	<u>(5,671)</u>
EXPENDITURES				
Current:				
Debt service:				
Bond principal	680,000	680,000	680,000	-
Interest - bonds	67,038	67,038	67,038	-
Total Expenditures	<u>747,038</u>	<u>747,038</u>	<u>747,038</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(87,070)</u>	<u>(69,098)</u>	<u>(74,769)</u>	<u>(5,671)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	87,000	87,000	87,000	-
Total Other Financing Sources (Uses)	<u>87,000</u>	<u>87,000</u>	<u>87,000</u>	<u>-</u>
Net Change in Fund Balances	(70)	17,902	12,231	(5,671)
Fund balance - beginning	401,194	401,194	401,194	-
Fund balance - ending	<u>\$ 401,124</u>	<u>\$ 419,096</u>	<u>\$ 413,425</u>	<u>\$ (5,671)</u>

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Smithville, Texas, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise City of Smithville, Texas's basic financial statements and have issued our report thereon dated March 1, 2024.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

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Purpose of This Report

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

Singleton, Clark & Company, PC

Singleton, Clark & Company, PC
Cedar Park, Texas

March 1, 2024

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Smithville, Texas's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of City of Smithville, Texas's major federal programs for the year ended September 30, 2023. City of Smithville, Texas's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Smithville, Texas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Other Matters

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

Report on Internal Control over Compliance

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

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

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

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

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

We have audited the financial statements of City of Smithville, Texas as of and for the year ended September 30, 2023, and have issued our report thereon dated March 1, 2024, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Singleton, Clark & Company, PC
Cedar Park, Texas

March 1, 2024

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CITY OF SMITHVILLE, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal ALN Number	Pass-Through	
		Entity Identifying Number	Federal Expenditures
Pass-Through Program From:			
Institute of Museum and Library Services			
Public Library Service Grant Program			
SF 2023 Interlibrary Loan Lending Reimbursement Program	45.310	903490	\$ 1,724
Total Institute of Museum and Library Services			<u>1,724</u>
United States Department of Transportation			
Texas Department of Transportation			
TASA Program - Loop 230 Sidewalks	20.205	0914-18-115	364,209
TASA Program - Main St. ADA Ramps & 1st St. Sidewalks	20.205	0265-13-024	52,000
Total Texas Department of Transportation			<u>416,209</u>
Total United States Department of Transportation			<u>416,209</u>
United States Department of Housing and Urban Development			
Texas Department of Housing and Community Affairs			
Home Investment Partnership Program	14.239	1003214	677,483
Total Texas Department of Housing and Community Affairs			<u>677,483</u>
Texas General Land Office			
CDBG - MIT Hurricane Harvey State Mitigation	14.228	22-035-020-D256	207,216
Total Texas General Land Office			<u>207,216</u>
Total United States Department of Housing and Urban Development			<u>884,699</u>
United States Department of Treasury			
Texas Division of Emergency Management			
COVID-19, Coronavirus State and Local Fiscal Recovery Fund	21.027	304-TX1742	386,631
Total United States Department of Treasury			<u>386,631</u>
Subtotal Pass-Through Programs			<u>1,689,263</u>
Total Expenditures of Federal Awards			<u>\$ 1,689,263</u>

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CITY OF SMITHVILLE, TEXAS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

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, 2023. The information in the accompanying Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, change in net position, or cash flows of the City.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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CITY OF SMITHVILLE, TEXAS
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

SECTION I – SUMMARY OF AUDITOR’S RESULTS

FINANCIAL STATEMENTS

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes No

FEDERAL AWARDS

Internal control over major programs:

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

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

Home Investment Partnership Program	Unmodified
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Any audit findings disclosed that are required to be reported in accordance with the federal Uniform Guidance? Yes No

Identification of major programs:

ALN Number(s)	Name of Federal Program or Cluster
14.239	Home Investment Partnership Program

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

Auditee qualified as low-risk auditee? Yes No

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CITY OF SMITHVILLE, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2023

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 year ended September 30, 2023.

Prior year financial statement findings as required to be restated with current status:

2022-001	Texas Bid Law Compliance
Criteria:	Under Texas Government Code Sec. 2269 and Texas Local Government Code Sec. 252, all contracts, except in the case of exemptions outlines in Texas Local Government Code Sec. 252.022, valued at \$50,000 or more in the aggregate, for each 12 month period shall be made by vendor competitive methods unless otherwise exempt
Condition Found:	During the year, the City made purchases in excess of \$50,000 with three different vendors without using a competitive purchasing method.
Cause:	The City did not solicit bids or utilize another competitive purchasing method.
Effect:	The effect of this condition is a technical noncompliance with state purchasing code.
Recommendation:	We recommend that code applicable purchases be made in a manner which is compliant with state requirements.
Current Status:	We did not note any noncompliance with bid law during the audit year.

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, 2023 and 2022.