

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



SINGLETON, CLARK
& COMPANY, PC CERTIFIED PUBLIC ACCOUNTANTS

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

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Smithville, Texas (the "City"), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

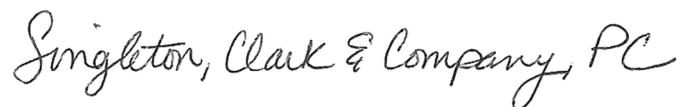
Other Information

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

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

Other Reporting Required by Government Auditing Standards

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

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

Singleton, Clark & Company, PC
Cedar Park, Texas

February 28, 2025

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

Management's Discussion and Analysis

The Management's Discussion and Analysis section of the City of Smithville, Texas's (hereafter the "City") Annual Financial Report offers readers this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2024. Please read it in conjunction with the independent auditor's report beginning on page 1 of this report and the City's basic financial statements which follow this section.

Financial Highlights

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

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's progress in funding its obligation to provide pension and OPEB benefits to its employees. Required supplementary information can be found on page 72 of this report. The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information.

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

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities by \$17,201,086 at the close of the most recent fiscal year.

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

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

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

An additional portion of the City's net position (2.9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$3,160,668 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors. At the end of the current fiscal year, the City is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

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

The City's overall net position increased by \$709,426 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

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

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

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

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

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

Financial Analysis of Governmental Funds

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

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

At September 30, 2024, the City's governmental funds reported combined fund balances of \$3,344,317, an increase of \$716,393 in comparison with the prior year. Approximately 46% of this amount, \$1,536,218, constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable, restricted, or committed*, to indicate that it is 1) not in spendable form \$14,860; 2) restricted for particular purposes \$465,230; 3) committed for particular purposes \$1,328,009.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,536,218, while total fund balance decreased to \$1,551,078. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 23% of total general fund expenditures, while total fund balance represents approximately 23% of that same amount.

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

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

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

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

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

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

General Fund Budgetary Highlights

Original budget compared to final budget. During the year there was no need for any significant amendments to increase either the original estimated revenues or original budgeted appropriations. However, there was a need to make an amendment to reallocate appropriations among departments when it became clearer which departments would actually be charged for various, unexpected expenses. The amendments made for charges for services, contributions and donations from private sources, general government, public safety, highways and streets, airport, and capital outlay expenditure line items were considered significant.

Capital Assets and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2024, amounts to \$25,203,233 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, vehicles, park facilities, roads, highways, bridges, and the water treatment plant. The total increase in capital assets for the current fiscal year was approximately 9.4%.

Capital Assets, Net of Accumulated Depreciation

	Governmental Activities 2024	Governmental Activities 2023	Change
Land	\$ 1,270,593	\$ 669,891	\$ 600,702
Infrastructure	9,998,286	\$ 9,481,498	516,788
Buildings	7,371,250	6,569,088	802,162
Furniture and equipment	4,362,393	3,221,690	1,140,703
Construction in progress	1,366,521	1,068,880	297,641
Total	24,369,043	21,011,047	3,357,996
Less accumulated depreciation	(9,933,596)	(8,933,733)	(999,863)
Capital assets, net of depreciation	\$ 14,435,447	\$ 12,077,314	\$ 2,358,133
	Business-Type Activities 2024	Business-Type Activities 2023	Change
Land	\$ 174,319	\$ 174,319	\$ -
Machinery, equipment, and vehicles	1,532,442	1,536,942	(4,500)
Construction in progress	373,775	249,845	123,930
Infrastructure	17,907,194	17,907,194	-
Total	19,987,730	19,868,300	119,430
Less accumulated depreciation	(11,217,944)	(10,738,513)	(479,431)
Capital assets, net of depreciation	\$ 8,769,786	\$ 9,129,787	\$ (360,001)

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

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

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

Outstanding Debt

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

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

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

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

Economic Factors and Next Year's Budgets and Rates

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

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

Requests for Information

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

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 541,468	\$ 432,255	\$ 973,723
Investments - current	2,582,620	1,242,635	3,825,255
Taxes receivable - delinquent	173,507	-	173,507
Allowance for uncollectible taxes	(17,350)	-	(17,350)
Accounts receivable, net	370,398	1,083,919	1,454,317
Intergovernmental receivable	576,187	100,473	676,660
Internal balances	560,923	(560,662)	261
Inventories	-	11,736	11,736
Prepaid items	15,460	6,989	22,449
Capital assets, not being depreciated:			
Land	1,270,593	174,319	1,444,912
Construction in progress	1,366,521	1,882,440	3,248,961
Capital assets, being depreciated:			
Buildings and improvements	7,371,250	-	7,371,250
Machinery, equipment, and vehicles	4,362,393	-	4,362,393
Infrastructure	9,998,286	17,930,971	27,929,257
Accumulated depreciation	(9,933,596)	(11,217,944)	(21,151,540)
Total assets	<u>19,238,660</u>	<u>11,087,131</u>	<u>30,325,791</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows NPL	728,728	358,926	1,087,654
Deferred outflows OPEB	90,644	44,645	135,289
Total deferred outflows of resources	<u>819,372</u>	<u>403,571</u>	<u>1,222,943</u>
LIABILITIES			
Accounts payable	919,992	298,027	1,218,019
Accrued salaries and benefits	91,455	33,628	125,083
Accrued liabilities	-	20,788	20,788
Retainage payable	25,088	-	25,088
Accrued interest payable	29,715	45,101	74,816
Unearned revenue	166,633	-	166,633
Other current liabilities	96,396	-	96,396
Customer deposits	3,175	113,432	116,607
Noncurrent liabilities:			
Due within one year	749,495	594,064	1,343,559
Due in more than one year	5,589,306	4,969,354	10,558,660
Total liabilities	<u>7,671,255</u>	<u>6,074,394</u>	<u>13,745,649</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows NPL	359,324	176,981	536,305
Deferred inflows OPEB	44,015	21,679	65,694
Total deferred inflows of resources	<u>403,339</u>	<u>198,660</u>	<u>601,999</u>
NET POSITION			
Net investment in capital assets	9,630,357	3,901,716	13,532,073
Restricted for debt service	480,077	-	480,077
Restricted for federal programs	28,268	-	28,268
Unrestricted	1,844,736	1,315,932	3,160,668
Total net position	<u>\$ 11,983,438</u>	<u>\$ 5,217,648</u>	<u>\$ 17,201,086</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, 2024

Functions/Programs:	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 2,798,695	\$ 215,132	\$ 526,356	\$ 1,682,913
Public safety	2,282,673	180,496	125,718	5,403
Code enforcement and inspection	149,255	-	-	-
Highways and streets	617,030	-	-	349,181
Sanitation	1,574,454	1,432,781	-	-
Health and welfare	3,529	-	-	-
Culture and recreation	1,562,763	122,898	8,870	-
Cemetery	165,947	14,030	-	-
Airport	199,974	161,652	-	-
Economic development and assistance	199,281	-	-	-
Interest and bank fees	172,916	-	-	-
Total governmental activities:	<u>9,726,517</u>	<u>2,126,989</u>	<u>660,944</u>	<u>2,037,497</u>
Business-type activities:				
Utility Fund	6,880,651	8,089,431	-	-
Total business-type activities:	<u>6,880,651</u>	<u>8,089,431</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 16,607,168</u>	<u>\$ 10,216,420</u>	<u>\$ 660,944</u>	<u>\$ 2,037,497</u>

General revenues:

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

Total general revenues

Transfers

Total general revenues, special/extraordinary item and transfers

Change in net position

Net position - beginning

Net position - ending

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

Net (Expense) Revenue and Changes in Net Position
Primary Government

<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
\$ (374,294)	\$ -	\$ (374,294)
(1,971,056)	-	(1,971,056)
(149,255)	-	(149,255)
(267,849)	-	(267,849)
(141,673)	-	(141,673)
(3,529)	-	(3,529)
(1,430,995)	-	(1,430,995)
(151,917)	-	(151,917)
(38,322)	-	(38,322)
(199,281)	-	(199,281)
(172,916)	-	(172,916)
<u>(4,901,087)</u>	<u>-</u>	<u>(4,901,087)</u>
-	1,208,780	1,208,780
-	1,208,780	1,208,780
<u>(4,901,087)</u>	<u>1,208,780</u>	<u>(3,692,307)</u>
2,466,561	-	2,466,561
971,394	-	971,394
49,588	-	49,588
139,001	-	139,001
218,606	41,322	259,928
16,325	-	16,325
199,503	299,433	498,936
<u>4,060,978</u>	<u>340,755</u>	<u>4,401,733</u>
1,537,126	(1,537,126)	-
<u>5,598,104</u>	<u>(1,196,371)</u>	<u>4,401,733</u>
697,017	12,409	709,426
11,286,421	5,205,239	16,491,660
<u>\$ 11,983,438</u>	<u>\$ 5,217,648</u>	<u>\$ 17,201,086</u>

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FUND BASIS FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Net change in fund balances for total governmental funds	\$ 716,393
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.	2,358,133
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	1,102
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(2,346,703)
The net effect of various transactions involving the net pension liability and the OPEB liability is to decrease net position.	(31,908)
Change in net position for governmental activities	<u>\$ 697,017</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 BALANCES
BUDGET AND ACTUAL – GENERAL FUND
SEPTEMBER 30, 2024

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Property taxes	\$ 1,789,989	\$ 1,764,981	\$ 1,694,981	\$ (70,000)
Sales taxes	930,000	956,727	971,394	14,667
Hotel/motel taxes	75,575	45,300	49,588	4,288
Franchise taxes	141,900	146,778	139,001	(7,777)
Licenses and permits	177,150	155,198	157,298	2,100
Intergovernmental revenues	-	-	90,136	90,136
Charges for services	1,629,080	1,727,272	1,718,494	(8,778)
Fines	57,250	59,504	52,918	(6,586)
Investment earnings	22,000	37,900	44,890	6,990
Rents and royalties	5,750	5,750	70,701	64,951
Contributions and donations, private sources	209,809	294,451	204,183	(90,268)
Miscellaneous revenue	242,500	276,269	165,911	(110,358)
Total revenues	<u>5,281,003</u>	<u>5,470,130</u>	<u>5,359,495</u>	<u>(110,635)</u>
EXPENDITURES				
Current:				
General government	548,098	593,536	589,297	4,239
Public safety	2,118,941	2,023,983	2,023,959	24
Code enforcement and inspections	136,778	131,502	132,247	(745)
Highways and streets	471,483	548,176	548,664	(488)
Sanitation	1,382,511	1,402,527	1,402,335	192
Culture and recreation	1,418,498	1,386,576	1,386,572	4
Cemetery	142,963	147,271	147,271	-
Airport	72,900	177,362	178,337	(975)
Economic development and assistance	161,297	178,092	176,756	1,336
Debt service:				
Bond principal	67,350	67,350	67,350	-
Interest - bonds	5,237	5,237	5,237	-
Capital outlay	-	113,956	113,956	-
Total Expenditures	<u>6,526,056</u>	<u>6,775,568</u>	<u>6,771,981</u>	<u>3,587</u>
Excess (deficiency) of revenues over expenditures	<u>(1,245,053)</u>	<u>(1,305,438)</u>	<u>(1,412,486)</u>	<u>(107,048)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,245,054	1,245,054	1,319,459	74,405
Total other financing sources (uses)	<u>1,245,054</u>	<u>1,245,054</u>	<u>1,366,933</u>	<u>121,879</u>
Net change in fund balances	1	(60,384)	(45,553)	14,831
Fund balance - beginning	1,596,631	1,596,631	1,596,631	-
Fund balance - ending	<u>\$ 1,596,632</u>	<u>\$ 1,536,247</u>	<u>\$ 1,551,078</u>	<u>\$ 14,831</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, 2024

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

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

CITY OF SMITHVILLE, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

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

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

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CITY OF SMITHVILLE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
SEPTEMBER 30, 2024

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

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

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

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

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS

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

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

The City is a municipal corporation governed by an elected mayor and five-member governing council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government. For the year ended September 30, 2024, based on the definition of a component unit, the City did not have any component units, blended or discretely presented, nor is the City a component unit of any other entity.

B. Government-Wide Financial Statements

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

C. Fund Financial Statements

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

The government reports the following major governmental funds:

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

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

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

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

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

The government reports the following major enterprise funds:

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

Additionally, the government reports the following fund types:

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

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

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

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

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

D. Measurement Focus and Basis of Accounting

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

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

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

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

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

E. Budgetary Information

1. Budgetary basis of accounting

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

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

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

2. Excess of expenditures over appropriations

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

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

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:

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

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

5. *Deferred outflows/inflows of resources*

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

6. *Net position flow assumption*

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

7. *Fund balance flow assumptions*

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

8. *Fund balance policies*

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

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

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

F. Revenues and Expenditures/Expenses

1. Program revenues

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

2. Property taxes

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The City levies its taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. The assessed value of the property tax roll of January 1, 2023, upon which the levy for the 2023-2024 fiscal year was based, was \$433,163,501. Taxes are delinquent if not paid by February 1st of the following calendar year. Delinquent taxes are subject to both penalty and interest charges plus 15% delinquent collection fees for attorney costs.

The tax rates assessed for the year ended September 30, 2024, to finance General Fund and Debt Service Fund operations were \$0.376543 and \$0.172409, respectively, for a total tax rate of \$0.548952 per \$100 valuation. The total tax levy for the General Fund and Debt Service Fund for the 2023-2024 fiscal year was \$2,377,860. Tax collections, including collections of prior year delinquent balances, for the year ended September 30, 2024, were 98% of the year end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting taxes.

3. Compensated absences

Vacation

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

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

Sick Leave

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

4. Proprietary funds operating and nonoperating revenues and expenses

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

II. Stewardship, Compliance and Accountability

A. Violations of Legal or Contractual Provisions

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

B. Deficit Fund Equity

For the year ended September 30, 2024 there were no funds reported with deficit fund equity.

III. Detailed Notes on All Activities and Funds

A. Cash Deposits with Financial Institution

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

B. Investments

The State Treasurer's Investment Pool (Pool) operates in accordance with state law, which requires it to meet all of the requirements of Rule 2a-7 of the Securities and Exchange Commission. See note I.G.2, *Investments*, for a discussion of how the shares in the Pool are valued. The Pool has a credit rating of AAA from Standard & Poor's Financial Services. Local government investment pools in this rating category meet the highest standards for credit quality, conservative investment policies, and safety of principal. The Pool invests in a high quality portfolio of debt securities investments legally permissible for municipalities and school districts in the state.

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

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

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

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

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

Credit risk. State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). It is the government's policy to limit its investments in these investment types to the top rating issued by NRSROs. As of June 30, 2024, the government's investment in the State Treasurer's investment pool was rated AAA by Standard & Poor's and Aaa by Moody's Investors Service.

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

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

C. Receivables

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

Governmental Funds:

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

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

Proprietary Funds:

Proprietary Funds

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

D. Capital Assets

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

Governmental Activities:

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

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

Business-Type Activities:

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

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

Governmental activities:

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

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

E. Defined Benefit Pension Plan

Plan Description

The City participates as one of more than 920 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.tmrs.com.

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

Benefits Provided

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

Employees Covered by Benefit Terms

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

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

Contributions

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

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

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

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2023, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

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

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

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 20x2 are summarized in the following table:

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

Discount Rate

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

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

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

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

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

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

Pension Plan Fiduciary Net Position

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

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

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

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

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

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

\$306,835 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year Ended Dec 31st:	Net Deferred Outflows (Inflows) of Resources
2024	\$ 148,326
2025	85,228
2026	150,902
2027	(72,278)
2028	-
Thereafter	-
Total	<u>\$ 312,178</u>

F. Other Post-Employment Benefit (OPEB) Obligations

Benefits Provided

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

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

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

Employees Covered by Benefit Terms

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

Inactive employees currently receiving benefits	32
Inactive employees entitled to but not yet receiving benefits	6
Active employees	71
	109
	109

Contributions

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

The City's contributions to the TMRS SDBF for the years September 30, 2024 and 2023 were \$15,360 and \$17,315 respectively, which equaled the required contributions each year.

Plan Assets

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

Actuarial Assumptions

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

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

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

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

Schedule of Changes in the Total OPEB Liability

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

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

The following presents the net OPEB liability of the City, calculated using the discount rate of 3.77%, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower 2.77% or 1-percentage-point higher 4.77% than the current rate:

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

Pension Plan Fiduciary Net Position

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

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

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

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

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

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

\$117,801 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability for the year ending September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in OPEB expense as follows:

Measurement Year Ended Dec 31st:	Net Deferred Outflows (Inflows) of Resources
2024	\$ (16,789)
2025	(20,913)
2026	(12,465)
2027	1,961
2028	-
Thereafter	-
Total	<u>\$ (48,206)</u>

G. Risk Management

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

H. Lease Obligations

1. Right to Use Leases

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

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

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

Governmental Activities

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

Business-Type Activities:

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

I. Long-Term Liabilities

General Obligation Bonds

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

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

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

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

Governmental Activities:

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

Business-type Activities:

Business-type Activities:

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

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

Changes in Long-Term Liabilities

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

Governmental Activities:

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

Business-type Activities:

Business-type Activities

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

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

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

Governmental Activities:

Year Ended September 30,	Governmental Activities				Total	
	Bonds Payable		Notes Payable		Governmental Activities	
	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 45,000	\$ 14,913	\$ 635,000	\$ 161,448	\$ 680,000	\$ 176,361
2026	45,000	12,888	685,000	135,279	730,000	148,167
2027	45,000	10,975	745,000	106,542	790,000	117,517
2028	50,000	9,075	780,000	75,516	830,000	84,591
2029	50,000	7,325	705,000	43,543	755,000	50,868
2030-2034	210,000	13,713	550,000	13,750	760,000	27,463
Totals	\$ 445,000	\$ 68,888	\$ 4,100,000	\$ 536,078	\$ 4,545,000	\$ 604,967

Business-type Activities:

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

J. Interfund Receivables and Payables

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

Due to/from other funds:

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

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

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

K. Interfund Transfers

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

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

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

Furthermore, during the year ended September 30, 2024 the government made the following one-time transfers:

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

L. Contingencies

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

M. Implementation of New Governmental Accounting Standard

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

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

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

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

N. Subsequent Events

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

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REQUIRED SUPPLEMENTARY INFORMATION
OTHER REPORTING

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

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

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

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

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

Fiscal Year					
<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 190,054	\$ 179,053	\$ 168,019	\$ 147,681	\$ 132,289	\$ 138,556
<u>(190,054)</u>	<u>(179,053)</u>	<u>(168,019)</u>	<u>(147,681)</u>	<u>(132,289)</u>	<u>(138,556)</u>
<u>\$ -</u>					
\$ 2,747,477	\$ 2,659,919	\$ 2,496,669	\$ 2,321,089	\$ 2,140,771	\$ 2,049,642
6.92%	6.73%	6.73%	6.36%	6.18%	6.76%

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

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

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

Other Information:

Notes There were no benefit changes during the year.

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

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

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

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

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

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

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

Summary of Actuarial Assumptions:

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

Other Information:

Notes

*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2023.

The Actuarial assumptions used in the December 31, 2023 valuation were based on the results of an actuarial experience study for the period ending December 31, 2022.

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Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Debt Service Fund

The interest & sinking fund is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of government funds.

Capital Projects Funds

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

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

	Special Revenue Funds					
	Railroad Park Fund	Police Seized Asset Fund	2009 TXCDBG Project	CLFRF	HOMES Project Fund	HMGP Grant Fund
ASSETS						
Cash and cash equivalents	\$ 705	\$ 7,124	\$ 61	\$ 65,342	\$ 239	\$ -
Investments - current	-	-	-	-	-	-
Taxes receivable - delinquent	-	-	-	-	-	-
Allowance for uncoll. taxes	-	-	-	-	-	-
Accounts receivable	-	-	31,200	-	-	-
Intergovernmental receivable	-	-	-	-	3,100	5,306
Prepaid items	-	-	-	-	-	-
Total assets	\$ 705	\$ 7,124	\$ 31,261	\$ 65,342	\$ 3,339	\$ 5,306
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Compensated absences payable	-	-	-	-	-	-
Due to other funds	-	-	31,200	-	3,100	5,306
Unearned revenue	-	-	-	38,427	-	-
Total liabilities	-	-	31,200	38,427	3,100	5,306
DEF. INFLOWS OF RESOURCES						
Unavailable revenue	-	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-	-
FUND BALANCES (DEFICITS)						
Restricted for:						
Restricted for debt service	-	-	-	-	-	-
Restricted for federal programs	-	-	-	26,915	-	-
Committed for:						
Committed for specific purposes	705	7,124	61	-	239	-
Total Fund balances	705	7,124	61	26,915	239	-
Total liabilities, deferred inflows, and fund balances	\$ 705	\$ 7,124	\$ 31,261	\$ 65,342	\$ 3,339	\$ 5,306

Special Revenue Funds								
TxDOT Sidewalk Grant Fund	Grant and Donation Fund	Veterans Memorial Park Fund	Smithville Cares Fund	School Resource Officer Fund	PEG Capital Fee Fund	Airport Fly-In Fund	Independence Park Fund	
\$ -	\$ 135,879	\$ 9,388	\$ 1,801	\$ -	\$ 20,358	\$ 10,297	\$ 6,633	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
68,837	-	-	-	36,236	-	-	-	
-	-	-	-	-	-	-	-	
-	600	-	-	-	-	-	-	
<u>\$ 68,837</u>	<u>\$ 136,479</u>	<u>\$ 9,388</u>	<u>\$ 1,801</u>	<u>\$ 36,236</u>	<u>\$ 20,358</u>	<u>\$ 10,297</u>	<u>\$ 6,633</u>	
\$ -	\$ 17,190	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
-	-	-	-	2,756	-	-	-	
68,837	2,673	-	-	33,480	-	-	-	
-	116,616	-	-	-	-	-	-	
<u>68,837</u>	<u>136,479</u>	<u>-</u>	<u>-</u>	<u>36,236</u>	<u>-</u>	<u>-</u>	<u>-</u>	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
-	-	9,388	1,801	-	20,358	10,297	6,633	
-	-	9,388	1,801	-	20,358	10,297	6,633	
<u>\$ 68,837</u>	<u>\$ 136,479</u>	<u>\$ 9,388</u>	<u>\$ 1,801</u>	<u>\$ 36,236</u>	<u>\$ 20,358</u>	<u>\$ 10,297</u>	<u>\$ 6,633</u>	

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

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

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

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

Special Revenue Funds

TxDOT Sidewalk Grant Fund	Grant and Donation Fund	Veterans Memorial Park Fund	Smithville Cares Fund	School Resource Officer Fund	PEG Capital Fee Fund	Airport Fly-In Fund	Independence Park Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
257,930	91,250	-	-	-	-	-	-
-	-	-	-	127,578	-	-	-
-	-	496	94	-	1,072	512	349
-	311,731	-	-	-	-	950	-
-	-	-	-	-	-	2,443	-
257,930	402,981	496	94	127,578	1,072	3,905	349
-	379,228	63	-	127,578	-	-	-
-	-	-	-	-	-	3,147	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
322,413	23,753	-	-	-	-	-	-
322,413	402,981	63	-	127,578	-	3,147	-
(64,483)	-	433	94	-	1,072	758	349
64,483	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
64,483	-	-	-	-	-	-	-
-	-	433	94	-	1,072	758	349
-	-	8,955	1,707	-	19,286	9,539	6,284
\$ -	\$ -	\$ 9,388	\$ 1,801	\$ -	\$ 20,358	\$ 10,297	\$ 6,633

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

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

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CITY OF SMITHVILLE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Property taxes	\$ 779,961	\$ 781,558	\$ 770,478	\$ (11,080)
Investment earnings	-	27,253	27,253	-
Total revenues	<u>779,961</u>	<u>808,811</u>	<u>797,731</u>	<u>(11,080)</u>
EXPENDITURES				
Current:				
General government	-	-	123	(123)
Debt service:				
Bond principal	690,790	690,123	690,000	123
Interest - bonds	176,171	176,171	176,171	-
Total Expenditures	<u>866,961</u>	<u>866,294</u>	<u>866,294</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(87,000)</u>	<u>(57,483)</u>	<u>(68,563)</u>	<u>(11,080)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	87,000	87,000	87,000	-
Premium on bonds issued	5,099	5,099	5,099	-
Total Other Financing Sources (Uses)	<u>92,099</u>	<u>92,099</u>	<u>92,099</u>	<u>-</u>
Net Change in Fund Balances	5,099	34,616	23,536	(11,080)
Fund balance - beginning	413,425	413,425	413,425	-
Fund balance - ending	<u>\$ 418,524</u>	<u>\$ 448,041</u>	<u>\$ 436,961</u>	<u>\$ (11,080)</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, 2024, and the related notes to the financial statements, which collectively comprise City of Smithville, Texas's basic financial statements and have issued our report thereon dated February 28, 2025.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Smithville, Texas's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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Purpose of This Report

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

Singleton, Clark & Company, PC

Singleton, Clark & Company, PC
Cedar Park, Texas

February 28, 2025

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Smithville, Texas's compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of City of Smithville, Texas's major federal programs for the year ended September 30, 2024. City of Smithville, Texas's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Smithville, Texas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2024.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Other Matters

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

Report on Internal Control over Compliance

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

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

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

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

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

We have audited the financial statements of City of Smithville, Texas as of and for the year ended September 30, 2024, and have issued our report thereon dated February 28, 2025, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Singleton, Clark & Company, PC

Singleton, Clark & Company, PC
Cedar Park, Texas

February 28, 2025

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

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

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

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal awards expenditures of City of Smithville, Texas (the “City”) under programs of the federal government for the year ended September 30, 2024. The information in the accompanying Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, change in net position, or cash flows of the City.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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CITY OF SMITHVILLE, TEXAS
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2024

SECTION I – SUMMARY OF AUDITOR’S RESULTS

FINANCIAL STATEMENTS

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes No

FEDERAL AWARDS

Internal control over major programs:

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

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

Community Development Block Grant	Unmodified
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Any audit findings disclosed that are required to be reported in accordance with the federal Uniform Guidance? Yes No

Identification of major programs:

ALN Number(s)	Name of Federal Program or Cluster
14.228	Community Development Block Grant

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

Auditee qualified as low-risk auditee? Yes No

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CITY OF SMITHVILLE, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2024

SECTION II – FINANCIAL STATEMENT FINDINGS

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

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

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

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

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