

CITY OF SMITHVILLE, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2022

DRAFT-
For Review



SINGLETON, CLARK
& COMPANY, PC CERTIFIED PUBLIC ACCOUNTANTS

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For Review

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

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FINANCIAL SECTION
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Smithville, Texas, as of September 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2023 on our consideration of City of Smithville, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City of Smithville, Texas's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Smithville, Texas's internal control over financial reporting and compliance.

Singleton, Clark & Company, PC

Singleton, Clark & Company, PC
Cedar Park, Texas

March 3, 2023

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

Management's Discussion and Analysis

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

Financial Highlights

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

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Government-wide Overall Financial Analysis

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

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

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

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

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

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

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

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

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

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

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

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

Financial Analysis of Governmental Funds

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

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

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

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

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

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

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

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

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

General Fund Budgetary Highlights

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

Capital Assets and Debt Administration

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

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

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

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

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

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

Outstanding Debt

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

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

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

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

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

Economic Factors and Next Year's Budgets and Rates

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

Requests for Information

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

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GOVERNMENT-WIDE FINANCIAL STATEMENTS
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CITY OF SMITHVILLE, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

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

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

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

Functions/Programs:	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 1,919,405	\$ 348,960	\$ 758,963	\$ 514,773
Public safety	1,656,769	111,438	-	-
Inspection	148,825	-	-	-
Highways and streets	831,734	-	-	42,040
Sanitation	1,356,131	1,139,613	-	-
Health and welfare	2,164	-	-	-
Culture and recreation	1,294,471	135,552	-	-
Cemetery	114,699	42,450	-	-
Airport	139,177	53,551	-	32,000
Economic development and assistance	141,178	-	-	-
Interest and bank fees	55,123	-	-	-
Total governmental activities:	<u>7,659,676</u>	<u>1,831,564</u>	<u>758,963</u>	<u>588,813</u>
Business-type activities:				
Utility Fund	6,775,445	7,900,152	-	-
Total business-type activities:	<u>6,775,445</u>	<u>7,900,152</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 14,435,121</u>	<u>\$ 9,731,716</u>	<u>\$ 758,963</u>	<u>\$ 588,813</u>
General revenues:				
Property taxes				
Sales taxes				
Hotel/motel taxes				
Franchise taxes				
Investment earnings				
Gain (Loss) on sale of capital assets				
Miscellaneous				
Total general revenues				
Transfers				
Total general revenues, special/extraordinary item and transfers				
Change in net position				
Net position - beginning				
Net position - ending				

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

Net (Expense) Revenue and Changes in Net Position

Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (296,709)	\$ -	\$ (296,709)
(1,545,331)	-	(1,545,331)
(148,825)	-	(148,825)
(789,694)	-	(789,694)
(216,518)	-	(216,518)
(2,164)	-	(2,164)
(1,158,919)	-	(1,158,919)
(72,249)	-	(72,249)
(53,626)	-	(53,626)
(141,178)	-	(141,178)
(55,123)	-	(55,123)
<u>(4,480,336)</u>	<u>-</u>	<u>(4,480,336)</u>
-	1,124,707	1,124,707
-	1,124,707	1,124,707
<u>(4,480,336)</u>	<u>1,124,707</u>	<u>(3,355,629)</u>

1,824,474	-	1,824,474
980,898	-	980,898
40,043	-	40,043
123,405	-	123,405
14,361	10,767	25,128
6,300	700	7,000
390,599	137,540	528,139
<u>3,380,080</u>	<u>149,007</u>	<u>3,529,087</u>
1,481,000	(1,481,000)	-
<u>4,861,080</u>	<u>(1,331,993)</u>	<u>3,529,087</u>
380,744	(207,286)	173,458
10,442,499	5,707,668	16,150,167
<u>\$ 10,823,243</u>	<u>\$ 5,500,382</u>	<u>\$ 16,323,625</u>

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FUND BASIS FINANCIAL STATEMENTS
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CITY OF SMITHVILLE, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022

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

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

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

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

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

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

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

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

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

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

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

Net change in fund balances for total governmental funds	\$ 201,266
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.	313,816
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	7,990
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to increase (decrease) net position.	(2,200)
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.	(245,466)
The net effect of various transactions involving the net pension liability and/or the net OPEB liability is to increase net position.	105,338
Change in net position for governmental activities	\$ 380,744

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

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

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

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, 2022

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

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

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

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

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

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

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

Schedule of non-cash capital and related financing activities:

Contributions of capital assets

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

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

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

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

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

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

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

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

I. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

C. Government-Wide Financial Statements

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

D. Fund Financial Statements

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

The City reports the following major governmental funds:

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

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

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

The City reports the following major enterprise funds:

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

Additionally, the City reports the following fund types:

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

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

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

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

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

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

E. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

F. Budgetary Information

1. Budgetary basis of accounting

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

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

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

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

2. Excess of expenditures over appropriations

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

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

1. Cash and cash equivalents

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

2. Investments

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

3. Inventories and prepaid items

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

4. Capital assets

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

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

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

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

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

5. Deferred outflows/inflows of resources

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

6. Net position flow assumption

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

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

7. Fund balance flow assumptions

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

8. Fund balance policies

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

H. Revenues and Expenditures/Expenses

1. Program revenues

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

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

2. *Property taxes*

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

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

3. *Compensated absences*

Vacation

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

Sick Leave

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

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

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

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

II. Stewardship, Compliance and Accountability

A. Violations of Legal or Contractual Provisions

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

B. Deficit Fund Equity

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

III. Detailed Notes on All Activities and Funds

A. Cash Deposits with Financial Institutions

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

B. Investments

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

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

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

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

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

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

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

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

C. Receivables

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

Governmental Funds:

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

Proprietary Funds:

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

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

D. Capital Assets

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

Governmental Activities:

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

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

Business-Type Activities:

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

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

Governmental activities:

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

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

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

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

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

Contributions

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

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

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2021, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

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

Inflation	2.5% per year
Overall payroll growth	3.50 to 11.50% per year, including inflation
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

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

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

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

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

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

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

Discount Rate

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

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

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

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

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

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

Pension Plan Fiduciary Net Position

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

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

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

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

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

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

\$170,097 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

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

Employees Covered by Benefit Terms

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

Inactive employees currently receiving benefits	29
Inactive employees entitled to but not yet receiving benefits	8
Active employees	63
	<u>100</u>

Contributions

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

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

Plan Assets

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

Actuarial Assumptions

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

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

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

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

Schedule of Changes in the Total OPEB Liability

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

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

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

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

Pension Plan Fiduciary Net Position

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

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

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

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

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

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

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

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

G. Risk Management

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

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

H. Lease Obligations

1. Right to Use Leases

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

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

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

I. Long-Term Liabilities

General Obligation Bonds

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

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

New Debt Issuance

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

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

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

Governmental Activities:

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

Business-type Activities:

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

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

Changes in Long-Term Liabilities

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

Governmental Activities:

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

Business-type Activities:

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

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

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

Governmental Activities:

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

Business-type Activities:

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

J. Interfund Receivables and Payables

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

Due to/from other funds:

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

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

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

K. Interfund Transfers

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

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

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

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

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

L. Contingencies

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

M. Subsequent Events

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

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

N. Implementation of New GASB Standard

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

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

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REQUIRED SUPPLEMENTARY INFORMATION
OTHER REPORTING

For Review

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

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

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

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

92.92% 86.93% 87.68% 93.96%

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

17.94% 33.57% 30.09% 14.44%

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

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

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

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

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Payroll, Closed
Remaining amortization period	24 years (longest amortization ladder)
Asset valuation method	10 Year smoothed market; 12% soft corridor
Inflation	2.50% per year
Salary increases	3.50% to 11.5%, including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rate are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes There were no benefit changes during the year.

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

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

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

6.91%

7.47%

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

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

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

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addition, a 3.5% and 3% minimum mortality rate will be reflect the impairment for younger members who became for males and females, respectively. The rates are projected on a generational basis by scale UMP to account for future improvements subject to the floor.

*The discount rate was based on the Fidelity Index's "Municipal GO AA Index" rate as of December 31, 2020.

Inflation	2.5%
Salary increases	3.50% to 11.5%; including inflation
Discount rate*	1.84%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements of GASB Statement No. 68.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who became disabled for males and females, respectively. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements subject to the floor.
Other Information:	*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2020.
Notes	The Actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

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Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Debt Service Fund

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

Capital Projects Funds

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

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

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

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

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

(CONCLUDED)

	Debt Service Funds	Capital Projects Funds	Total
	Interest & Sinking Fund	Bond Projects Fund	Capital Replacement Fund
			Non-Major Governmental Funds
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ -
Investments - current	401,194	-	134,576
Taxes receivable - delinquent	33,021	-	-
Allowance for uncoll. taxes	(3,302)	-	-
Accounts receivable	-	-	-
Intergovernmental receivable	-	-	-
Due from other funds	-	-	-
Total assets	<u>\$ 430,913</u>	<u>\$ -</u>	<u>\$ 134,576</u>
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Compensated absences payable	-	-	-
Retainage payable	-	-	-
Due to other funds	-	-	1,000
Total liabilities	<u>-</u>	<u>-</u>	<u>1,000</u>
DEF. INFLOWS OF RESOURCES			
Unavailable revenue	29,719	-	-
Total deferred inflows of resources	<u>29,719</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS)			
Restricted for:			
Restricted for debt service	401,194	-	-
Committed for:			
Committed for specific services	-	-	133,576
Total Fund balances	<u>401,194</u>	<u>-</u>	<u>133,576</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 430,913</u>	<u>\$ -</u>	<u>\$ 134,576</u>

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

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

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

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

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

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

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

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

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

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

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Smithville, Texas's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2022-001.

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City of Smithville, Texas's Response to Findings

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

Purpose of This Report

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

Singleton, Clark & Company, PC

Singleton, Clark & Company, PC
Cedar Park, Texas

March 3, 2023

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Other Matters

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

Report on Internal Control over Compliance

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

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

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

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

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

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

Singleton, Clark & Company, PC

Singleton, Clark & Company, PC
Cedar Park, Texas

March 3, 2023

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

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

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

1. BASIS OF PRESENTATION

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

SECTION I – SUMMARY OF AUDITOR’S RESULTS

FINANCIAL STATEMENTS

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? ☐ Yes ☒ No

FEDERAL AWARDS

Internal control over major programs:

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

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

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

Identification of major programs:

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

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

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

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

SECTION II – FINANCIAL STATEMENT FINDINGS

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

2022-001 Texas Bid Law Compliance

Criteria: Under Texas Government Code Sec. 2269 and Texas Local Government Code Sec. 252, all contracts, except in the case of exemptions outlined in Texas Local Government Code Sec. 252.022, valued at \$50,000 or more in the aggregate, for each 12 month period shall be made by vendor competitive methods unless otherwise exempt.

Condition Found: During the year, the City made purchases in excess of \$50,000 with three different vendors without using a competitive purchasing method.

Cause: The City did not solicit bids or utilize another competitive purchasing method.

Effect: The effect of this condition is technical noncompliance with state purchasing code.

Recommendation: We recommend that code applicable purchases be made in a manner which is compliant with state requirements.

Classification: This matter has been classified as a general compliance finding.

No findings or questioned costs required to be reported in accordance with *Government Auditing Standards* for the year ended September 30, 2021.

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

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

No findings or questioned costs required to be reported in accordance with federal Uniform Guidance for the year ended September 30, 2022.

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MAYOR
SHARON FOERSTER

MAYOR PROTEM
BILL GORDON

COUNCIL MEMBERS
JANICE BRUNO
TOM ETHEREDGE
JOANNA MORGAN
CASSIE BARRIENTOS

CITY MANAGER
ROBERT TAMBLE



317 MAIN STREET
P.O. BOX 449
SMITHVILLE, TEXAS
78957
(512) 237-3282

**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

2022-001 Texas Bid Law Compliance

Corrective Action Planned:

The City will make purchases over \$50,000 (whether individually or in the aggregate) during the course of its twelve month fiscal year in a manner which is compliant with state purchasing requirements.

Anticipated Completion Date: September 30, 2023

Contact Person: Cynthia White

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