PRELIMINARY OFFICIAL STATEMENT

Dated September 6, 2024

Rating:
S&P: "AA+"
(See "OTHER INFORMATION - RATING" herein)

NEW ISSUE – BOOK-ENTRY-ONLY

In the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, interest on the Bonds, defined below, will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein.

THE BONDS WILL BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

$7,000,000*
SMITH COUNTY, TEXAS
GENERAL OBLIGATION BONDS, SERIES 2024

Dated Date: September 15, 2024 **Due: August 15, as shown on the inside cover page**
Interest Accrues from the Date of Initial Delivery (defined below)

PAYMENT TERMS . . . Interest on the $7,000,000* Smith County, Texas, General Obligation Bonds, Series 2024 (the "Bonds") will accrue from the Date of Initial Delivery, defined below, and will be payable February 15 and August 15 of each year commencing February 15, 2025, until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the book-entry-only system described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS – BOOK-ENTRY-ONLY SYSTEM" herein. The initial Paying Agent/Registrar is Zions Bancorporation, National Association, dba Amegy Bank, Houston, Texas (see "THE BONDS – PAYING AGENT/REGISTRAR").

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Article III, Section 52, Texas Constitution, Section 1471.015, Texas Government Code, as amended, an election held within the County on November 2, 2021 (the "Election"), and an order to be adopted by the Commissioners Court of Smith County, Texas (the "County") on September 17, 2024 (the "Bond Order"). The Bonds are direct and voted obligations of the County payable from a continuing ad valorem tax levied on all taxable property within the County, legally unlimited as to rate or amount, as provided in the Bond Order (see "THE BONDS – AUTHORITY FOR ISSUANCE" and "THE BONDS – SECURITY AND SOURCE OF PAYMENT").

PURPOSE . . . Proceeds from the sale of the Bonds will be used for (i) constructing, acquiring by purchase, maintenance, and operation of macadamized, graveled, or paved roads, or in aid thereof, including but not limited to, constructing, designing, improving, extending, expanding, upgrading and/or developing roads, including right-of-way acquisition, utility relocation, drainage improvements relating to these road improvements, traffic safety, other safety, and operational improvements, and other transportation related improvements, and (ii) paying the costs of issuing the Bonds. See "THE BONDS – PURPOSE".

CUSIP PREFIX: 832033
MATURITY SCHEDULE, INTEREST RATES, PRICES AND OTHER TERMS
SEE INSIDE FRONT COVER

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the initial purchaser (the "Bond Purchaser") and subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, Dallas, Texas (see "APPENDIX C – FORM OF BOND COUNSEL'S OPINION").

DELIVERY . . . It is expected that the Bonds will be available for delivery through DTC on October 17, 2024 (the "Date of Initial Delivery").

BIDS DUE ON MONDAY, SEPTEMBER 16, 2024, BY 1:30 PM, CENTRAL TIME

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*See "CONDITIONS OF THE SALE – POST BID MODIFICATION OF PRINCIPAL AMOUNTS" in the Notice of Sale. Preliminary, subject to change.

CUSIP Prefix [(1)]: 832033

MATURITY SCHEDULE*

Maturity Date August 15	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix [(1)]
2025	$ 215,000			
2026	230,000			
2027	245,000			
2028	255,000			
2029	270,000			
2030	280,000			
2031	295,000			
2032	310,000			
2033	320,000			
2034	335,000			
2035	350,000			
2036	365,000			
2037	380,000			
2038	395,000			
2039	415,000			
2040	430,000			
2041	450,000			
2042	465,000			
2043	485,000			
2044	510,000			

(Interest Accrues from the Date of Initial Delivery)

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*See "CONDITIONS OF THE SALE – POST BID MODIFICATION OF PRINCIPAL AMOUNTS" in the Notice of Sale. Preliminary, subject to change.

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. CUSIP numbers are included herein solely for the convenience of the owners of the Bonds. None of the County, the Financial Advisor or the Bond Purchaser shall be responsible for the selection or correctness of the CUSIP numbers shown herein.

OPTIONAL REDEMPTION . . . The County reserves the right, at its option, to redeem the Bonds having stated maturities on and after August 15, 2035, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on August 15, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS - Optional Redemption").

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For purposes of compliance with Rule 15c2-12 of the United States Securities Exchange Commission ("SEC"), this document constitutes a Preliminary Official Statement of the County with respect to the Bonds that has been deemed "final" by the County as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

This Official Statement, which includes the cover page and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale. No dealer, broker, salesman or other person has been authorized by the County to give any information, or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon. This Official Statement does not constitute an offer to sell Bonds in any jurisdiction to any person to whom it is unlawful to make such an offer in such jurisdiction.

The information set forth herein has been obtained from the County and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Financial Advisor. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County or other matters described.

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE SEC AND, CONSEQUENTLY, HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTION IN WHICH THE BONDS HAVE BEEN REGISTERED, OR EXEMPTED, SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

NEITHER THE COUNTY NOR THE FINANCIAL ADVISOR MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM.

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The cover and inside cover pages hereof, this page, the appendices included herein and any addenda, supplement or amendment hereto, are part of the Official Statement.

OFFICIAL STATEMENT SUMMARY

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

THE BONDS

THE BONDS .... The $7,000,000* General Obligation Bonds, Series 2024 (the "Bonds") are issued as serial bonds maturing on August 15 in the years 2025 through and including 2044 unless any maturities are designated by the Bond Purchaser as Term Bonds.

PAYMENT OF INTEREST .... Interest on the Bonds will accrue from the respective Date of Initial Delivery and is payable February 15, 2025, and each August 15 and February 15 thereafter until maturity or prior redemption (see "THE BONDS – GENERAL" and "THE BONDS – OPTIONAL REDEMPTION").

AUTHORITY FOR ISSUANCE .... The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Article III, Section 52, Texas Constitution, Section 1471.015, Texas Government Code, as amended, an election held within the County on November 2, 2021 (the "Election"), and an order to be adopted by the Commissioners Court of Smith County, Texas (the "County") on September 17, 2024 (the "Bond Order") (see "THE BONDS – AUTHORITY FOR ISSUANCE" and "THE BONDS – SECURITY AND SOURCE OF PAYMENT").

SECURITY FOR THE BONDS .... The Bonds constitute direct and voted obligations of the County payable from the levy and collection of a direct and continuing ad valorem tax levied, without legal limit as to rate or amount, on all taxable property located within the County, as provided in the Bond Order.

QUALIFIED TAX-EXEMPT OBLIGATIONS .... The Bonds will be designated as "Qualified Tax-Exempt Obligations" for financial institutions (see "TAX MATTERS - QUALIFIED TAX-EXEMPT OBLIGATIONS FOR FINANCIAL INSTITUTIONS").

OPTIONAL REDEMPTION .... The County reserves the right, at its option, to redeem the Bonds having stated maturities on and after August 15, 2035, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on August 15, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS - Optional Redemption").

TAX EXEMPTION............................ In the opinion of Bond Counsel, the interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under the caption "TAX MATTERS" herein.

USE OF PROCEEDS .... Proceeds from the sale of the Bonds will be used for (i) constructing, acquiring by purchase, maintenance, and operation of macadamized, graveled, or paved roads, or in aid thereof, including but not limited to, constructing, designing, improving, extending, expanding, upgrading and/or developing roads, including right-of-way acquisition, utility relocation, drainage improvements relating to these road improvements, traffic safety, other safety, and operational improvements, and other transportation related improvements, and (ii) paying the costs of issuing the Bonds. See "THE BONDS – PURPOSE".

GENERAL

THE COUNTY .... Smith County, Texas was organized in 1846. The County operates as specified under the Constitution of the State of Texas and statutes which provide for a Commissioner's Court consisting of the County Judge and four Commissioners, one for each of four geographical Commissioners Precincts. The County Judge is elected for a term of four years and the Commissioners for four year staggered terms. Other major County elective officers include the County Clerk, County Tax Assessor-Collector and County Treasurer. The County Auditor is appointed for a term of two years by the State District Judges having jurisdiction in the County (see "COUNTY OFFICIALS, STAFF AND CONSULTANTS").

The County is approximately 932 square miles in area (see APPENDIX A – "GENERAL INFORMATION REGARDING THE COUNTY").

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*See "CONDITIONS OF THE SALE – BASIS FOR AWARD" in the Notice of Sale. Preliminary, subject to change.

RATING .... The Bonds are rated "AA+" by S&P Global Ratings ("S&P"). The outstanding uninsured general obligation debt of the County is rated "AA+" by S&P and "Aa1" by Moody's Investors Service ("Moody's"). No application has been made to Moody's for a rating on the Bonds (see "OTHER INFORMATION – RATING").

BOOK-ENTRY-ONLY SYSTEM......... The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the book-entry-only system described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE BONDS – BOOK-ENTRY-ONLY SYSTEM").

PAYMENT RECORD .... The County has never defaulted on payment of its debt.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated Population [(1)]	Taxable Assessed Valuation [(2)]	Taxable Assessed Valuation Per Capita	Funded Debt Outstanding at End of Year	Ratio of Funded Debt to Taxable Assessed Valuation	Funded Debt Per Capita	% of Total Tax Collections
2021	238,755	$ 19,228,155,609	$ 80,535	$ 38,745,000	0.20%	$ 162	99.65%
2022	237,186	20,373,329,107	85,896	51,275,000	0.25%	216	98.63%
2023	241,922	23,405,637,006	96,749	215,660,000	0.92%	891	99.46%
2024	241,922	27,068,125,011	111,888	211,065,000	0.78%	872	93.69% [(4)]
2025	241,922	29,342,739,786	121,290	209,665,000 [(3)]	0.71%	867	N/A

(1) Source: Smith County Comprehensive Annual Financial Report.
(2) As reported by the Smith County Appraisal District; subject to change during the ensuing year.
(3) Projected; includes the Bonds. Preliminary, subject to change.
(4) Partial collections as of July 31, 2024.

For additional information regarding the County, please contact:

Judge Neal Franklin Smith County 200 E. Ferguson, Suite 100 Tyler, Texas 75702 903.591.4600	or	Steven A. Adams, CFA Paul N. Jasin Specialized Public Finance Inc. 4925 Greenville Avenue, Suite 1350 Dallas, Texas 75206 214.373.3911

COUNTY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

Name	Title	Term Expires
Neal Franklin	County Judge	December, 2026
Pam Frederick	Commissioner Precinct 1	December, 2024
John Moore	Commissioner Precinct 2	December, 2026
Terry Phillips	Commissioner Precinct 3	December, 2024
Ralph Caraway Sr.	Commissioner Precinct 4	December, 2026

SELECTED ADMINISTRATIVE STAFF

Name	Position	Length of Service
Karen Phillips	County Clerk	14 Years
Kelli White	County Treasurer	24 Years
Gary Barber	County Tax Assessor-Collector	19 Years
Ann W. Wilson, CPA, CIO	County Auditor	24 Years

CONSULTANTS AND ADVISORS

Auditors .... Gollob Morgan Peddy PC
Tyler, Texas

Bond Counsel .... McCall, Parkhurst & Horton L.L.P.
Dallas, Texas

Financial Advisor.. Specialized Public Finance Inc.
Dallas, Texas

PRELIMINARY OFFICIAL STATEMENT RELATING TO

$7,000,000*
SMITH COUNTY, TEXAS
GENERAL OBLIGATION BONDS, SERIES 2024

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of the $7,000,000* Smith County, Texas General Obligation Bonds, Series 2024 (the "Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the order (the "Bond Order"), except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Bonds and certain information regarding the County and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the County's Financial Advisor, Specialized Public Finance Inc., Dallas, Texas, by electronic mail or upon payment of reasonable copying, handling, and delivery charges.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. A copy of the Final Official Statement pertaining to the Bonds will be submitted to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access ("EMMA") system. See "CONTINUING DISCLOSURE OF INFORMATION" herein for a description of the County's undertaking to provide certain information on a continuing basis.

DESCRIPTION OF THE COUNTY . . . The County was organized in 1846 and operates as specified under the Constitution of the State of Texas (the "State") and statutes which provide for a Commissioner's Court consisting of the County Judge and four Commissioners, one from each of four geographical Commissioner's Precincts. The County Judge is elected for a term of four years and the Commissioners are elected for four year staggered terms. Other major County elected officers include the County Clerk, County Tax Assessor-Collector and County Treasurer. The County Auditor is appointed for a term of two years by the State District Judges having jurisdiction in the County. The County covers approximately 932 square miles. The City of Tyler is the County Seat. For more information regarding the County, see "APPENDIX A – GENERAL INFORMATION REGARDING THE COUNTY."

THE BONDS

GENERAL . . . The Bonds are dated September 15, 2024, and mature on August 15 in each of the years and in the amounts shown on the inside cover page. Interest will be computed on the basis of a 360-day year consisting of twelve 30-day months, and will be payable February 15 and August 15 of each year commencing February 15, 2025 until maturity or prior redemption, and will accrue from the Date of Initial Delivery.

The definitive Bonds will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the book-entry-only system described herein (the "Book-Entry-Only System"). **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Article III, Section 52, Texas Constitution, Section 1471.015, Texas Government Code, as amended, an election held within the County on November 2, 2021 (the "Election"), and an order to be adopted by the Commissioners Court of Smith County, Texas (the "County") on September 17, 2024 (the "Bond Order").

SECURITY AND SOURCE OF PAYMENT . . . The Bonds constitute direct and voted obligations of the County payable from the levy and collection of a direct and continuing ad valorem tax levied, without legal limit as to rate or amount, on all taxable property located within the County, as provided in the Bond Order.

OPTIONAL REDEMPTION . . . The County reserves the right, at its option, to redeem the Bonds having stated maturities on and after August 15, 2035, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on August 15, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the County may select the maturities of the Bonds to be redeemed. If less than all the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot the Bond, or portions thereof, within such maturity to be redeemed. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

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*See "CONDITIONS OF THE SALE – BASIS FOR AWARD." Preliminary, subject to change.

With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Order have been met and money sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice will state that said redemption may, at the option of the County, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the County will not redeem such Bonds, and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

NOTICE OF REDEMPTION . . . Not less than 30 days prior to a redemption date for the Bonds, the County shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Bonds to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN AND ANY OTHER CONDITION TO REDEMPTION SATISFIED, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

DEFEASANCE . . . *General.* The Bond Order provides for the defeasance of the Bonds and the termination of the pledge of taxes and all other general covenants in the Bond Order under certain circumstances. Any Bond and the interest thereon shall be deemed to be paid, retired and no longer outstanding ("Defeased Bond") within the meaning of the Bond Order, except to the extent provided below for the Paying Agent/Registrar to continue payments and for the County to retain the right to call Defeased Bonds to be paid at maturity, when the payment of all principal and interest payable with respect to such Defeased Bonds to the due date or dates thereof (whether such due date or dates be by reason of maturity, or otherwise) either (1) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of defeasance) or (2) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar or a commercial bank or trust company for such payment (a) lawful money of the United States of America sufficient to make such payment, (b) Defeasance Securities (defined below) that mature as to principal and interest in such amounts and at such times as will ensure the availability, without reinvestment, of sufficient money to provide for such payment and when proper arrangements have been made by the County with the Paying Agent/Registrar for the payment of its services until after all Defeased Bonds shall have become due and payable or (c) any combination of (a) and (b). At such time as a Bond shall be deemed to be a Defeased Bond, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the ad valorem taxes levied and pledged as provided in the Bond Order, and such principal and interest shall be payable solely from such money or Defeasance Securities and thereafter the County will have no further responsibility with respect to amounts available to such Paying Agent/Registrar (or other financial institution permitted by applicable law) for the payment of such Defeased Bond, including any insufficiency therein caused by the failure of the Paying Agent/Registrar (or other financial institution permitted by law) to receive payment when due on the Defeased Securities.

The deposit under clause (2) above shall be deemed a payment of a Bond when proper notice of defeasance of such Bonds shall have been given, in accordance with the Bond Order. Any money so deposited with the Paying Agent/Registrar or a commercial bank or trust company may at the discretion of the County also be invested in Defeasance Securities, as hereinafter defined, maturing in the amounts and at the times as set forth in the Bond Order, and all income from such Defeasance Securities received by the Paying Agent/Registrar or a commercial bank or trust company that is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, shall be remitted to the County.

All money or Defeasance Securities set aside and held in trust pursuant to the provisions of the Bond Order for the payment of principal of the Bonds and premium, if any, and interest thereon, shall be applied to and used solely for the payment of the particular Bonds and premium, if any, and interest thereon, with respect to which such money or Defeasance Securities have been so set aside in trust. Until all Defeased Bonds shall have become due and payable, the Paying Agent/Registrar or a commercial bank or trust company shall perform the services of Paying Agent/Registrar for such Defeased Bonds the same as if they had not been defeased, and the County shall make proper arrangements to provide and pay for such services as required by the Bond Order.

If money or Defeasance Securities have been deposited or set aside with the Paying Agent/Registrar or a commercial bank or trust company for the payment of Bonds and such Bonds shall not have in fact been actually paid in full, no amendment of the defeasance provisions of the Bond Order shall be made without the consent of the registered owner of each Bond affected thereby.

Investments. Any escrow agreement or other instrument entered into between the County and the Paying Agent/Registrar or a commercial bank or trust company pursuant to which money and/or Defeasance Securities are held by the Paying Agent/Registrar or a commercial bank or trust company for the payment of Defeased Bonds may contain provisions permitting the investment or reinvestment of such moneys in Defeasance Securities or the substitution of other Defeasance Securities upon the satisfaction of certain requirements. All income from such Defeasance Securities received by the Paying Agent/Registrar or a commercial bank or trust company which is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, will be remitted to the County.

For the purposes of these provisions, "Defeasance Securities" means (i) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, and (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the County Commissioners adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Bonds are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent and (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the County Commissioners of the County adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent.

The County may modify the categories of Defeasance Securities that are eligible to defease the Bonds to accommodate requests from potential investors.

There is no assurance that the ratings for U.S. Treasury securities used as Defeasance Securities or those for any other Defeasance Security will be maintained at any particular rating category.

BOOK-ENTRY-ONLY SYSTEM . . . This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee's name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The County believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The County cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

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

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

All payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the County believes to be reliable, but the County does not take any responsibility for the accuracy thereof.

USE OF CERTAIN TERMS IN OTHER SECTIONS OF THIS OFFICIAL STATEMENT . . . In reading this Official Statement it should be understood that while the Bonds are in the book-entry-only system, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the book-entry-only system, and (ii) except as described above, notices that are to be given to registered owners under the Bond Order will be given only to DTC.

Information concerning DTC and the book-entry-only system has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the County, the Financial Advisor, or the respective Purchaser.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar is Zions Bancorporation, National Association, dba Amegy Bank, Houston, Texas. In the Order, the County retains the right to replace the Paying Agent/Registrar. The County covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the County agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first-class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

TRANSFER, EXCHANGE AND REGISTRATION . . . If the book-entry-only system should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer.

Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer. See "Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

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

BONDHOLDERS' REMEDIES . . . The Bond Order establishes specific events of default with respect to the Bonds. If the County defaults in the payment of the principal of or interest on the Bonds when due, or the County defaults in the observance or performance of any of the covenants, conditions, or obligations of the County, the failure to perform which materially, adversely affects the rights of the owners, including but not limited to, their prospect or ability to be repaid in accordance with the Bond Order, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the County, the Bond Order provide that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the County to make such payment or observe and perform such covenants, obligations, or conditions.

The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Bonds or the Bond Order and the County's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year.

The Bond Order does not provide for the appointment of a trustee to represent the interest of the Bondholders upon any failure of the County to perform in accordance with the terms of the Bond Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners.

On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 49 Tex. Sup. Ct. J. 819 (Tex. 2006), that a waiver of governmental immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the County's governmental immunity from a suit for money damages, Bondholders may not be able to bring such a suit against the County for breach of the Bonds or covenants in the Bond Order. Even if a judgment against the County could be obtained, it could not be enforced by direct levy and execution against the County's property. Further, the registered owners cannot themselves foreclose on property within the County or sell property within the County to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds.

Furthermore, the County is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the County avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

AMENDMENTS TO THE BOND ORDER . . . In the Bond Order, the County has reserved the right to amend the Bond Order without the consent of any owners for the purpose of amending or supplementing such Bond Order to (1) cure any ambiguity, defect or omission therein that does not materially adversely affect the interests of the owners, (2) grant additional rights or security for the benefit of the owners, (3) add events of default as shall not be inconsistent with the provisions of the Bond Order that do not materially adversely affect the interests of the owners, (4) qualify the Bond Order under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect, or (5) make such other provisions in regard to matters or questions arising under the Bond Order that are not inconsistent with the provisions thereof and which, in the opinion of Bond Counsel for the County, do not materially adversely affect the interest of the owners.

The Bond Order further provides that the owners of the respective Bonds aggregating in principal amount 51% of the outstanding Bonds shall have the right from time to time to approve any amendment not described above to the Bond Order if it is deemed necessary or desirable by the County; provided, however, that without the consent of 100% of the owners in original principal amount of the then outstanding Bonds no amendment may be made of the purpose of: (1) making any change in the maturity of any of the outstanding Bonds; (2) reducing the rate of interest borne by any of the outstanding Bonds; (3) reducing the amount of the principal, payable on any outstanding Bonds; (4) modifying the terms of payment of principal or of interest on outstanding Bonds, or imposing any condition with respect to such payment; or (5) changing the minimum percentage of principal amount of the Bonds necessary for consent to such amendment. Reference is made to the Bond Order for further provisions relating to the amendment thereof.

SOURCES AND USES OF PROCEEDS . . . The proceeds from the sale of the Bonds will be applied approximately as follows:

SOURCES OF FUNDS:		
Par Amount of Bonds	$	-
Net Reoffering Premium		-
Total Sources	$	-
USES OF FUNDS:		
Deposit to Project Construction Fund	$	-
Costs of Issuance/Rounding Amount		-
Total Uses	$	-

TAX INFORMATION

The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. Reference is made to Title I of the Texas Tax Code, as amended (the "Property Tax Code"), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

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

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property (the "10% Homestead Cap"). The 10% increase is cumulative, meaning the maximum increase is 10% times the number of years since the property was last appraised. See Table 1 for the reduction in taxable valuation attributable to the 10% Homestead Cap.

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity ("Productivity Value"). The same land may not be qualified as both agricultural and open-space land. See Table 1 for the reduction in taxable valuation attributable to valuation by Productivity Value.

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the Issuer, in establishing their tax rolls and tax rates. See "TAX INFORMATION – Issuer and Taxpayer Remedies."

PERSONAL PROPERTY . . . Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property.

FREEPORT EXEMPTIONS . . . Certain goods detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication ("Freeport Property") are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1,1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue to tax Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal. Certain goods, principally inventory, that are stored for the purposes of assembling, storing, manufacturing, processing or fabricating the goods in a location that is not owned by the owner of the goods and are transferred from that location to another location within 175 days ("Goods-in-Transit"), are exempt from ad valorem taxation unless a taxing unit takes official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax Goods-in-Transit beginning the following tax year. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include special inventories such as motor vehicles or boats in a dealer's retail inventory. A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

OTHER EXEMPT PROPERTY . . . Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property.

TAX INCREMENT FINANCING ZONES . . . A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment financing zones ("TIRZ") within its boundaries, and other overlapping taxing units may agree to contribute taxes levied against the "Incremental Value" in the TIRZ to finance or pay for project costs, as defined in Chapter 311, Texas Government Code, general located within the TIRZ. At the time of the creation of the TIRZ, a "base value" for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the "Incremental Value", and during the existence of the TIRZ, all or a portion of the taxes levied by each participating taxing unit against the Incremental Value in the TIRZ are restricted to paying project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units. See "TAX INFORMATION – COUNTY APPLICATION OF THE PROPERTY TAX CODE" for descriptions of any TIRZ created in the Issuer.

TAX ABATEMENT AGREEMENTS . . . Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years. See "TAX INFORMATION – COUNTY APPLICATION OF THE PROPERTY TAX CODE" for descriptions of any of the Issuer's tax abatement agreements.

For a discussion of how the various exemptions described above are applied by the Issuer, See "TAX INFORMATION – COUNTY APPLICATION OF THE PROPERTY TAX CODE" herein.

PUBLIC HEARING AND MAINTENANCE AND OPERATION TAX RATE LIMITATIONS . . . The following terms as used in this section have the meanings provided below:

"adjusted" means lost values are not included in the calculation of the prior year's taxes and new values are not included in the current year's taxable values. "de minimis rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted), plus the rate that produces an additional $500,000 in tax revenue when applied to the current year's taxable value, plus the debt service tax rate.

"no-new-revenue tax rate" means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year's total tax levy (adjusted) from the current year's total taxable values (adjusted).

"special taxing unit" means a county for which the maintenance and operations tax rate proposed for the current tax year is 2.5 cents or less per $100 of taxable value.

"unused increment rate" means the cumulative difference between a county's voter-approval tax rate and its actual tax rate for each of the tax years 2020 through 2022, which may be applied to a county's tax rate in tax years 2021 through 2023 without impacting the voter-approval tax rate.

"voter-approval tax rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted) multiplied by 1.035, plus the debt service tax rate, plus the "unused increment rate".

The Issuer's tax rate consists of two components: (1) a rate for funding of maintenance and operations expenditures in the current year (the "maintenance and operations tax rate"), and (2) a rate for funding debt service in the current year (the "debt service tax rate"). Under State law, the assessor for the Issuer must submit an appraisal roll showing the total appraised, assessed, and taxable values of all property in the Issuer to the Issuer Council by August 1 or as soon as practicable thereafter.

A county must annually calculate its "voter-approval tax rate" and "no-new-revenue tax rate" (as such terms are defined above) in accordance with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the county and the county tax assessor-collector for each county. A county must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If a county fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the county for the preceding tax year.

As described below, the Property Tax Code provides that if a county adopts a tax rate that exceeds its voter-approval tax rate or, in certain cases, its "de minimis rate", an election must be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

A county may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until each appraisal district in which such county participates has delivered notice to each taxpayer of the estimated total amount of property taxes owed and the county has held a public hearing on the proposed tax increase.

For cities with a population of 30,000 or more as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the voter-approval tax rate, that county must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

For cities with a population less than 30,000 as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the greater of (i) the voter-approval tax rate or (ii) the de minimis rate, the county must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate. However, for any tax year during which a county has a population of less than 30,000 as of the most recent federal decennial census and does not qualify as a special taxing unit, if a county's adopted tax rate is equal to or less than the de minimis rate but greater than both (a) the no-new-revenue tax rate, multiplied by 1.08, plus the debt service tax rate or (b) the county's voter-approval tax rate, then a valid petition signed by at least three percent of the registered voters in the county would require that an election be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

Any county located at least partly within an area declared a disaster area by the Governor of the State or the President of the United States during the current year may calculate its "voter-approval tax rate" using a 1.08 multiplier, instead of 1.035, until the earlier of (i) the second tax year in which such county's total taxable appraised value exceeds the taxable appraised value on January 1 of the year the disaster occurred, or (ii) the third tax year after the tax year in which the disaster occurred.

State law provides cities and counties in the State the option of assessing a maximum one-half percent (1/2%) sales and use tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional sales and use tax for ad valorem tax reduction is approved and levied, the no-new-revenue tax rate and voter-approval tax rate must be reduced by the amount of the estimated sales tax revenues to be generated in the current tax year.

The calculations of the no-new-revenue tax rate and voter-approval tax rate do not limit or impact the Issuer's ability to set a debt service tax rate in each year sufficient to pay debt service on all of the Issuer's tax-supported debt obligations, including the Obligations.

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

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

Owners of certain property with a taxable value of at least $50 million and situated in a county with a population of one million or more as of the most recent federal decennial census may additionally protest the determinations of appraisal district directly to a three-member special panel of the appraisal review board, selected by a State district judge, consisting of highly qualified professionals in the field of property tax appraisal.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the Issuer and provides for taxpayer referenda that could result in the repeal of certain tax increases (See "– Public Hearing and Maintenance and Operation Tax Rate Limitations".) The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

ISSUER'S RIGHTS IN THE EVENT OF TAX DELINQUENCIES . . . Taxes levied by the Issuer are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all State and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each local taxing unit, including the [Issuer], having power to tax the property. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes. At any time after taxes on property become delinquent, the [Issuer] may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the [Issuer] must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two (2) years after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, postpetition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

Levy and Collection of Taxes . . . The Issuer is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. Property within the Issuer is generally assessed as of January 1 of each year based upon the valuation of property within the Issuer as of the preceding January 1. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of a valuation process, which uses an average of the daily price of oil and gas for the prior year. Taxes are due October 1 or when billed, whichever comes later, and become delinquent after January 31 of the following year. The Property Tax Code makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 1 of each year and final installment due on August 1.

Charges for penalty and interest on the unpaid balance of delinquent taxes are made as follows:

Month	Penalty	Interest	Total
February	6%	1%	7%
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July(a)	12	6	18

(a) After July, penalty remains at 12% and interest increases at the rate of 1% each month. In addition, if an account is delinquent in July, a 20% attorney's collection fee may be added to the total tax penalty and interest charge. Under certain circumstances, taxes which become delinquent on the homestead of a taxpayer 65 years old or older incur a penalty of 8% per annum with no additional penalties or interest assessed.

In general, property subject to the Issuer's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

County Application of Tax Code . . . The County grants an exemption to the market value of the residence homestead of persons 65 years of age or older of $18,000.

The County has granted the "tax freeze" exemption for the residence homestead of persons 65 years of age or older.

See Table 1 for a listing of the amounts of the exemptions described above.

Ad valorem taxes are not levied by the County against the exempt value of residence homesteads for the payment of debt.

The County does not tax nonbusiness personal property; and the Smith County Tax Assessor-Collector collects taxes for the County.

The County does not permit split payments, and discounts are not allowed.

The County does tax freeport property.

The County does collect the additional one-half cent sales tax for reduction of ad valorem taxes.

The County has adopted a tax abatement policy.

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TABLE 1 – VALUATION, EXEMPTIONS AND AD VALOREM TAX DEBT

2024/2025 Market Valuation Established by Smith County Appraisal District	$	39,054,957,634	
Less Exemptions/Reductions at 100% Market Value:			
Residential Homestead Exemptions (Over 65 or Disabled)	$	556,627,877	
Disabled Veterans/Survivor Exemptions		384,408,095	
Homestead Cap		2,602,534,632	
Agricultural/Productivity Loss		2,377,987,604	
Freeport Exemptions		339,625,497	
Pollution Control		38,837,066	
Solar Wind		865,648	
Low Income Exemptions		25,835,002	
HB 366 Exemptions		2,105,815	
Tax Exempt Property		3,164,012,351	
Tax Abatement Reductions		219,378,261	
	$	9,712,217,848	
2024/2025 Taxable Assessed Valuation	$	29,342,739,786	
County Funded Debt Payable from Ad Valorem Taxes as of 7/31/2024	$	211,065,000	
The Bonds		7,000,000	(1)
Total Debt Payable from Ad Valorem Taxes	$	218,065,000	
Interest and Sinking Fund as of 7/31/2024	$	4,998,029	
Ratio Tax Supported Debt to 2024/2025 Taxable Assessed Valuation		0.74%	

2024 Estimated Population - 241,922
Per Capita 2024/2025 Taxable Assessed Valuation - $121,290
Per Capita Net General Obligation Debt Payable from Ad Valorem Taxes - $901

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(1) See "CONDITIONS OF THE SALE – POST BID MODIFICATION OF PRINCIPAL AMOUNTS" in the Notice of Sale. Preliminary, subject to change.

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TABLE 2 – TAXABLE ASSESSED VALUATIONS BY CATEGORY

	Taxable Assessed Valuations					
	2024		2023		2022	
Category	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 19,712,993,364	50.48%	$ 17,990,556,398	49.86%	$ 14,369,365,481	46.89%
Real, Residential, Multi-Family	1,850,531,844	4.74%	1,517,502,882	4.21%	1,245,674,499	4.06%
Real, Vacant Lots/Tracts	617,720,656	1.58%	543,799,412	1.51%	493,785,733	1.61%
Real, Acreage (Land Only)	2,481,915,522	6.35%	2,456,380,705	6.81%	2,274,820,645	7.42%
Real, Farm and Ranch Improvements	2,681,211,596	6.87%	2,569,794,941	7.12%	2,097,930,585	6.85%
Real, Commercial	4,131,625,247	10.58%	3,594,851,552	9.96%	3,395,289,755	11.08%
Real, Industrial	502,597,184	1.29%	499,383,600	1.38%	480,749,935	1.57%
Real, Oil, Gas and Other Mineral Reserves	287,889,405	0.74%	360,434,186	1.00%	239,138,507	0.78%
Real and Tangible Personal, Utilities	11,922,949	0.03%	11,491,558	0.03%	63,643,070	0.21%
Tangible Personal, Business	588,917,968	1.51%	616,672,101	1.71%	669,461,397	2.18%
Utilities, Tangible Personal, Other	1,644,366,367	4.21%	1,621,398,340	4.49%	1,438,494,202	4.69%
Tangible Personal, Other Industrial	1,017,980,583	2.61%	976,048,124	2.71%	670,304,627	2.19%
Tangible Personal, Other, Mobile Homes	160,732,741	0.41%	178,483,564	0.49%	157,299,144	0.51%
Real Property, Inventory	-	0.00%	-	0.00%	-	0.00%
Real Inventory	27,755,868	0.07%	35,398,196	0.10%	21,464,536	0.07%
Special Inventory	122,863,901	0.31%	128,206,716	0.36%	125,373,361	0.41%
Tax Exempt Property, Real	3,213,932,439	8.23%	2,980,323,303	8.26%	2,903,456,577	9.47%
No SPTD Code	-	0.00%	-	0.00%	-	0.00%
Total Appraised Value Before Exemptions	$ 39,054,957,634	100.00%	$ 36,080,725,578	100.00%	$ 30,646,252,054	100.00%
Less: Total Exemptions/Reductions	9,712,217,848		9,012,600,567		7,240,615,048	
Add: Protested Value not in Dispute	-		-		-	
Taxable Assessed Value	$ 29,342,739,786		$ 27,068,125,011		$ 23,405,637,006	

	Taxable Assessed Valuations			
	2021		2020	
Category	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 11,687,817,701	44.11%	$ 10,997,790,619	43.09%
Real, Residential, Multi-Family	1,029,993,207	3.89%	847,740,055	3.32%
Real, Vacant Lots/Tracts	381,344,645	1.44%	374,272,435	1.47%
Real, Acreage (Land Only)	2,314,770,060	8.74%	2,266,560,042	8.88%
Real, Farm and Ranch Improvements	1,744,529,769	6.58%	1,637,270,448	6.41%
Real, Commercial	3,247,772,678	12.26%	3,073,844,690	12.04%
Real, Industrial	267,167,867	1.01%	459,208,880	1.80%
Real, Oil, Gas and Other Mineral Reserves	163,006,162	0.62%	209,303,654	0.82%
Real and Tangible Personal, Utilities	60,366,699	0.23%	56,767,713	0.22%
Tangible Personal, Business	520,900,410	1.97%	502,072,775	1.97%
Utilities, Tangible Personal, Other	1,341,423,286	5.06%	1,300,970,868	5.10%
Tangible Personal, Other Industrial	624,814,017	2.36%	744,911,937	2.92%
Tangible Personal, Other, Mobile Homes	93,572,835	0.35%	92,751,682	0.36%
Real Property, Inventory	-	0.00%	-	0.00%
Real Inventory	63,536,127	0.24%	72,320,774	0.28%
Special Inventory	100,342,503	0.38%	91,862,550	0.36%
Tax Exempt Property, Real	2,856,804,361	10.78%	2,795,992,847	10.95%
No SPTD Code	-	0.00%	-	0.00%
Total Appraised Value Before Exemptions	$ 26,498,162,327	100.00%	$ 25,523,641,969	100.00%
Less: Total Exemptions/Reductions	6,327,626,084		6,295,486,360	
Add: Protested Value not in Dispute	202,792,864		-	
Taxable Assessed Value	$ 20,373,329,107		$ 19,228,155,609	

Source: Smith County Appraisal District; subject to change during the ensuing year.

TABLE 3 - VALUATION AND AD VALOREM TAX DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population [1]	Taxable Assessed Valuation [2]	Taxable Assessed Valuation Per Capita	Funded Debt Outstanding at End of Year	Ratio of Funded Debt to Taxable Assessed Valuation	Funded Debt Per Capita
2021	238,755	$ 19,228,155,609	$ 80,535	$ 38,745,000	0.20%	$ 162
2022	237,186	20,373,329,107	85,896	51,275,000	0.25%	216
2023	241,922	23,405,637,006	96,749	215,660,000	0.92%	891
2024	241,922	27,068,125,011	111,888	211,065,000	0.78%	872
2025	241,922	29,342,739,786	121,290	209,665,000 [3]	0.71%	867

(1) Source: Smith County Comprehensive Annual Financial Report.
(2) As reported by the Smith County Appraisal District; subject to change during the ensuing year.
(3) Projected; includes the Bonds. Preliminary, subject to change.

TABLE 4 – TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2020	$ 0.34500	$ 0.30580	$ 0.03920	$ 60,931,901	98.44%	99.55%
2021	0.33500	0.30762	0.02738	61,998,705	98.54%	99.65%
2022	0.33500	0.31047	0.02454	65,001,562	98.17%	98.63%
2023	0.33000	0.29419	0.03581	72,354,718	98.42%	99.46%
2024	0.34726	0.29419	0.05308	87,354,046	97.99% [1]	93.69% [1]

(1) Partial collections as of July 31, 2024.

TABLE 5 – TEN LARGEST TAXPAYERS [1]

Name of Taxpayer	2023/2024 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Oncor Electric Delivery Co.	$ 263,810,914	0.97%
Delek Refining Ltd.	251,979,516	0.93%
Tyler Regional Hospital, LLC	202,148,130	0.75%
Brookshire Grocery Co.	175,667,617	0.65%
Dayton Hudson/Target	167,184,577	0.62%
Trane/American Standard Inc.	119,225,766	0.44%
Wal-Mart/Sam's East	99,081,331	0.37%
Sanderson Farms	75,860,993	0.28%
Tyler Broadway/Centennial LP	71,023,160	0.26%
United Telephone Co. of Texas	67,453,887	0.25%
	$ 1,493,435,891	5.52%

(1) Based on 2023/2024 Taxable Assessed Value of $27,068,125,011.

TAX RATE LIMITATIONS

Limited Tax Debt Payable from the $0.80 Constitutional Tax Rate . . . Section 1301.003 of the Texas Government Code limits the amount of bonds that may be issued for certain purposes as follows:

Courthouse Bonds	2% of Assessed Valuation
Jail Bonds	1 1/2% of Assessed Valuation
Courthouse and Jail Bonds	3 1/2% of Assessed Valuation
Road and Bridge Bonds	1 1/2% of Assessed Valuation

However, courthouse, jail and certain other types of bonds may be issued under the authority of Section 1473.101 of the Texas Government Code which removes the above limitations.

Article VIII, Section 9, of the Texas Constitution, imposes a limit of $0.80 per $100 Assessed Valuation for all constitutional purposes, including the General Fund, Permanent Improvement Fund, Road and Bridge Fund and Jury Fund, and debt service of bonds, notes, warrants and anticipation notes issued against such funds. Administratively, the Attorney General of the State of Texas will permit allocation of $0.40 of the $0.80 constitutional tax rate for debt service. The Texas Constitution also authorizes (i) a special Road and Bridge Tax for the further maintenance of the public roads not to exceed $0.15 per $100 of assessed valuation, none of which may be used for payment of debt service, and (ii) a tax for Farm-to-Market or Flood Control purposes not to exceed $0.30 per $100 of assessed valuation.

Unlimited Tax Road Bonds . . . Article III, Section 52, Texas Constitution, authorizes the County to levy a separate tax, without legal limit as to rate, to pay debt service on County road bonds issued pursuant to such authority. Article III, Section 52 of the Texas Constitution also provides that unlimited tax bond debt (including unlimited tax road bond debt) may not exceed 25% of the County's assessed valuation of real property. The Bonds are unlimited tax road bond debt.

Road Maintenance (Special Road and Bridge Tax) . . . Imposed by Texas Constitution (Article VIII, Section 9), $0.15 per $100 assessed valuation, no part of which may be used for debt service.

Farm-to-Market and Flood Control Purposes . . . Imposed by Texas Constitution (Article VIII, Section 1-a), $0.30 per $100 assessed valuation after exemption of residential homesteads up to $3,000; no allocation prescribed by statute between debt service and maintenance.

TABLE 6 – TAX ADEQUACY (1)

2024 Principal and Interest Requirements	$ 13,671,198
$ 0.0481 Tax Rate at 97% Collection Produces	$ 13,690,442
Average Annual Principal and Interest Requirements, 2024-2048	$ 14,666,623
$ 0.0516 Tax Rate at 97% Collection Produces	$ 14,686,628
Maximum Annual Principal and Interest Requirements, 2028	$ 19,465,169
$ 0.0684 Tax Rate at 97% Collection Produces	$ 19,468,321

(1) Projected; includes the Bonds. Preliminary, subject to change.

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TABLE 7 – ESTIMATED OVERLAPPING DEBT

Expenditures of the various taxing entities within the territory of the County are paid out of ad valorem taxes levied by such entities on properties within the County. Such entities are independent of the County and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax bonds ("Tax Debt") was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the County, the County has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional bonds since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the County.

Taxing Jurisdiction	Total Tax Supported Debt	Estimated % Applicable	County's Overlapping Tax Supported Debt as of 7/31/24
Smith County	$ 218,065,000	100.00%	$ 218,065,000 [(1)]
Cities			
City of Arp	$ 2,663,000	100.00%	$ 2,663,000
City of Bullard	6,558,000	82.16%	5,388,053
City of Lindale	14,719,767	100.00%	14,719,767
City of Overton	46,000	10.57%	4,862
City of Troup	1,381,000	95.59%	1,320,098
City Whitehouse	20,089,000	100.00%	20,089,000
City Winona	-	100.00%	-
Total Cities			$ 44,184,780
School Districts			
Arp ISD	$ 15,090,000	100.00%	$ 15,090,000
Bullard ISD	153,647,000	74.66%	114,712,850
Chapel Hill ISD	99,504,000	100.00%	99,504,000
Gladewater ISD	26,314,525	37.17%	9,781,109
Lindale ISD	57,424,843	100.00%	57,424,843
Troup ISD	4,790,000	72.48%	3,471,792
Tyler ISD	405,020,000	100.00%	405,020,000
Van ISD	33,449,447	24.07%	8,051,282
Whitehouse ISD	95,990,000	100.00%	95,990,000
Winona ISD	36,725,000	100.00%	36,725,000
Total School Districts			$ 845,770,876
Special Districts			
East Texas MUD	$ 4,115,000	100.00%	$ 4,115,000
Tyler JCD	46,865,000	94.25%	44,170,263
Kilgore JCD	5,000,000	6.40%	320,000
			$ 48,605,263
Total Direct and Overlapping Tax Supported Debt			$ 1,156,625,918
Ratio of Direct and Overlapping Tax Supported Debt to 2024 Taxable Assessed Valuation			3.94%
Per Capita Overlapping Tax Supported Debt			$ 4,781

(1) Includes the Bonds. Preliminary, subject to change.

DEBT INFORMATION

TABLE 8 – PRO-FORMA DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 9/30	Outstanding Debt Principal	Outstanding Debt Interest	Outstanding Debt Total	The Bonds (1) Principal	The Bonds (1) Interest	The Bonds (1) Total	Total Debt Service Requirements
2024	$ 4,595,000	$ 9,076,198	$ 13,671,198	$ -	$ -	$ -	$ 13,671,198
2025	8,185,000	9,605,731	17,790,731	215,000	258,215	473,215	18,263,946
2026	6,325,000	9,293,756	15,618,756	230,000	301,188	531,188	16,149,944
2027	9,545,000	9,061,731	18,606,731	245,000	289,688	534,688	19,141,419
2028	10,265,000	8,667,731	18,932,731	255,000	277,438	532,438	19,465,169
2029	9,460,000	8,274,481	17,734,481	270,000	264,688	534,688	18,269,169
2030	8,105,000	7,912,931	16,017,931	280,000	251,188	531,188	16,549,119
2031	7,285,000	7,573,156	14,858,156	295,000	237,188	532,188	15,390,344
2032	6,490,000	7,252,231	13,742,231	310,000	223,913	533,913	14,276,144
2033	6,815,000	6,926,731	13,741,731	320,000	210,738	530,738	14,272,469
2034	7,150,000	6,592,325	13,742,325	335,000	197,138	532,138	14,274,462
2035	7,490,000	6,248,325	13,738,325	350,000	182,900	532,900	14,271,225
2036	7,855,000	5,886,581	13,741,581	365,000	168,025	533,025	14,274,606
2037	8,170,000	5,568,606	13,738,606	380,000	152,513	532,513	14,271,119
2038	8,500,000	5,237,153	13,737,153	395,000	136,363	531,363	14,268,516
2039	8,915,000	4,824,512	13,739,512	415,000	119,575	534,575	14,274,087
2040	9,350,000	4,390,969	13,740,969	430,000	101,938	531,938	14,272,906
2041	9,795,000	3,944,047	13,739,047	450,000	83,663	533,663	14,272,709
2042	10,270,000	3,474,944	13,744,944	465,000	64,538	529,538	14,274,481
2043	9,615,000	3,005,181	12,620,181	485,000	44,775	529,775	13,149,956
2044	10,085,000	2,533,575	12,618,575	510,000	22,950	532,950	13,151,525
2045	10,580,000	2,038,819	12,618,819	-	-	-	12,618,819
2046	10,255,000	1,519,706	11,774,706	-	-	-	11,774,706
2047	10,755,000	1,017,281	11,772,281	-	-	-	11,772,281
2048	9,805,000	490,250	10,295,250	-	-	-	10,295,250
	$ 215,660,000	$ 140,416,953	$ 356,076,953	$ 7,000,000	$ 3,588,615	$ 10,588,615	$ 366,665,568

(1) Interest on the Bonds has been calculated at an assumed rate as of the posted date of the Preliminary Official Statement for purposes of illustration. Preliminary, subject to change.

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TABLE 9 – INTEREST AND SINKING FUND BUDGET PROJECTION

Tax Supported Debt Service Requirements, Fiscal Year Ending 9/30/24		$ 13,671,198 (1)
Interest and Sinking Fund, 9/30/23	$ 598,638	
Budgeted Interest and Sinking Fund Tax Collections @ 97%	13,936,728	
Investment Proceeds	-	14,535,366
Estimated Balance, 9/30/24		$ 864,168

(1) Projected; includes the Bonds. Preliminary, subject to change.

TABLE 10 – AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

Purpose	Date Authorized	Amount Authorized	Amount Heretofore Issued	Authorization Being Used	Unissued Balance
Road Improvements	11/2/2021	$ 45,000,000	$ 18,000,000	$ 7,000,000 (1)	$ 20,000,000
Total		$ 45,000,000	$ 18,000,000	$ 7,000,000	$ 20,000,000

(1) Preliminary, subject to change.

ISSUANCE OF ADDITIONAL DEBT . . . The County does not anticipate issuing any additional general obligation debt within the next twelve months.

OTHER OBLIGATIONS

LEASES . . . The County is involved in various leasing arrangements for land, buildings, equipment and land use rights which are leased mainly to commercial customers. With the implementation of GASB Statement No. 87 Leases, effective the fiscal year ended September 30, 2022, all leases were analyzed and classified as either qualified or non-qualified leases, for both lessor and lessee positions. With this implementation, a respective receivable or payable is recognized.

See APPENDIX B – "EXCERPTS FROM THE SMITH COUNTY, TEXAS ANNUAL FINANCIAL REPORT" – Note IX. section for information regarding the County's Leases.

DEFINED BENEFIT PENSION PLAN . . . The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees is responsible for the administration of the statewide agent multi-employer public employee retirement system. TCDRS in the aggregate issues a comprehensive annual financial report (ACFR) on a calendar year basis. The ACFR is available upon written request from TCDRS Board of Trustees at P. O. Box 2034, Austin, Texas 78768-2034 or the website at www.TCDRS.org.

See APPENDIX B – "EXCERPTS FROM THE SMITH COUNTY, TEXAS ANNUAL FINANCIAL REPORT" – Note XII. section for information regarding the County's Pension Plan.

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FINANCIAL INFORMATION

TABLE 11 – STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS

	Fiscal Year Ending September 30,				
	2023	2022	2021	2020	2019
Revenues:					
Property Taxes	$ 72,695,757	$ 64,854,155	$ 62,211,018	$ 61,042,100	$ 56,349,786
Licenses and Other Taxes	29,835,293	28,366,684	25,132,160	21,489,070	20,613,031
Fees of Office	16,357,990	16,713,340	15,947,007	15,158,666	15,364,384
Fines	1,856,332	901,161	938,219	1,041,445	1,211,487
Intergovernmental Revenues	20,222,636	16,795,611	12,174,943	11,210,657	4,213,702
Other Revenues and Fees	11,010,929	4,065,884	3,750,379	4,414,663	5,222,869
Total Revenues	$ 151,978,937	$ 131,696,835	$ 120,153,726	$ 114,356,601	$ 102,975,259
Expenditures:					
General and Administrative	$ 24,038,120	$ 24,306,109	$ 17,854,760	$ 22,190,539	$ 17,431,196
Justice System	25,651,067	23,201,277	21,141,976	20,587,143	20,709,745
Public Safety	24,464,786	20,947,527	17,236,844	16,935,004	15,559,895
Corrections & Rehabilitation	31,822,335	29,319,416	28,498,838	26,163,204	25,873,743
Health and Welfare	988,570	3,495,664	7,207,772	1,187,247	1,168,119
Infrastructure & Environmental	5,208,334	5,393,425	3,456,302	5,639,464	7,404,914
Community & Economic Development	226,618	300,382	458,902	732,357	938,397
Capital Outlay	40,365,158	18,519,149	16,178,562	16,436,607	14,946,610
Debt Service:					
Principle Retirement	6,220,547	4,890,290	6,999,245	5,384,937	6,220,183
Bond Issuance Costs	1,582,052	1,175,506	87,000	85,000	104,587
Interest & Fiscal Charges	591,288	136,250	1,220,698	1,282,647	1,166,053
Total Expenses	$ 161,158,875	$ 131,684,995	$ 120,340,899	$ 116,624,149	$ 111,523,442
Excess (Deficiency) of Revenues Over Expenditures	$ (9,179,938)	$ 11,840	$ (187,173)	$ (2,267,548)	$ (8,548,183)
Other Financing Sources (Uses):					
Issuance of Debt	$ 170,505,000	$ 17,270,000	$ 7,425,000	$ 7,125,000	$ 11,320,000
Premium on Long-term Debt	9,086,288	866,250	412,000	710,000	784,587
Sale of Equipment	136,034	87,420	125,930	21,652	40,745
Insurance Proceeds	121,895	278,043	243,744	43,281	377,848
Transfers In	17,048,710	8,526,955	7,950,000	8,201,228	7,439,070
Transfers Out	(17,048,710)	(8,526,955)	(7,950,000)	(8,201,228)	(7,439,070)
Proceeds from Leases	185,386	351,879	-	-	-
Proceeds from SBITAs	1,384,154				
Total Other Financing Sources Uses	$ 181,418,757	$ 18,853,592	$ 8,206,674	$ 7,899,933	$ 12,523,180
Net Change in Fund Balance	$ 172,238,819	$ 18,865,432	$ 8,019,501	$ 5,632,385	$ 3,974,997
Beginning Fund Balance	103,244,228	84,378,796	76,359,295 (1)	71,182,057	67,207,060
Other Increase (Decrease) in Fund Balance	-	-	-	-	-
Prior Period Adjustment	-	-	-	(455,146)	-
Ending Fund Balance	$ 275,483,047	$ 103,244,228	$ 84,378,796	$ 76,359,296	$ 71,182,057

Source: Smith County Comprehensive Annual Financial Reports.

(1) Restated.

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TABLE 12 – CHANGE IN NET POSITION

	Fiscal Year Ending September 30,				
	2023	2022	2021	2020	2019
Program Revenues:					
Charges for Services	$ 20,006,499	$ 19,086,010	$ 19,718,892	$ 16,814,943	$ 17,206,442
Operating Grants & Contributions	10,909,444	8,072,052	13,365,211	13,253,418	5,930,987
Capital Grants & Contributions	10,939,520	10,350,803	426,219	864,766	865,864
General Revenues:					
Property Taxes	72,698,640	65,085,868	62,151,500	60,853,157	56,329,278
Other Taxes	29,835,293	28,366,684	25,132,160	21,489,070	20,613,031
Miscellaneous	180,880	176,821	102,725	197,793	520,479
Gain on Sale of Assets	101,095	(10,284)	125,930	21,652	(51,425)
Proceeds from Leases	185,386	351,879	694,427	1,179,398	2,110,021
Proceeds from SBITAs	1,384,154	-	-	-	-
Interest	7,620,466	1,363,603	-	-	-
Total Revenues	$ 153,861,377	$ 132,843,436	$ 121,717,064	$ 114,674,197	$ 103,524,677
Expenses:					
General Government	$ 27,336,696	$ 24,748,638	$ 18,735,826	$ 23,262,579	$ 18,333,708
Justice System	23,550,551	20,559,327	20,947,538	20,959,685	22,166,443
Public Safety	23,801,747	20,147,187	18,226,954	18,648,538	17,026,261
Health and Welfare	961,835	3,503,083	7,172,361	2,041,849	1,111,532
Infrastructure	12,623,330	11,555,874	9,327,905	11,056,090	11,644,610
Corrections & Rehabilitation	30,623,047	29,613,043	30,636,954	28,087,621	28,668,267
Community & Economic Development	226,618	300,382	458,902	732,357	938,397
Interest on Long Term Debt	2,728,838	913,115	1,287,772	1,311,721	1,282,171
Total Expenses	$ 121,852,662	$ 111,340,649	$ 106,794,212	$ 106,100,440	$ 101,171,389
Increase (Decrease) in Net Position	$ 32,008,715	$ 21,502,787	$ 14,922,852	$ 8,573,757	$ 2,353,288
Net Position - Beginning	112,027,974	90,525,187	75,602,335	67,483,724	65,130,436
Prior Period Adjustment (GASB 75)	-	-	-	-	-
Other Increases (Decreases) in Fund Balance	-	-	-	(455,146.00)	-
Net Position - Ending	$ 144,036,689	$ 112,027,974	$ 90,525,187	$ 75,602,335	$ 67,483,724

Source: Smith County Comprehensive Annual Financial Reports.

FINANCIAL POLICIES . . . For a summary of significant accounting policies, See APPENDIX B – "EXCERPTS FROM THE SMITH COUNTY, TEXAS ANNUAL FINANCIAL REPORT" – Note I.

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INVESTMENTS

The County invests its investible funds in investments authorized by State law in accordance with investment policies approved by the Commissioners Court of the County. Both State law and the County's investment policies are subject to change.

INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE COUNTY . . . Under Texas law, the County is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, or the National Credit Union Share Insurance Fund or its successor; (8) certificates of deposit (i) meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code) that are issued by or through an institution that either has its main office or a branch in Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (7) or in any other manner and amount provided by law for County deposits or, (ii) where (a) the funds are invested by the County through (I) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the County as required by law or (II) a depository institution that has its main office or a branch office in the State of Texas that is selected by the County; (iii) the broker or the depository institution selected by the County arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the County; (iv) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (v) the County appoints the depository institution selected under (ii) above, an entity as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission (the "SEC") and operating pursuant to SEC Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the County with respect to the certificates of deposit issued for the account of the County; (9) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a contribution of cash and obligations described in clause (1) which are pledged to the County, and in the County's name and deposited at the time the univested is made with the County or with a third party selected and approved by the County and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (10) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P- 1" or the equivalent by at least one nationally recognized credit rating agency; (11) commercial paper with a stated maturity of 270 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (12) no-load money market mutual funds registered with and regulated by the SEC and complies with SEC Rule 2a-7 (17 C.F.R. Section 270.2a-7); and (13) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and either (a) a duration of one year or more and invest exclusively in obligations described in under this heading, or (b) a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described below.

A political subdivision such as the County may enter into securities lending programs if (i) the value of the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (7) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (7) above, clauses (11) through (13) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the County, held in the County's name and deposited at the time the investment is made with the County or a third party designated by the County; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

An eligible political subdivision such as the County may enter into hedging transactions, including hedging contracts, related security, credit, and insurance agreements in connection with commodities used the political subdivision in its general operations, with the acquisition or construction of a capital project, or with an eligible project. A hedging transaction must comply with the regulations of the Commodity Futures Trading Commission and the SEC. The political subdivision may pledge to such contracts or agreements any general or special revenues or funds it is authorized by law to pledge to the payment of any other obligations. The political subdivision's cost under such contract or agreement may be considered an operations and maintenance expense, an acquisition costs, a project cost, or a construction expense.

The County may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than “AAA” or “AAAm” or an equivalent by at least one nationally recognized rating service. The County may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the County retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the County must do so by order, ordinance, or resolution.

The County is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Under Texas law, the County is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for County funds, the maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Texas Public Funds Investment Act. All County funds must be invested consistent with a formally adopted “Investment Strategy Statement” that specifically addresses each fund’s investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, the County’s investments must be made “with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived.” At least quarterly the County’s investment officers must submit an investment report to the Commissioners Court detailing: (1) the investment position of the County, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, and any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategies and (b) Texas law. No person may invest County funds without express written authority from the Commissioners Court.

Under Texas law, the County is additionally required to: (1) annually review its adopted policies and strategies, (2) require any investment officers with personal business relationships or family relationships with firms seeking to sell securities to the County to disclose the relationship and file a statement with the Texas Ethics Commission and the County, (3) require the registered principal of firms seeking to sell securities to the County to: (a) receive and review the County’s investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and adherence to the County’s investment policy, (5) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement, (6) restrict the investment in non-money market mutual funds in the aggregate to no more than 15% of the County’s monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, (7) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements and (8) provide specific investment training for the Treasurer, the chief financial officer (if not the Treasurer) and the investment officer.

TABLE 13 – CURRENT INVESTMENTS

As of July 31, 2024 the County’s investable funds were invested in the following categories:

Investments	Market Value	% of Total
LOGIC	$ 37,686,438	10.20%
TexStar	5,453,449	1.48%
Bank Accounts	326,503,794	88.33%
	$ 369,643,681	100.00%

TAX MATTERS

OPINION . . . On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986, as amended (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See "APPENDIX C – FORM OF BOND COUNSEL'S OPINION."

In rendering its opinion, Bond Counsel will rely upon (a) the County's federal tax certificate and (b) covenants of the County with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Bonds and certain other matters. Failure of the County to comply with these representations or covenants could cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel is conditioned on compliance by the County with the covenants and the requirements described in the preceding paragraph, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. Existing Law is subject to change by Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the County with respect to the Bonds or the property financed or refinanced with proceeds of the Bonds. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the County as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

FEDERAL INCOME TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT . . . The initial public offering price to be paid for one or more maturities of the Bonds may be less than the principal amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each accrual period and ratably within each such accrual period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

COLLATERAL FEDERAL INCOME TAX CONSEQUENCES . . . The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with Subchapter C earnings and profits, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM LEGISLATION OR FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a “market discount” and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to “market discount bonds” to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A “market discount bond” is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the “revised issue price” (i.e., the issue price plus accrued original issue discount). The “accrued market discount” is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

STATE, LOCAL AND FOREIGN TAXES . . . Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

INFORMATION REPORTING AND BACKUP WITHHOLDING . . . Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the Internal Revenue Service. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner’s social security number or other taxpayer identification number (“TIN”), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient’s federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of non-U.S. holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

FUTURE AND PROPOSED LEGISLATION . . . Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

QUALIFIED TAX-EXEMPT OBLIGATIONS FOR FINANCIAL INSTITUTIONS . . . Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer’s taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a "financial institution" allocable to tax-exempt obligations, other than "private activity bonds," that are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any "on-behalf of" and "subordinate" issuers) who issues no more than $10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as any "bank" described in section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to "qualified tax-exempt obligations" provided by section 265(b) of the Code, section 291 of the Code provides that the allowable deduction to a "bank," as defined in section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase "qualified tax-exempt obligations" shall be reduced by twenty-percent (20%) as a "financial institution preference item."

The County expects that the Bonds will be designated as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code. In furtherance of that designation, the County will covenant to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Bonds as "qualified tax-exempt obligations." **Potential purchasers should be aware that if the issue price to the public exceeds $10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of $10,000,000 is disregarded; however the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the $10,000,000 limitation and the Bonds would not be "qualified tax-exempt obligations."**

CONTINUING DISCLOSURE OF INFORMATION

In the Order, the County has made the following agreements for the benefit of the respective registered and beneficial owners of the Bonds. The County is required to observe the agreements for so long as it remains obligated to advance funds to pay the Bonds. Under the agreements, the County will be obligated to provide certain updated financial information and operating data annually and timely notice of specified events to the Municipal Securities Rulemaking Board ("MSRB"). The MSRB currently makes this information publicly available on its Electronic Municipal Market Access System ("EMMA") at http://emma.msrb.org/. All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

ANNUAL REPORTS . . . The County will provide certain updated financial information and operating data annually to the MSRB. The information to be updated includes financial information and operating data with respect to the County of the general type included in this Official Statement in under Tables 1 through 6 and 8 through 13 (the "Annual Financial Information"). The County will additionally provide financial statements of the County (the "Financial Statements") that will be (i) prepared in accordance with the accounting principles described in Appendix B of this Official Statement or such other accounting principles as the County may be required to employ from time to time pursuant to State law or regulation and shall be in substantially the form included in Appendix B and (ii) audited, if the County commissions an audit of such Financial Statements and the audit is completed within the period during which they must be provided. The County will update and provide the Annual Financial Information within six months after the end of each fiscal year and the Financial Statements within 12 months of the end of each fiscal year, in each case beginning with the fiscal year ending in and after 2024 The County may provide the Financial Statements earlier, including at the time it provides its Annual Financial Information, but if the audit of such Financial Statements is not complete within 12 months after any such fiscal year end, then the County shall file unaudited Financial Statements within such 12-month period and audited Financial Statements for the applicable fiscal year, when and if the audit report on such Financial Statements becomes available.

The County may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by the Rule.

The County's current fiscal year end is September 30. Accordingly, the Annual Financial Information must be provided by March 31 in each year, and the Financial Statements must be provided by September 30 of each year, unless the County changes its fiscal year. If the County changes its fiscal year, it will notify the MSRB of the change.

EVENT NOTICES . . . The County will also provide to the MSRB notices of certain events on a timely basis no later than 10 business days after the event. The County will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the County; (13) the consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of the assets of the County, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional Paying Agent/Registrar or the change of name of a Paying Agent/Registrar, if material; (15) incurrence of a financial obligation of the County, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such financial obligation of the County, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such financial obligation of the County, any of which reflect financial difficulties. In addition, the County will provide timely notice of any failure by the County to provide annual financial information in accordance with its agreement described above under "Annual Reports".

For the events listed in clause (15) and (16) above, the term "financial obligation" means a: (A) debt obligation; (B) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) a guarantee of either (A) or (B). The term "financial obligation" shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

Any event described in clause (12) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the County in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the County, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the County.

LIMITATIONS AND AMENDMENTS . . . The County has agreed to update information and to provide notices of certain events only as described above. The County has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The County makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The County disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreements or from any statement made pursuant to its agreements, although holders of Bonds may seek a writ of mandamus to compel the County to comply with its agreements.

The County may amend its continuing disclosure agreements from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the County, if (i) the agreements, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the County (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the registered and beneficial owners of the Bonds.

The County may also amend or repeal the provisions of its continuing disclosure agreements if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, and the County also may amend the provisions of its continuing disclosure agreements in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not have prevented an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds, giving effect to (i) such provisions as so amended and (ii) any amendments or interpretations of the Rule.

If the County so amends its continuing disclosure agreements as described in this section, it has agreed to include with the next financial information and operating data provided in accordance with its agreements described above under "ANNUAL REPORTS" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . During the last five years, the County has complied in all material respects with all continuing disclosure agreements made by it in accordance with SEC Rule 15c2-12.

OTHER INFORMATION

RATING . . . The Bonds are rated "AA+" by S&P Global Ratings ("S&P"). The outstanding uninsured general obligation debt of the County is rated "AA+" by S&P and "Aa1" by Moody's Investors Service ("Moody's"). No application has been made to Moody's for a rating on the Bonds. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The rating reflects only the respective views of such organization and the County makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating company, if in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of any of such rating may have an adverse effect on the market price of the Bonds.

LITIGATION . . . The County is a defendant in various tort claims and lawsuits involving general liability, civil rights actions, and various contractual matters. In the opinion of the County's management and the County Attorney's office, the outcome of the pending litigation will not have a material adverse effect on the County's financial position or operations of the County.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE . . . The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any jurisdiction. The County assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

Legal Investments and Eligibility to Secure Public Funds in Texas . . . Under the Texas Public Security Procedures Act, Chapter 1201, Texas Government Code, as amended, the Bonds (1) are negotiable instruments, (2) are investment securities to which Chapter 8 of the Texas Uniform Commercial Code applies, and (3) are legal and authorized investments for (a) an insurance company, (b) a fiduciary or trustee, or (c) a sinking fund of a municipality or other political subdivision or public agency of the State of Texas. The Bonds are eligible to secure deposits of any public funds of the State, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act, Chapter 2236, Texas Government Code, as amended, the Bonds may have to be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. See "OTHER INFORMATION – Rating" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least $1 million of capital, and savings and loan associations. No review has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

The County has made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes. The County has made no review of laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

Legal Opinions and No-Litigation Certificate . . . Delivery of the Bonds will be accompanied by the unqualified approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the County under the Constitution and laws of the State of Texas payable from the proceeds of an annual ad valorem tax levied by the County, upon all taxable property within the County, and, based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the approving legal opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, to the matters set forth in "TAX MATTERS."

The obligations of the purchaser to take and pay for the Bonds, and of the County to deliver such Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the County from that set forth or contemplated in the Official Statement.

The County will furnish the purchaser a certificate, and dated as of the date of delivery of the Bonds, to the effect that there is not pending, and to their knowledge, there is not threatened, any litigation affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the County, or the title of the officers thereof to their respective offices, and that no additional bonds or other indebtedness have been issued since the date of the statement of indebtedness or non-encumbrance certificate submitted to the Attorney General of Texas in connection with approval of the Bonds.

The legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Financial Advisor . . . Specialized Public Finance Inc. is employed as Financial Advisor to the County in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. Specialized Public Finance Inc., in its capacity as Financial Advisor, has relied on the opinion of Bond Counsel and has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

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

Forward-Looking Statements . . . The statements contained in this Official Statement, and in any other information provided by the County, that are not purely historical, are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including statements regarding the County's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the County on the date hereof, and the County assumes no obligation to update any such forward-looking statements. It is important to note that the County's actual results could differ materially from those in such forward-looking statements. The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

Initial Purchaser . . . After requesting competitive bids for the Bonds, the County accepted the bid of _______________________ (the "Bond Purchaser") to purchase the Bonds at the interest rates shown on page 2 of the Official Statement at a price of approximately _________% of par. The Bond Purchaser can give no assurance that any trading market will be developed for the Bonds after their sale by the County to the Bond Purchaser. The County has no control over the price at which the Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the responsibility of the Bond Purchaser.

Miscellaneous . . . The financial data and other information contained herein have been obtained from the County's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

The Order authorizing the issuance of the Bonds approved the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorized its further use in the reoffering of the Bonds by the respective Purchaser.

Certification as to Official Statement . . . The County, acting by and through its Commissioners Court in its official capacity hereby certifies, as of the date hereof, that to the best of its knowledge and belief, the information, statements and descriptions pertaining to the County and its affairs herein contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. The information, description and statements concerning entities other than the County, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the County has made no independent investigation or verification of such matters and makes no representation as to the accuracy or completeness thereof. Except as set forth in "CONTINUING DISCLOSURE OF INFORMATION" herein, the County has no obligation to disclose any changes in the affairs of the County and other matters described in this Official Statement subsequent to the "end of the underwriting period" which shall end when the County delivers the Bonds to the respective Purchaser at closing, unless extended by the respective Purchaser. All information with respect to the resale of the Bonds subsequent to the "end of the underwriting period" is the responsibility of the respective Purchaser.

This Official Statement has been approved by the Commissioners Court for distribution in accordance with the provisions of the Securities and Exchange Commission's rule codified at 17 C.F.R. Section 240.15c2-12.

____
County Judge, Smith County, Texas

ATTEST:

____
County Clerk, Smith County, Texas

APPENDIX A

GENERAL INFORMATION REGARDING THE COUNTY

THE COUNTY

Smith County (the "County"), located in northeast Texas, was created in 1846. The County covers approximately 932 square miles, 1,273 miles of county roads, 9 incorporated cities and 18 taxing entities.

The economy is diversified by manufacturing, agribusiness, oil production, and education. Minerals produced in the County include oil, gas, clay, sand, gravel and stone.

The 2010 Census population for the County was 209,714, increasing 16.69% from its 2000 Census population of 174,706. The 2020 Census population was 233,479.

LOCATION OF COUNTY SEAT AND GENERAL DESCRIPTION

The City of Tyler, the county seat of Smith County, is an important East Texas commercial and industrial center located on U.S. Highway 69 just south of Interstate 20. The City is located an equal distance (approximately 100 miles) from the cities of Dallas, Texas and Shreveport, Louisiana.

MANUFACTURING

Tyler has a diversified industrial base with over 250 manufacturers, distributors and processors in the Tyler/Smith County area. Major production from companies employing more than 1,000 employees each includes cast iron pipes and fittings, car and truck tires, and heating and cooling units. Some of the other products and manufactured, processed or distributed in the area include: life jackets, gun cases, baking products, milk products, petrochemical processing equipment, petrochemical products, brass products, manufacturing and processing equipment, meat products, corrugated boxes, exercise equipment, furniture, printing, medical supplies, silk flowers, acetylene, various rubber products, adhesives, fishing lures, candy, lumber treating and many others.

LARGEST EMPLOYERS

Employer	Product/Service	Employees
Christus Trinity Mother Francis	Medical Care	5,000
UT Health East Texas Medical Center	Medical Care	3,550
Tyler Independent School District	Education	2,550
The Trane Company	Air Conditioning Units	2,500
Sanderson Farms	Poultry Production	1,750
Walmart	Retail	1,500
Brookshire Grocery Company	Grocery Distribution	1,450
UT Health Science Center	Medical Care/Research	1,450
University of Texas - Tyler	Education	1,200
Optimum	Cable, Internet & Phone	1,150
		22,100

Source: Smith County Comprehensive Annual Financial Report.

LABOR MARKET PROFILE

	Smith County				
	July	Average Annual			
	2024	2023	2022	2021	2020
Civilian Labor Force	117,495	115,419	112,585	110,095	108,544
Total Employed	112,691	111,221	108,356	104,439	101,201
Total Unemployed	4,804	4,198	4,229	5,656	7,343
% Unemployed	4.1%	3.6%	3.8%	5.1%	6.8%

	State of Texas				
	July	Average Annual			
	2024	2023	2022	2021	2020
Civilian Labor Force	15,353,658	15,067,153	14,672,312	14,220,446	13,983,319
Total Employed	14,731,368	14,472,524	14,093,906	13,413,036	12,915,337
Total Unemployed	622,290	594,629	578,406	807,410	1,067,982
% Unemployed	4.1%	3.9%	3.9%	5.7%	7.6%

Source: Texas Labor Market Information.

MEDICAL CENTER

Tyler is the medical center of East Texas, with seven hospitals and 66 clinics. Including nursing homes and retirement centers there are more than 2,000 beds available in health care facilities. There are more than 400 medical doctors and 95 dentists in Tyler. Included in the array of medical-related services in Tyler is a three-year professional training course offered by Texas Eastern School of Nursing and a baccalaureate degree in nursing offered by University of Texas at Tyler.

PRIMARY EDUCATION

Smith County has ten public independent schools districts, the largest being Tyler ISD. Tyler ISD opened the Career & Technology Center in 2015, which connects students with real-world experiences from a variety of career fields and interests in a rigorous, project-based learning environment.

HIGHER EDUCATION

Higher education facilities are provided at the University of Texas at Tyler with enrollment of approximately 6,700 with 74 undergraduate and graduate degrees in five colleges; Texas College at Tyler with approximately 870 students; Tyler Junior College with an enrollment of approximately 12,169 students; Tyler School of Business; East Texas Barber College; and Tyler Real Estate School.

OIL AND GAS INDUSTRY

When the East Texas Oilfield was discovered in 1931, the County became a headquarters for major oil companies and hundreds of independent oilmen. The County remains an oil center today; however, the County's expanded economic base is more diversified than it was in past years. Today there are numerous oil related service and manufacturing companies located in the County, which produce, among other things, various oilfield equipment and petroleum based products.

APPENDIX B

EXCERPTS FROM THE
SMITH COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2023

The information contained in this APPENDIX consists of excerpts from the Smith County, Texas Annual Financial Report for the Year Ended September 30, 2023, and is not intended to be a complete statement of the County's financial condition. Reference is made to the complete Report for further information.

THE COUNTY OF SMITH

TEXAS

Gollob Morgan Peddy
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Honorable Commissioners' Court of Smith County
Tyler, Texas

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Smith County, Texas, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the County'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, each major fund and the aggregate remaining fund information of Smith County, Texas as of September 30, 2023, and the respective changes in financial position, and where applicable, cash flows thereof 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 (GAAS) 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 Smith County, 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

Smith County, Texas' 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 Smith County, Texas' 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 GAAS 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.

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In performing an audit in accordance with GAAS, 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 Smith County, Texas' 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 Smith County, Texas' 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 (MD&A) on pages 4–17; the budgetary comparison information contained in Schedules 1, and 2 on pages 71–74; the Schedule of Changes in the County's Net Pension Liability and Related Ratios on page 75; the Schedule of Employer Contributions on page 76; the Schedule of Changes in the County's OPEB Liability and Related Ratios – Health Plan on page 77, the Schedule of Employer Contributions – Health Plan on page 78, the Schedule of Changes in the County's Net OPEB Liability – Supplemental Death Benefits Plan on page 79 and the Notes to Required Supplementary Information on page 80 be presented to supplement the basic financial statements. Such information, 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 Smith County, Texas' basic financial statements. The introductory section, additional supplementary information and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules of expenditures of federal and state awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U. S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State of Texas *Uniform Grant Management Standards* are also not a required part of the basic financial statements.

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The additional supplementary information and the schedules of expenditures of federal and state awards 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. Such 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 additional supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2024, on our consideration of Smith County, Texas' 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 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 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 Smith County, Texas' internal control over financial reporting and compliance.

Gollob Morgan Peddy PC

Certified Public Accountants

Tyler, Texas
March 14, 2024

SMITH COUNTY, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the County of Smith's financial performance provides an overview of the County's financial activities for the fiscal year ended September 30, 2023. The MD&A should be read in conjunction with the accompanying transmittal letter, the basic financial statements, and the accompanying notes to those financial statements. The discussion and analysis includes comparative data for prior years of government-wide data.

FINANCIAL HIGHLIGHTS

Smith County's total government-wide assets and deferred outflows of resources exceeded the liabilities and deferred inflows of resources by $144,036,689 at the close of the fiscal year ending September 30, 2023. This is an increase of $32,008,715 from the previous year when assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $112,027,974.

Total net position of the primary government is comprised of the following:

- Net investment in capital assets of $99,038,835 includes land, improvements, buildings, infrastructure, intangible assets, construction in progress, and other capital assets, net of accumulated depreciation, and is reduced by outstanding debt, net of unspent proceeds, related to the purchase or construction of capital assets.

- Of the total net position, $16,407,896 is restricted by constraints imposed from outside the County such as debt obligations, laws, and regulations.

- Unrestricted net position is $28,859,958.

- As of September 30, 2023, Smith County governmental funds reported combined fund balances of $275,483,047. This reflects an increase of $172,238,819 from the previous fiscal year that is primarily due to the issuance of the voter approved tax and revenue bonds for the construction of a parking structure and new courthouse. The current year total consists of a combined nonspendable fund balance of $673,209, restricted fund balance of $199,149,998, committed fund balance of $25,718,629, and unassigned fund balance of $49,941,211 for fiscal year 2023.

- The general fund is used to account for the general operations of the county. At the end of the fiscal year, the nonspendable fund balance was $629,098 and the unassigned fund balance was $50,288,014.

- The Road & Bridge Fund is used to account for construction, maintenance, repair or operation of roads, streets, highways, or other related facilities. The committed fund balance for the Road & Bridge Fund at fiscal year end was $18,826,574 and the nonspendable fund balance was $35,187.

- The nonmajor governmental funds had a combined total fund balance at September 30, 2023 of $48,144,741. Of that amount, $8,924 is nonspendable, $6,892,055 is committed, a negative $346,803 is unassigned and $41,590,565 is restricted.

- In fiscal year 2023, the County issued tax and revenue bonds in the amount of $170,505,000.

- Smith County's general obligation debt increased by $164,385,000. Total general obligation debt at the end of fiscal year 2023 is $215,660,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to introduce the reader to the County's basic financial statements. These statements are comprised of three components 1) Government-wide financial statements; 2) Fund financial statements, and 3) Notes to the basic financial statements. Required supplementary information is included in addition to the basic financial statements.

Government-wide Financial Statements are designed to provide readers with a broad overview of Smith County's finances, in a manner similar to a private-sector business. They include a *Statement of Net Position* and a *Statement of Activities*. Both of these statements are presented using the accrual method of accounting; therefore, revenues and expenses are taken into account regardless of when cash is received or when liabilities are paid.

The *Statement of Net Position* presents information on the assets, deferred outflows of resources, liabilities, and deferred inflows of resources for Smith County. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Smith County is improving or deteriorating. There are other non-financial factors, such as changes in the County's property tax base and the condition of the County's roads and facilities that should be considered to assess the overall health of the County.

The *Statement of Activities* presents information showing how Smith County'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 the related cash flows. Due to a full accrual presentation, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of Smith County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or in part a portion of their costs through user fees and charges (*business-type activities*). The governmental activities of Smith County include general government, judicial, public safety/law enforcement, health and welfare, public transportation, and community and economic development. The County has no business-type activities and no component units.

Fund Financial Statements are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. Smith County, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of Smith County can be divided into three categories: governmental funds, proprietary funds, and fiduciary 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 funds 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 evaluating the County'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 funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund, Road & Bridge Fund, and Other Governmental Funds. Data from other governmental funds is combined into a single, aggregated presentation.

Proprietary Funds provide the same type of information as the government-wide financial statements, only in more detail. The Internal Service Fund (a component of proprietary funds) is used to report activities that provide supplies and services for other programs and activities, such as the County's self-insurance program. Because these services predominantly benefit governmental rather than business-type functions, the Internal Service Fund is reported with governmental activities in the government-wide financial statements.

Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Smith County's fiduciary activities are reported in a separate Statement of Fiduciary Assets and Liabilities. These activities are excluded from the County's other financial statements since the County cannot use these assets to finance its operations. The accounting used for fiduciary funds is much like that used for proprietary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the Basic Financial Statements provide information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information is in addition to the basic financial statements and accompanying notes and presents a budgetary comparison schedule, which includes the original and final amended budget and actual figures.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $144,036,689 for fiscal year 2023 and $112,027,974 for fiscal year 2022. Revenues exceeded expenses during the current year, increasing net position by $32,008,715.

Smith County Net Position

The County's net position for the fiscal years ended September 30, 2022 and 2023 are summarized as follows:

	Governmental Activities FY22	Governmental Activities FY23
Current & Other Assets	$ 166,038,809	$ 322,641,933
Capital Assets (net of depreciation)	114,460,308	140,664,353
Total Assets	**$ 280,499,117**	**$ 463,306,286**
Deferred Outflows of Resources		
Deferred Charge on TCDRS Pension & OPEB	$ 10,045,154	$ 32,300,911
	$ 10,045,154	**$ 32,300,911**
Current & Other Liabilities	$ 43,443,900	$ 47,795,939
Long-term Liabilities	98,934,964	272,465,793
Total Liabilities	**$ 142,378,864**	**$ 320,261,732**
Deferred Inflows of Resources		
Deferred Charge on TCDRS Pension & OPEB	$ 36,137,433	$ 31,308,776
	$ 36,137,433	**$ 31,308,776**
Net Position:		
Net Investment in Capital Assets	$ 84,735,514	$ 99,038,835
Restricted	13,912,699	16,407,896
Unrestricted	13,379,761	28,589,958
Total Net Position	**$ 112,027,974**	**$ 144,036,689**

The largest portion of the County's current fiscal year net position, $99,038,835 is invested in capital assets (e.g. land, improvements, buildings, equipment, and infrastructure) less any related outstanding debt used to acquire those assets. The primary use of these capital assets is to provide services to citizens; therefore, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Another balance of net position represents resources that are subject to external restriction on how they may be used. Restrictions include $5,936,800 for records management, $1,254,763 for courthouse security and $9,216,333 for other purposes. The remaining portion of the net position is unrestricted net position, which is $28,589,958.

The County's net position increased by $32,008,715 during the current fiscal year. Key components of the increase include the following:

- Unrestricted net position increased as a result of strong revenue collections and trends, and moderating levels of expenses for several key areas.

- Capital assets increased by $26,204,045 as the County continued implementing its adopted capital improvement plan. The County made significant improvements to county buildings and infrastructure in 2023 and the Parking Structure project is under way.

- Governmental Accounting Standards Board Statement 68 required that the County recognize its net pension liability as a long-term liability.

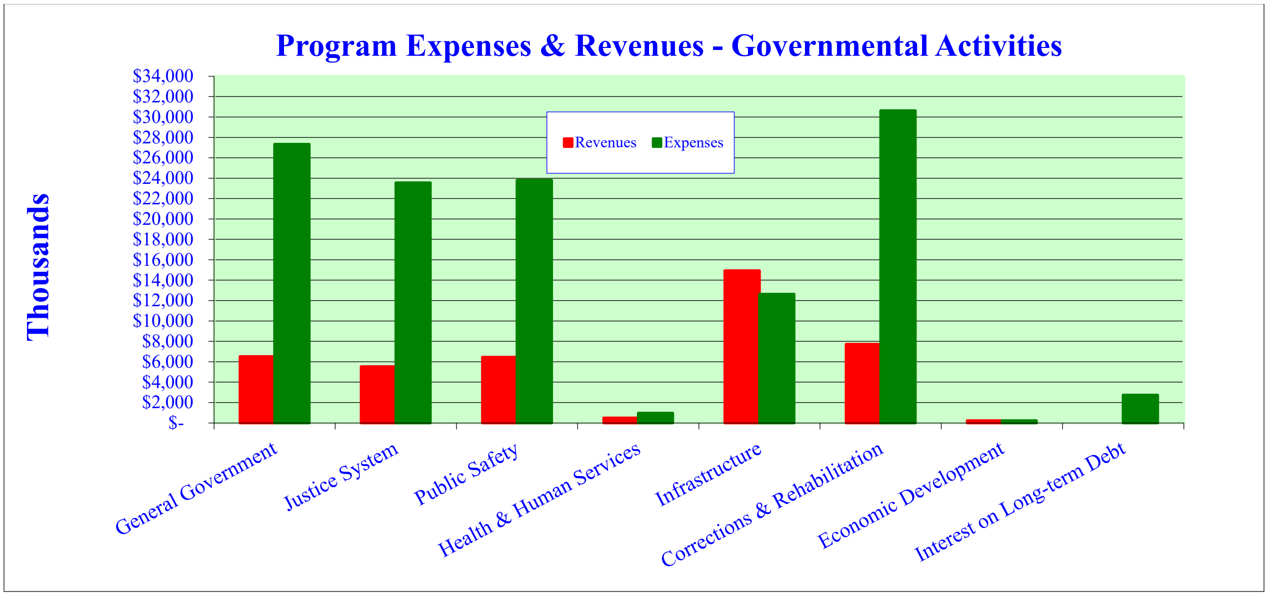
Governmental Activities

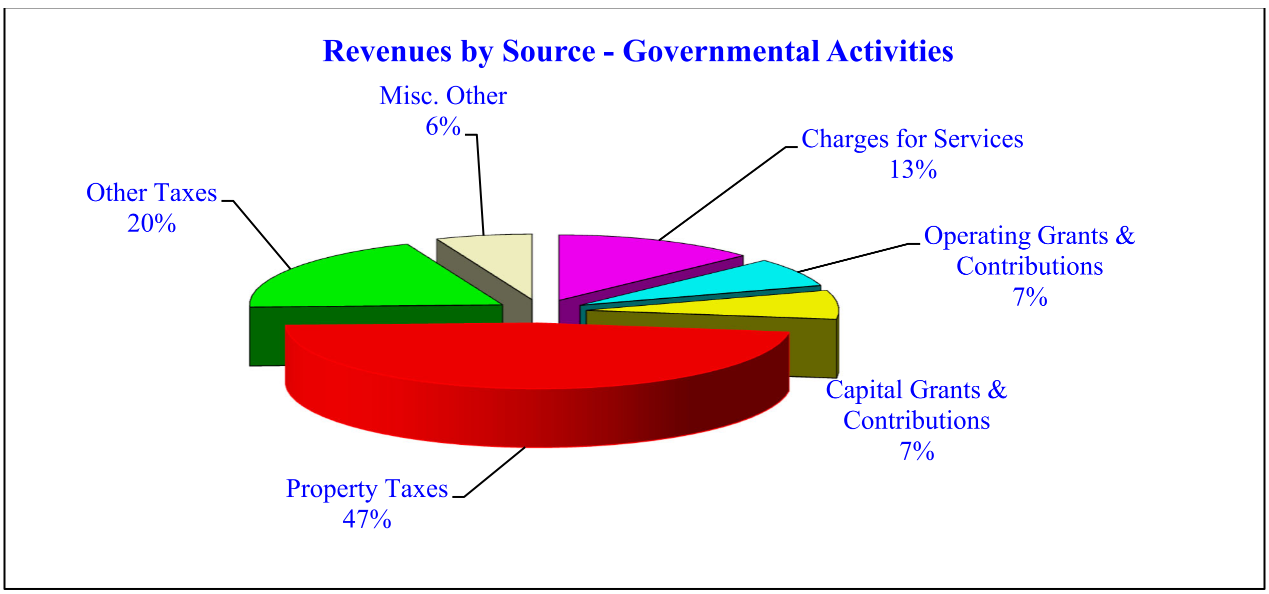
Governmental activities increased Smith County's net position by $32,008,715.

The following table indicates changes in net position for the governmental activities.

Smith County's Changes in Net Position

	Governmental Activities 2022	Governmental Activities 2023
Net Program Revenues:		
Charges for Services	$ 19,086,010	$ 20,006,499
Operating Grants & Contributions	8,072,052	10,909,444
Capital Grants & Contributions	10,350,803	10,939,520
General Revenues:		
Property Taxes	65,085,868	72,698,640
Sales & Other Taxes	28,366,684	29,835,293
Rentals & Commissions		
Reimbursements		
Miscellaneous	176,821	180,880
Gain (Loss) in Sale of Assets	(10,284)	101,095
Proceeds from leases	351,879	185,386
Proceeds from SBITAs		1,384,154
Interest	1,363,603	7,620,466
Total Revenues	$ 132,843,436	$ 153,861,377
Expenses:		
General Government	$ 24,748,638	$ 27,336,696
Justice System	20,559,327	23,550,551
Public Safety	20,147,187	23,801,747
Health & Human Services	3,503,083	961,835
Conservation		
Infrastructure	11,555,874	12,623,330
Corrections & Rehabilitation	29,613,043	30,623,047
Community & Economic Development	300,382	226,618
Interest on Long-term Debt	913,115	2,728,838
Total Expenses	$ 111,340,649	$ 121,852,662
Change in Net Position	$ 21,502,787	$ 32,008,715
Net Position - Beginning	90,525,187	112,027,974
Prior Period Adjustment	-	-
Net Position - Ending	$ 112,027,974	$ 144,036,689





Key elements of the analysis of government-wide revenues and expenses reflect the following:

- ❖ Program revenues of $41,855,463 equaled 34% of governmental expenses of $121,852,662. As expected, general revenues of $112,005,914 and fund balance provided the additional support and coverage for expenses.
- ❖ Approximately 25% of the expenses are for Corrections & Rehabilitation ($30,623,047) while this category provided about 5% of the total revenues of $153,865,624.
- ❖ The next largest category of expenses is General Government ($27,336,696) at 22%. General Government expense increases are primarily due to increases in salaries and benefits.

- ❖ Judicial activities accounted for 20% of governmental expenses while the category provided 4% of total revenues.

- ❖ Public Safety activities accounted for 20% of governmental expenses while this category provided 4% of total revenues.

- ❖ Infrastructure (Road & Bridge) accounted for 10% of governmental expenses while this category provided 10% of total revenues.

- ❖ Grant revenues and contributions comprised about 14% of total revenues.

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. Fund accounting and budget controls provide the framework for the County's strong fiscal management and accountability. The County has an AA2/AA+ bond rating.

Governmental Funds - The general government functions are reported in the General, Special Revenue, Debt Service, and Capital Project Funds. The focus of Smith County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing Smith County's annual financing and budgeting requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of $275,483,047. Approximately $199,149,998 or 72% are restricted; $25,718,629 or 9% are committed; $49,941,211 or 18% are unassigned and $673,209 are non-spendable.

Smith County's General Fund is the primary operating fund of the County. At the end of the current fiscal year, the fund balance in the County's General Fund was $50,917,112. As a measure of the general fund's liquidity, we compare the fund balance to the total fund expenditures and other financing uses. The fund balance in the County's general fund represents approximately 58% of the County's general fund expenditures and other financing uses. The minimum general fund budgetary target for reserves is 25% of expenditures. The fund balance of the County's general fund decreased by $1,647,227 during the current fiscal year. The decrease was attributable to a planned draw down by transferring unrestricted funds from the general fund to the Road & Bridge Fund to supplement infrastructure construction costs in excess of bond proceeds.

The road & bridge fund accounts for monies designated for the acquisition, construction and maintenance of county roads & bridges. The fund has a total fund balance of $18,861,761 all of which is committed by the Commissioners Court. The fund balance increased by $13,826,952 from the previous year which included $11M as the planned draw down of the General Fund unrestricted fund balance as referenced above.

Fiscal year 2023 also included the issuance of voter approved bonds for the construction of a new parking facility in the amount of $18,170,000 and a new courthouse issuance in the amount of $152,335,000.

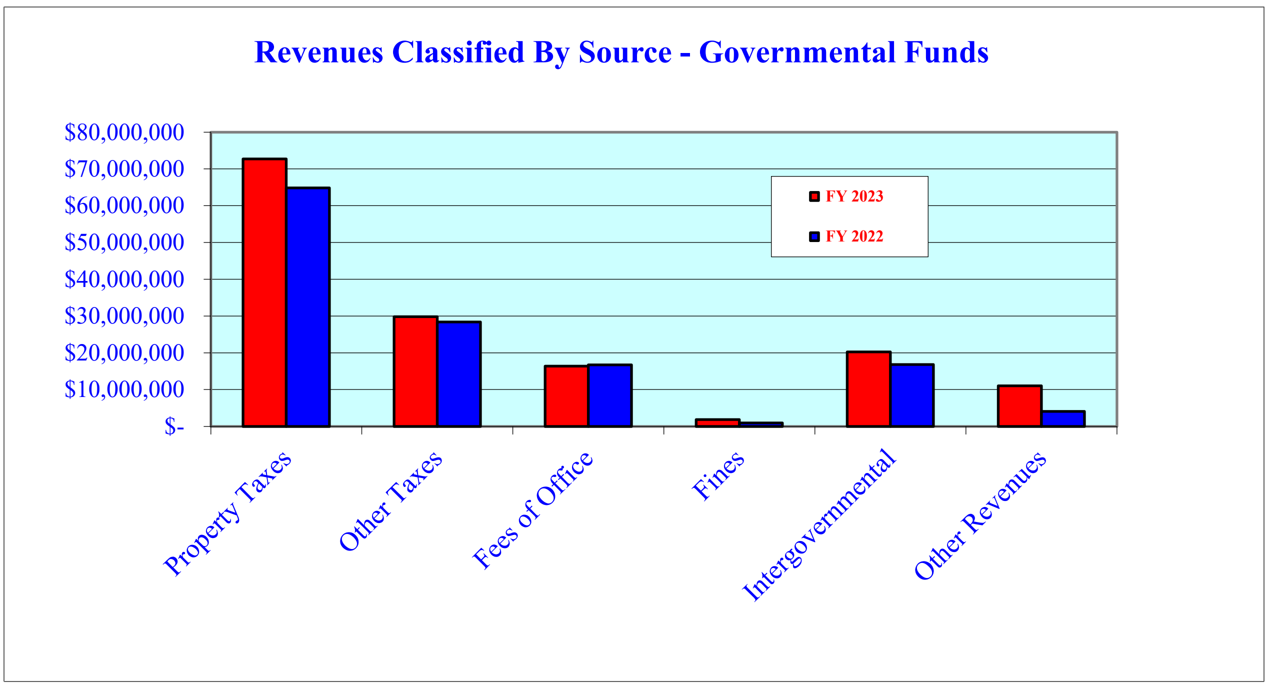
The Infrastructure Improvement Funds are used to account for the construction costs associated with the general obligation bonds issued in FY19, FY20, FY21 and FY22 for road & bridge improvements. Complete details about the status of road and bridge projects and resource documents can be found at https://www.smith-county.com/i-want-to/view/county-road-projects.

The debt service fund has a total fund balance of $598,638, an increase of $284,313 as compared with the prior year.

The following table presents the amount of revenues from various sources as well as increases or decreases from the prior year.

Governmental Funds - Revenues Classified by Source

Revenues by Source	FY 2023	FY 2022	Increase (Decrease)	Percent of Change
Property Taxes	$ 72,695,757	$ 64,854,155	$ 7,841,602	12.09%
Other Taxes	29,835,293	28,366,684	1,468,609	5.18%
Fees of Office	16,357,990	16,713,340	(355,350)	-2.13%
Fines	1,856,332	901,161	955,171	105.99%
Intergovernmental	20,222,636	16,795,611	3,427,025	20.40%
Other Revenues	11,010,929	4,065,884	6,945,045	170.81%
Total Revenues	$ 151,978,937	$ 131,696,835	$ 20,282,102	15.40%



- Property Taxes - the increase of $7,841,602 was primarily due to issuance of new debt and an increase in taxable values and new construction. Smith County had a 15.6% increase in the Net Taxable Value over the previous year.

- Other Taxes – the increase of $1,468,609 is primarily due to sales tax revenue increases from the previous year and increased mixed beverage tax collections.

- Fees of Office & Fines - are impacted by the volume and flow of cases, as well as collection efforts. The county is stabilizing from the decrease in revenue attributed to effects of COVID-19 on the judicial proceedings and the addition of new district court.

- The change in Intergovernmental Revenue is attributed mostly to the State and Federal funding received for COVID-19 Relief.

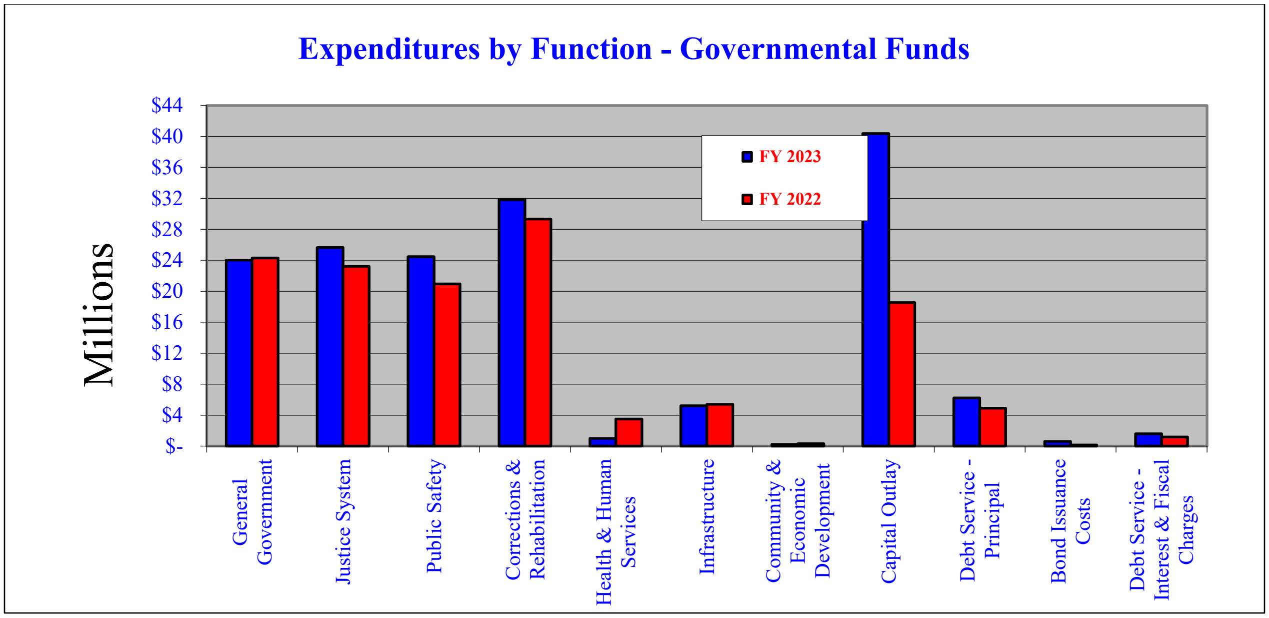
The following table presents expenditure by function compared to prior year amounts.

Expenditures by Function - Governmental Funds

Expenditures by Function	FY 2023	FY 2022	Increase (Decrease)	Percent of Change
General Government	$ 24,038,120	$ 24,306,109	$ (267,989)	-1.10%
Justice System	25,651,067	23,201,277	2,449,790	10.56%
Public Safety	24,464,786	20,947,527	3,517,259	16.79%
Corrections & Rehabilitation	31,822,335	29,319,416	2,502,919	8.54%
Health & Human Services	988,570	3,495,664	(2,507,094)	-71.72%
Infrastructure	5,208,334	5,393,425	(185,091)	-3.43%
Community & Economic Development	226,618	300,382	(73,764)	-24.56%
Capital Outlay	40,365,158	18,519,149	21,846,009	117.96%
Debt Service - Principal	6,220,547	4,890,290	1,330,257	27.20%
Bond Issuance Costs	591,288	136,250	455,038	333.97%
Debt Service - Interest & Fiscal Charges	1,582,052	1,175,506	406,546	34.58%
	$ 161,158,875	$ 131,684,995	$ 29,473,880	22.38%

Overall, total expenditures increased by approximately 22.38%. The increase in expenditures in General Government, Public Safety & the Justice System are primarily due to the wage increases necessary for employee retention during this inflationary period and the start-up costs for an additional district court. The additions in capital outlay are attributed to the increase of the voter approved capital projects. The decreases in expenditures from the previous fiscal year for Health & Human Services are indicative of the slowing down of expenditures due to COVID related activities.

OPERATING FUNDS - BUDGETARY HIGHLIGHTS



The budget is prepared in accordance with accounting principles generally accepted in the United States of America by the County Budget Officer and approved by the Commissioners Court following a public hearing. Appropriated budgets are approved and employed as a management control device during the year. The County maintains strict budgetary controls and sets its appropriations at the category level (i.e. salaries, benefits, operating expenses, and capital) for each department. Appropriation transfers may be made between select categories or departments only with the approval of the Commissioners Court.

The following are significant variations between the final budget and actual amounts in the general fund.

> Actual general fund revenues were higher than budgeted by $5,898,119 primarily due to the continued growth from sales tax revenue in Smith County.
>
> Actual expenditures were 94% of the amended budget. Operational savings from budgeted amounts were primarily from salary lag and unused contingency funds.

DEBT ADMINISTRATION AND CAPITAL ASSETS

Long-term Debt - At September 30, 2023, Smith County had voter approved general obligation and tax & revenue bonds outstanding in the amount of $215,660,000. The County's bond rating is AA2 from Moody's and AA+ from Standard and Poor's. In compliance with Governmental Accounting Standards Board (GASB) Statement 45, Smith County began reporting the Other Post Employment Benefit (OPEB) obligation in FY09.

The following represents the activity of the long-term debt of the County for FY2023.

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental Activities:				
General Obligation Bonds	$ 51,275,000	$ -	$ 6,120,000	$ 45,155,000
Tax & Revenue Bonds	-	170,505,000	-	170,505,000
Bond Premium, Net	2,460,338	9,089,505	431,687	11,118,156
Total Bonds Payable	**53,735,338**	**179,594,505**	**6,551,687**	**226,778,156**
Compensated Absences	4,763,478	5,045,073	5,293,662	4,514,889
Net OPEB Liability	40,121,260	-	9,274,478	30,846,782
Net Pension Liability	-	17,330,915	-	17,330,915
Financed Purchases	100,547	-	100,547	-
Lease Liability	214,341	181,422	128,952	266,811
SBITA Liability	658,267	918,951	254,564	1,322,654
Total	**$ 99,593,231**	**$ 203,070,866**	**$21,603,890**	**$ 281,060,207**

Additional information on the County's long-term debt can be found in note VIII of this report.

Capital Assets - The capital assets of Smith County are those assets (land, buildings, improvements, roads & bridges, and machinery & equipment), which are used in the performance of the County's functions including infrastructure assets. At September 30, 2023, net capital assets of the governmental activities totaled $140,664,353. Depreciation on capital assets is recognized in the Government-wide financial statements.

Smith County's Capital Assets

	Cost	Accumulated Depreciation	Net Capital Assets
Governmental Activities:			
Capital Assets not depreciated:			
Land	$ 3,927,000	$ -	$ 3,927,000
Construction in Progress	7,180,807	-	7,180,807
Infrastructure in Progress	1,239,688		1,239,688
Total Not Being Depreciated	$ 12,347,495	$ -	$ 12,347,495
Capital Assets being depreciated:			
Buildings & Improvements	$ 99,477,258	$ 54,207,102	$ 45,270,156
Machinery & Equipment	42,780,670	35,392,108	7,388,562
Infrastructure	165,501,394	91,519,042	73,982,352
Right of Use Assets - Leases	413,945	146,954	266,991
Right of Use Assets - SBITAs	2,041,622	632,825	1,408,797
Total Capital Assets being Depreciated	$ 310,214,889	$ 181,898,031	$ 128,316,858
Total Capital Assets, Net			**$ 140,664,353**

Additional information on the County's capital assets can be found in note VI of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The annual budget is developed to provide efficient and economic uses of Smith County's resources, as well as, a means to accomplish the highest priority objectives. Through the budget, the County Commissioners set the direction of the County, allocate its resources and establish its priorities.

In considering the Smith County budget for FY2024, the County Commissioners and management considered the following factors:

- Property tax revenues are budgeted to slightly increase in FY24 due to continued growth in both value and new construction and the increase in the debt service rate due to the new debt issuances.

- Revenues were estimated with the usual conservative approach but adjusted to recognize continued growth in sales tax.

- Interest rates have increased and adjusted to reflect current economic conditions.

PENSION AND OTHER POST EMPLOYMENT BENEFIT PLANS

The County is committed to fund pensions and retiree healthcare that is fair to both employees and taxpayers and can be sustained over the long term.

Effective for the fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* created specific reporting requirements for pensions that are different than those used for funding purposes. Both valuations are important as the reporting valuation provides a standard measure that can be used to compare pension liabilities to other governments and the funding valuation includes strategies for repaying any unfunded actuarial accrued liabilities. During the year ended September 30, 2023, due primarily to favorable market conditions in the 2022 calendar year, the pension plan's net position was a net asset. In prior years, the net position had been a liability. For more information, see Note XII-Defined Benefit Pension Plan.

The County provides retirement benefits through the statewide Texas County and District Retirement System (TCDRS). TCDRS is governed by a Texas state statute which requires the County to contribute the annually determined contribution rate or modify plan benefits.

The Required Supplemental Information (RSI) section contains a schedule regarding the changes in net pension liability and related ratios, which is based on reporting valuation and a schedule of contributions which is based on the funding valuation. Effective for the fiscal year 2018, GASB Statement No. 75 *Accounting for Postemployment Benefits Other than Pensions* implemented similar requirements to GASB 68 for Post-Employment Plans (OPEB) other than pensions. As a result, the County has included schedules for its Health and Supplemental Death Benefit Plans that include similar information to its pension schedules.

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, and investors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report, or need any additional financial information, contact the appropriate financial office (County Auditor, County Treasurer or County Judge) at 200 E. Ferguson St., Tyler, Texas 75702 or visit the County's website at www.smith-county.com.

BASIC FINANCIAL STATEMENTS

EXHIBIT 1

SMITH COUNTY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

	PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and cash equivalents	$ 266,567,782
Investments	41,173,785
Receivables (net of allowance for doubtful accounts)	11,821,773
Investment in joint venture	2,405,384
Prepaids and other assets	673,209
Capital assets (net of accumulated depreciation):	
Land	3,927,000
Buildings	15,402,957
Improvements	29,867,200
Machinery and equipment	7,388,562
Construction and infrastructure in progress	8,420,495
Infrastructure	73,982,352
Lease right of use assets	266,991
SBITA assets	1,408,796
Total Assets	463,306,286
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on TCDRS pension	31,987,227
Deferred charge on OPEB	313,684
Total Deferred Outflows of Resources	32,300,911
LIABILITIES	
Vouchers payable	8,777,403
Salaries payable	2,533,829
Unearned revenues	26,662,608
Accrued interest payable	1,227,685
Long-term debt:	
Portion due or payable within one year:	
Compensated absences	3,206,511
Lease liability	83,795
SBITA liability	709,108
Bonds payable	4,595,000
Portion due or payable after one year:	
Compensated absences	1,308,378
Lease liability	183,016
SBITA liability	613,546
Bonds payable	222,183,156
Net pension liability	17,330,915
Other post employment benefit liability	30,846,782
Total Liabilities	320,261,732
DEFERRED INFLOWS OF RESOURCES	
Deferred charge on TCDRS pension	20,679,421
Deferred charge on OPEB	10,482,706
Deferred inflows from leases	146,649
Total Deferred Inflows of Resources	31,308,776
NET POSITION	
Net investment in capital assets	99,038,835
Restricted for:	
Records preservation	5,936,800
Law enforcement purposes	1,478,559
Adult probation	2,476,166
Juvenile services	959,241
Inmates	698,122
Courthouse security	1,254,763
Technology	438,319
Public services	13,236
Judicial support	436,220
COVID Relief	2,117,832
Debt service	598,638
Unrestricted	28,589,958
Total Net Position	$ 144,036,689

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

EXHIBIT 2

SMITH COUNTY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Functions/Programs	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS	PROGRAM REVENUES: CAPITAL GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION — PRIMARY GOVERNMENT: GOVERNMENTAL ACTIVITIES
Primary Government:					
Governmental activities:					
General government	$ 27,336,696	$ 5,710,902	$ 805,887	$ -	$ (20,819,907)
Justice system	23,550,551	5,065,081	455,198	-	(18,030,272)
Public safety	23,801,747	1,175,865	5,240,960	27,619	(17,357,303)
Corrections and rehabilitation	30,623,047	4,033,766	3,691,649	-	(22,897,632)
Health and human services	961,835	-	489,132	-	(472,703)
Infrastructure	12,623,330	4,020,885	-	10,911,901	2,309,456
Community and economic development	226,618	-	226,618	-	-
Interest on long-term debt	2,728,838	-	-	-	(2,728,838)
Total primary government	$ 121,852,662	$ 20,006,499	$ 10,909,444	$ 10,939,520	$ (79,997,199)
General revenues:					
Property taxes					$ 72,698,640
Sales taxes					28,942,684
Other taxes					892,609
Miscellaneous					180,880
Gain on sale of assets					101,095
Proceeds from leases					185,386
Proceeds from SBITAs					1,384,154
Interest earned					7,620,466
Total general revenues					112,005,914
Change in net position					32,008,715
Net position - beginning of year					112,027,974
Net position - end of year					$ 144,036,689

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

EXHIBIT 3

SMITH COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2023

	GENERAL	ROAD AND BRIDGE FUND - SPECIAL REVENUE	COVID 19 RELIEF GRANTS	COURTHOUSE CONSTRUCTION SERIES 2023	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS						
Cash and cash equivalents	$ 18,729,050	$ 15,525,873	$ 29,673,579	$ 161,092,129	$ 40,730,594	$ 265,751,225
Investments	25,425,340	3,452,097	-	-	9,043,262	37,920,699
Receivables:						
Property taxes	2,625,325	461,658	-	-	497,656	3,584,639
Other	5,710,771	267,311	-	-	1,645,805	7,623,887
Prepaid and other assets	629,098	35,187	-	-	8,924	673,209
Due from other funds	5,282,230	-	-	-	-	5,282,230
Total assets	$ 58,401,814	$ 19,742,126	$ 29,673,579	$ 161,092,129	$ 51,926,241	$ 320,835,889
LIABILITIES						
Vouchers payable	$ 2,786,502	$ 329,200	$ 893,139	1,650,528	$ 1,862,945	$ 7,522,314
Salaries payable	2,234,144	123,920	-	-	175,765	2,533,829
Unearned revenue	-	-	26,662,608	-	-	26,662,608
Due to other funds	-	-	-	4,000,000	1,282,230	5,282,230
Total liabilities	5,020,646	453,120	27,555,747	5,650,528	3,320,940	42,000,981
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue-property taxes	2,429,627	427,245	-	-	460,560	3,317,432
Unavailable revenue-leases	34,429	-	-	-	-	34,429
Total Deferred Inflows of Resources	2,464,056	427,245	-	-	460,560	3,351,861
FUND BALANCES						
Nonspendable:						
Prepaids	629,098	35,187	-	-	8,924	673,209
Restricted for:						
Judicial support	-	-	-	-	436,220	436,220
Records preservation	-	-	-	-	5,936,800	5,936,800
Courthouse security	-	-	-	-	1,254,763	1,254,763
Law enforcement purposes	-	-	-	-	1,478,559	1,478,559
Adult probation	-	-	-	-	2,476,166	2,476,166
Juvenile services	-	-	-	-	959,241	959,241
Covid relief	-	-	2,117,832	-	-	2,117,832
Technology	-	-	-	-	438,319	438,319
Public services	-	-	-	-	13,236	13,236
Inmates	-	-	-	-	698,122	698,122
Capital projects	-	-	-	155,441,601	27,300,501	182,742,102
Debt service	-	-	-	-	598,638	598,638
Committed to:						
Juvenile services	-	-	-	-	1,100,409	1,100,409
Workforce development	-	-	-	-	112,980	112,980
Major building repairs	-	-	-	-	1,214,971	1,214,971
Elections department	-	-	-	-	110,200	110,200
Capital projects	-	-	-	-	4,353,495	4,353,495
Road maintenance	-	18,826,574	-	-	-	18,826,574
Unassigned	50,288,014	-	-	-	(346,803)	49,941,211
Total fund balances	50,917,112	18,861,761	2,117,832	155,441,601	48,144,741	275,483,047
Total liabilities, deferred inflows of resources, and fund balances	$ 58,401,814	$ 19,742,126	$ 29,673,579	$ 161,092,129	$ 51,926,241	$ 320,835,889

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

EXHIBIT 4

SMITH COUNTY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION (EXHIBIT 1)
SEPTEMBER 30, 2023

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Total fund balances governmental funds (Exhibit 3)	$ 275,483,047
Capital assets used in governmental activities are not current financial resources and therefore, are not reported in the governmental funds balance sheet.	140,664,353
Equity in an affiliated joint venture is included in governmental activities in the statement of net position.	2,405,384
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the governmental funds balance sheet.	2,395,171
Interest payable on long-term debt does not require current financial resources. Therefore interest payable is not reported as a liability in governmental funds balance sheet.	(1,227,685)
Internal service fund is used by management to charge the costs of health insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	4,237,842
Net other post employment benefit liability in governmental activities does not require current financial resources and therefore are not reported in the governmental funds balance sheet.	(48,177,696)
Long term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet.	(232,882,511)
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position as well as the differences between expected and actual experience and the net difference between projected and actual earnings.	31,987,227
Differences between expected and actual pension experience are deferred inflows on the Statement of Net Position	(20,679,421)
Contributions to the OPEB plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position as well as the differences between expected and actual experience and the net difference between projected and actual earnings.	313,684
Differences between expected and actual OPEB experience are deferred inflows on the Statement of Net Position	(10,482,706)
Net position of governmental activities	$ 144,036,689

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

EXHIBIT 5

SMITH COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	GENERAL	ROAD AND BRIDGE FUND - SPECIAL REVENUE	COVID 19 RELIEF GRANTS	COURTHOUSE CONSTRUCTION SERIES 2023	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES						
Property taxes	$ 53,358,521	$ 9,302,359	$ -	$ -	$ 10,034,877	$ 72,695,757
Licenses and other taxes	29,835,293	-	-	-	-	29,835,293
Fees of office	8,688,708	2,961,091	-	-	4,708,191	16,357,990
Fines	1,353,212	503,120	-	-	-	1,856,332
Intergovernmental revenues	1,355,899	77,972	10,802,596	-	7,986,169	20,222,636
Other revenues and fees	5,146,092	556,674	1,648,316	263,633	3,396,214	11,010,929
Total revenues	99,737,725	13,401,216	12,450,912	263,633	26,125,451	151,978,937
EXPENDITURES						
Current:						
General government	19,090,682	-	3,934,209	-	1,013,229	24,038,120
Justice system	19,544,151	-	-	-	6,106,916	25,651,067
Public safety	20,167,438	-	-	-	4,297,348	24,464,786
Corrections and rehabilitation	25,497,675	-	-	-	6,324,660	31,822,335
Health and human services	961,797	-	-	-	26,773	988,570
Infrastructure and environmental	-	5,208,334	-	-	-	5,208,334
Community and economic development	-	-	-	-	226,618	226,618
Capital outlay	2,532,800	5,418,603	6,877,195	4,822,032	20,714,528	40,365,158
Debt service:						
Principal retirement	100,547	-	-	-	6,120,000	6,220,547
Bond issuance costs	-	-	-	442,000	149,288	591,288
Interest and fiscal charges	3,449	-	-	-	1,578,603	1,582,052
Total expenditures	87,898,539	10,626,937	10,811,404	5,264,032	46,557,963	161,158,875
Excess (deficiency) of revenues over (under) expenditures	11,839,186	2,774,279	1,639,508	(5,000,399)	(20,432,512)	(9,179,938)
OTHER FINANCING SOURCES (USES)						
Issuance of debt	-	-	-	152,335,000	18,170,000	170,505,000
Bond premium	-	-	-	8,107,000	979,288	9,086,288
Proceeds from leases	185,386	-	-	-	-	185,386
Proceeds from SBITAs	1,384,154	-	-	-	-	1,384,154
Sale of equipment	84,344	51,690	-	-	-	136,034
Insurance proceeds	116,665	983	-	-	4,247	121,895
Transfers in	843,038	11,000,000	-	-	5,205,672	17,048,710
Transfers (out)	(16,100,000)	-	(843,038)	-	(105,672)	(17,048,710)
Total other financing sources (uses)	(13,486,413)	11,052,673	(843,038)	160,442,000	24,253,535	181,418,757
Net change in fund balances	(1,647,227)	13,826,952	796,470	155,441,601	3,821,023	172,238,819
Fund balances - beginning of year, restated	52,564,339	5,034,809	1,321,362	-	44,323,718	103,244,228
Fund balances - end of year	$ 50,917,112	$ 18,861,761	$ 2,117,832	$ 155,441,601	$ 48,144,741	$ 275,483,047

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

EXHIBIT 6

SMITH COUNTY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES (EXHIBIT 2)
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:

Net change in fund balances - total governmental funds	$ 172,238,819
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation in the current period was less than capital outlay for County owned assets.	24,777,968
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.	(34,939)
The net increase of the equity in investment in an affiliated joint venture is reflected on the statement of activities.	90,244
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	2,883
Governmental funds report all payments to other post employment benefits as expenditures. However, in the government-wide statement of activities the actuarial annually required contribution is considered an expense. Any deficit amount is considered a liability. Change in net other post employment benefits liability.	9,867,146
The issuance of long-term debt (e.g. bonds) 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 of premiums, discounts, and similar items when debt is first issued; whereas the 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.	(172,942,271)
Some expenses reported in the statement of activities do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds. This amount reflects the change in the accrued liability for compensated absences and change in pension expense as a result of GASB 68.	976,555
Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net position, but does not require the use of current financial resources; therefore, accrued interest expense is not reported as an expenditure in governmental funds.	(1,073,077)
Internal service fund is used by management to charge the costs of health insurance to individual funds. The net revenue of the internal service fund is reported with governmental activities.	(1,894,612)
Change in net position of governmental activities	$ 32,008,716

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

EXHIBIT 7

SMITH COUNTY, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2023

	Governmental Activities - Internal Service Funds
ASSETS	
Current Assets:	
Cash	$ 816,557
Investments	3,253,086
Accounts receivable	1,423,288
Total Current Assets	5,492,931
LIABILITIES	
Current Liabilities:	
Vouchers payable	1,255,089
Total Current Liabilities	1,255,089
NET POSITION	
Unrestricted	4,237,842
Total Net Position	$ 4,237,842

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

EXHIBIT 8

SMITH COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Governmental Activities - Internal Service Funds
OPERATING REVENUES	
Premiums and reimbursements	$ 11,124,273
Total Operating Revenues	11,124,273
OPERATING EXPENSES	
Insurance claims and administrative fees	13,295,114
Total Operating Expenses	13,295,114
Operating income (loss)	(2,170,841)
NON-OPERATING REVENUES	
Interest income and other	276,229
Change in net position	(1,894,612)
NET POSITION - SEPTEMBER 30, 2022	6,132,454
NET POSITION - SEPTEMBER 30, 2023	$ 4,237,842

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

EXHIBIT 9

SMITH COUNTY, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received for premiums and payroll	$ 82,291,236
Cash paid to customers	(12,737,378)
Cash paid to employees	(72,589,870)
Net cash used in operating activities	(3,036,012)
CASH FLOWS FROM INVESTING ACTIVITIES	
Sale of investments	805,761
Interest on investments	276,229
Net cash provided by investing activities	1,081,990
Net decrease in cash	(1,954,022)
Cash at beginning of year	2,770,579
CASH AT END OF YEAR	$ 816,557
Reconciliation of operating income to net cash provided by operating activities:	
Operating income (loss)	$ (2,170,841)
Adjustment to reconcile operating income to net cash provided by operating activities:	
Decrease in accounts receivable	(1,423,288)
Increase in vouchers payable	558,117
Net cash provided by operating activities	$ (3,036,012)

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

EXHIBIT 10

SMITH COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2023

	Custodial Funds
ASSETS	
Cash	$ 14,427,770
Investments	2,625,154
Accounts receivable	3,404,694
Total Assets	$ 20,457,618
LIABILITIES	
Vouchers payable	$ 461,627
Due to other governments	4,033,364
Due to others	10,181,462
Total Liabilities	14,676,453
NET POSITION	
Individuals, organizations, and other governments	5,781,165
Total net position	$ 5,781,165

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

EXHIBIT 11

SMITH COUNTY, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Custodial Funds
ADDITIONS	
Tax collected for other governments	$ 572,022,494
Held for others	115,183,283
Interest on investments	527,516
Total additions	687,733,293
DEDUCTIONS	
Payments to other governments	573,973,627
Payments to others	110,860,909
Administrative expenses	20,000
Total deductions	684,854,536
Net decrease in fiduciary net position	2,878,757
Net position	2,902,408
Total net position	$ 5,781,165

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Smith County (the County) is a public corporation and political subdivision of the State of Texas. The Commissioners' Court, which is made up of four commissioners and the County Judge, is the general governing body of the County in accordance with Article 5, Paragraph 18 of the Texas Constitution. The County provides the following services as authorized by the statutes of the State of Texas: general government (e.g., tax collection), justice system (courts, juries, district attorney, etc.), public safety (sheriff, constables, etc.), corrections and rehabilitation (jail and community supervision), health and human services (assistance to indigents, veteran services, etc.), conservation, and infrastructure and environmental (streets and highways).

The accounting and reporting policies of the County relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America (GAAP) applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *State and Local Governments – Audit and Accounting Guide* and by the Financial Accounting Standards Board (when applicable). The more significant accounting policies of the County are described below.

The basic financial statements are prepared in conformity with GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, which requires the government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Significantly, the County's statement of net position includes both noncurrent assets and noncurrent liabilities of the County. In addition, the government-wide statement of activities reflects depreciation expenses on the County's capital assets, including infrastructure.

For financial reporting purposes, based on standards established by GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units,* this financial statement presents the County (the primary government) and its component units. Component units generally are legally separate entities for which a primary government is financially accountable. Financial accountability ordinarily involves meeting both of the following criteria; the primary government appoints the voting majority of its board and the primary government is able to impose its will upon the potential component unit, or there is a possibility that the potential component unit may provide specific financial benefits or impose specific financial burdens on the primary government. Under these standards, the County has no component units which are required to be reported, discretely or blended, in combination with the primary government.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The **government-wide financial statements** include the Statement of Net Position and the Statement of Activities. Government-wide statements report, except for County fiduciary activity, information on all the activities of the County. The effect of interfund transfers has been removed from the government-wide statements, with the exception of interfund services provided and used, but continues to be reflected on the fund statements. Governmental activities are supported mainly by taxes and intergovernmental revenues are reported separate from certain legally separate component units for which the government is financially accountable.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. This measurement focus is also used for the proprietary funds included in the fund financial statements. Under this measurement focus, 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. Fines and forfeitures are recognized when they have been assessed and adjudicated and earned. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

(Continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Statement of Activities reflects the degree to which the direct expenses of the County's programs are offset by those programs' revenues. Direct expenses are those that are clearly identifiable with a specific function. 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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program or function. Program revenues for governmental activities include those generated from general government, judicial, public safety, health and human service, corrections and rehabilitation, and community and economic development. Taxes and other items not properly included in program revenues are reported as general revenues.

Separate fund financial statements are provided for governmental funds and fiduciary funds even though the latter are excluded from the government-wide financial statements. The General Fund, the Road and Bridge Fund, COVID 19 Relief Grants Fund and the Courthouse Construction Series 2023 Fund are classified as **major governmental funds**. Each major fund is reported in separate columns in the fund financial statements. Non-major funds include Special Revenue, Capital Projects, and Debt Service funds. The combined amounts for these funds are reflected in a single column in the fund Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances. Detailed statements for all non-major funds are presented within Combining Schedules.

FUND-LEVEL FINANCIAL STATEMENTS
Fund level financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized as soon as they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The County considers revenues as available if they are collected within 60 days after the fiscal year ends. Expenditures generally are recorded when a fund liability is incurred; however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property tax revenues, the County's primary revenue source, is susceptible to accrual and is considered available to the extent of delinquent taxes collected within 60 days after the end of the fiscal period. Grant and entitlement revenues are also subject to accrual. Encumbrances are used during the year and lapse at the end of the year. 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.

Governmental funds are accounted for using the current financial resources measurement focus. This means that only current assets, current liabilities, and current deferred outflows/inflows of resources are generally included on their balance sheet. Their reported fund balance (net current assets and current deferred outflows of resources) is considered a measure of "available spending resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets and current deferred outflows of resources. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

All proprietary funds are accounted for 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. Claims incurred, but not reported are included in payables and expenses. All assets, liabilities, and deferred outflows/inflows of resources (current and noncurrent) associated with their activities are included in the fund's statement of net position.

(Continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation - Continued

The County's accounts are organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred outflows/inflows of resources, fund balance, revenues and expenses or expenditures. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, although the latter are excluded from the government-wide statements.

The government reports the following major governmental funds:

The **General Fund** is the general operating fund of the County and is always classified as a major fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes, charges for services, intergovernmental revenues and investment of idle funds. Primary expenditures are for general government, justice system, public safety, corrections and rehabilitation, health and human services, and infrastructure and environmental.

The **Road and Bridge Special Revenue Fund** accounts for the activities associated with the building, maintaining or improving roads, highways, and bridges within the County, including maintenance of road and bridge facilities. Major revenue sources include property taxes and charges for services.

The **COVID 19 Relief Grants Fund** accounts for the receipt and expenditure of grants received from State of Texas and Federal sources to provide economic relief for the County and its citizens due to the COVID 19 pandemic.

The **Courthouse Construction Series 2023 Fund** accounts for the bond proceeds from the 2023 issuance of bond debt for construction of the new courthouse by the County.

Other Fund types include proprietary and fiduciary funds which are considered as nonmajor funds. Non-major funds include special revenue funds, capital projects funds, and debt service funds.

Proprietary fund level financial statements are used to account for activities, which are similar to those often found in the private sector. The measurement focus is upon determination of net income, financial position and cash flows. Internal Service funds are used to account for the financing of goods or services provided by one department or agency of the County to other County departments or agencies on a cost reimbursement basis.

The County has two proprietary funds which are classified as internal service funds: 1) The Insurance Fund used to account for the County's group medical self-insurance program. Revenues are derived from County contributions, employee and retiree/COBRA premiums, investment of idle funds and stop loss collections. Expenses are for claims and administrative expenses. 2) The Payroll fund acts as an agent for the payroll processing of the County's departments. The fund operates as a custodial fund, where liabilities are recorded when monies are received. However, this fund is the recipient of interest and incurs certain related expenses. The residual interest and related expenditures result in fund net postions.

The **Proprietary funds** are accounted for using the accrual basis of accounting as follows:

1. Revenues are recognized when earned, and expenses are recognized when the liabilities are incurred.
2. Current year contributions, administrative expenses and benefit payments, which are not received or paid until the subsequent year, are accrued.

(Continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation - Continued

Proprietary funds distinguish operating revenues and expenses from non-operating. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations (e.g. insurance payments).

Fiduciary fund level financial statements include fiduciary funds which are classified into pension (and other employee benefit) trust funds, external investment, private purpose trust and custodial funds. The County has only custodial funds which are used to account for assets held by the County as an agent for individuals, private organizations, and other governments. Custodial funds do not involve a formal trust agreement. The County reports fourteen custodial funds as fiduciary funds.

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

1. Deposits and Investments

The County's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments. State statutes and the County's official Investment Policy authorize the County to invest in repurchase agreements, certificates of deposit, direct obligations of the U.S. Government and agency securities, money market mutual funds, and managed public funds investment pools.

The County records investments at fair value, except for certificates of deposit and investments in government pools, which are recorded at amortized cost. Amortized cost approximates fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. All investment income is recognized as revenue in the appropriate fund's statement of activity and or statement of revenues, expenditures, and changes in fund balance.

2. Receivables and Payables

Property taxes are levied based on taxable value at January 1 prior to September 30 and become due October 1 and past due after January 31. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting. Property tax receivables for prior year's levy are shown net of an allowance for uncollectible amounts.

Accounts receivable from other governments include amounts due from grantors for approved grants for specific programs and reimbursements for services performed by the County. Program grants are recorded as receivables and revenues at the time eligibility requirements established by the grantor have been met.

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.

Lending or borrowing between funds is reflected as "due to or due from" (current portion) or "advances to/from other funds" (non-current). Interfund activity reflected in "due to or due from" is eliminated on the government-wide statements.

(Continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance - Continued

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The fund financial statements are offset by a reservation of fund balance which indicates they do not represent "available spendable resources." Prepaids are accounted for using the consumption method. Under the consumption method, prepaids are recorded as expenditures when they are used.

4. Capital Assets

Capital assets, which include land, buildings, improvements, machinery and equipment, and infrastructure assets (e.g., roads and bridges) are reported in the government-wide financial statements. Capital assets such as equipment are defined as assets with a cost of $5,000 or more and estimated useful lives in excess of one year. Infrastructure assets, which include County-owned roads and bridges, are capitalized with a cost of $50,000 or more. Capital assets are recorded at historical costs if purchased or constructed. Donated capital assets, donated works of art, and similar items, and capital assets received in a service concession arrangement are recorded at acquisition value at the date of acquisition. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	30
Building improvements	15 to 25
Infrastructure	20 to 45
Machinery and equipment	3 to 15

5. Construction-in-Progress

Expenditures on incomplete capital projects have been capitalized as construction-in-progress. The assets resulting from these projects will be transferred from the construction-in-progress accounts to the appropriate asset account as the projects are completed.

6. Compensated Absences

A liability for unused vacation and sick time for all full time employees is calculated and reported in the government-wide statements. For financial reporting, the following criteria must be met to be considered as compensated absences:

- leave or compensation is attributable to services already rendered
- leave or compensation is not contingent on a specific event (such as illness)

Per GASB Interpretation No. 6, liabilities for compensated absences are recognized in the fund statements to the extent the liabilities have matured (i.e., are due for payment). Compensated absences are accrued in the government-wide statements.

(Continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance - Continued

6. Compensated Absences - Continued

Permanent full-time employees earn vacation leave at an established rate according to their years of service and may accumulate up to 18 days if years of service are less than 10 years, 24 days if years of service are 10-20 years, and 30 days if years of service are greater than 20 years. Employees lose, without pay, unused vacation leave which exceeds this limit.

Each permanent full-time employee earns sick leave at the rate of one working day per month and may accumulate maximum sick leave of eighty working days. After an employee accumulates the maximum number of sick days, any excess may be converted to vacation days at an exchange rate of four sick days for one day of vacation. Outstanding sick leave balances are canceled, without recompensation, upon termination, resignation, retirement or death. In accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences,* no liability is recorded for nonvesting accumulated rights to receive sick pay benefits.

The regular workweek is based on 40 hours actually worked. With the exception of Jail employees, overtime, unless required to be paid by Federal statutes, is accumulated as compensatory (comp) time and earned at time and a half for non-exempt employees and at straight time for exempt employees. Comp time is accumulated and either taken off or paid at the employees' current rate of pay on termination, resignation, retirement or death. For those employed in the Jail, overtime is paid as incurred.

7. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities under governmental activities. On new bonds issued, bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

In the fund financial statements, government fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County did not have any items that qualified for reporting in this category other than the items related to the changes in the net pension liability, and other post-employment benefits (OPEB) liability, which are discussed below.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows consist of differences in expected and actual pension and OPEB experience and unavailable revenue. Unavailable revenue is reported only on the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes. The differences in expected and actual pension experience are amortized over a four-year period. OPEB differences are amortized over a four-year period. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

(Continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance - Continued

8. Deferred Outflows/Inflows of Resources - Continued

The County also has deferred outflows related to the recording of changes in its net pension and OPEB liabilities. Certain changes in the net pension OPEB liabilities are recognized as pension or OPEB expense over time instead of all being recognized in the year of occurrence. Experience gains or losses result from periodic studies by the County's actuary which adjust the net pension or OPEB liabilities for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience gains or losses are recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. Changes in actuarial assumptions which adjust the net pension or OPEB liabilities are also recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension or OPEB expense over the expected remaining service lives of plan members. The difference between projected investment return on pension and OPEB investments and actual return on those investments is also deferred and amortized against pension and OPEB expense over a five-year period. Additionally, any contributions made by the County to the pension or OPEB plan before year end but subsequent to the measurement date of the County's net pension or OPEB liability are reported as deferred outflows of resources.

9. Fund balance

In the fund financial statements, governmental funds report fund balance categorized as nonspendable, restricted, committed, assigned or unassigned.

Nonspendable fund balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaids) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted fund balance – represents amounts with external constraints placed on the use of these resources (such as debt covenants, grantors, other governments, etc.) or imposed by enabling legislation.

Committed fund balance – represents amounts that can only be used for specific purposes imposed by an ordinance, which is the formal action of the County's highest level of decision-making authority, the Commissioners' Court. Committed resources cannot be used for any other purpose unless the Commissioners' Court removes or changes the specified use by the same type of action previously used to commit those amounts.

Assigned fund balance – represents amounts the County intends to use for specific purposes as expressed by the Commissioners' Court. This is the residual classification for all governmental funds other than the general fund.

Unassigned fund balance – represents the residual classification for the general fund or deficit balances in other funds.

Sometimes the County 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 County'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.

(Continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance - Continued

9. Fund Balance - Continued

The County's minimum fund balance policy requires that unassigned fund balances are maintained at a level adequate to provide for unanticipated expenditures of a nonrecurring nature and to meet unexpected increases in service delivery costs. The minimum level for General Fund unassigned fund balances is 25% of budgeted General Fund expenditures.

During the current year, the County determined that two funds that had been included in the General Fund in prior years were more appropriately reported as special revenue funds. These funds were separated from the General Fund with fund balance transfers shown on the statement of revenues, expenditures and changes in fund balances.

10. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, deferred outflows/inflows of resources and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

11. Pensions and Other Post-Employment Benefits

For purposes of measuring the net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pension and OPEB, and pension and OPEB expense, information about the fiduciary net position of the County's retirement and OPEB plan and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

12. Leases

Leases are recognized in accordance with GASB Statement No. 87, Leases. A lessor is required to recognize a lease receivable and a deferred inflow of resources. A lease receivable is recognized at the net present value of the leased asset at a borrowing rate either explicitly described in the agreement or implicitly determined by the County and is reduced by principal payments received. The deferred inflow of resources is recognized in an amount equal to the sum of the lease receivable and any payments relating to a future period which were received prior to the lease commencement. These deferred inflows of resources are amortized equal to the amount of the annual payments.

A lessee is required to recognize a lease payable and an intangible right-to-use lease asset. A lease payable is recognized at the net present value of future lease payments and is adjusted over time by interest and payments. Future lease payments include fixed payments, variable payments based on index or rate, reasonably certain residual guarantees. The right-to-use asset is initially recorded at the amount of the lease liability plus prepayments less any lease incentives received prior to lease commencement and is subsequently amortized over the life of the lease.

In the government-wide, proprietary, and fiduciary fund financial statements, deferred inflows related to leases and any respective right-to-use assets are reported in the Statement of Net Position. In the governmental fund financial statements, the present value of lease payments is reported as other financing sources. Under modified accrual accounting, lease payments are considered capital outlay and proceeds of lease contracts, and thereafter are recorded as principal and interest payments.

(Continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance - Continued

The County has chosen not to implement GASB 87 for the budgetary basis of accounting. For both the budgetary basis of accounting and for leases that do not meet the criteria for valuation under GASB 87, the County will report inflows of cash for lessor leases and outflows of cash for lessee leases.

13. Subscription-Based Information Technology Arrangements

Subscription-based information technology arrangements (SBITAs) are defined as a contract that conveys control of the right to use another party's IT software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in exchange or exchange-like transactions. The County recognizes an intangible subscription asset and subscription liability. The subscription liability is measured as the present value of the total subscription payments expected to be made to the vendor during the subscription term. The total future payments are discounted using the interest rate the vendor charges, or if the implicit interest rate is not readily determinable the County uses an estimated incremental borrowing rate. The subscription asset is measured as the initial value of the subscription liability plus any initial capitalized costs and less any vendor incentives received at the commencement of the subscription term.

D. Implementation of New Standards

In the current year, the County implemented the following new standards:

GASB Statement No. 96, *Subscription Based Information Technology Arrangements* ("GASB 96"), provides guidance for subscription-based information technology arrangements ("SBITAs"). SBITAs are contracts that convey control of the right to use a SBITA vendor's IT software as specified in the contract for a period of time in exchange transactions. The statement requires the reporting of liabilities related to information technology arrangements that were previously not reported, and for subscribers to report liabilities under a single model. In addition, the statement requires enhanced disclosures related to the timing, significance, and purpose of a government's information technology arrangements. The County adopted this guidance as of October 1, 2022.

There were no material cumulative effect adjustments recorded to net position upon adoption. For information technology subscriptions, right-of-use assets and liabilities were recognized on the commencement date of the subscription based on the present value of subscription payments over the subscription term. At inception of the year of adoption, the County recognized right-of-use assets of $657,467 with a corresponding SBITA liability of $657,467. As of September 30, 2023, the following lease amounts are reported: SBITA liabilities in the amount of $709,108 and $613,546 included in current and long-term lease liabilities, respectively.

In May 2019 GASB issued Statement No. 91 *Conduit debt Obligations* which has the objectives of providing a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The provisions of this statement are effective for reporting periods beginning after December 15, 2021. The County adopted this guidance as of October 1, 2022. There was no material effect on the financial statements.

(Continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Implementation of New Standards - Continued

In April 2022 GASB issued Statement No. 99 *Omnibus 2022* which includes guidance addressing various accounting and financial reporting issues identified during the implementation and application of certain GASB pronouncements. The issues covered by the statement include clarification of various issues in GASB 87, clarification of certain provisions of GASB 94 *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, among other provisions, which are effective for years beginning after June 15, 2022, and provisions related to the classification and reporting derivative instruments that do not meet the definition of whether an investment derivative instrument or a hedging derivative instrument are effective for years beginning after June 15, 2023 The County adopted the relevant guidance as of October 1, 2022. There was no material effect on the financial statements.

E. Future Implementation of New Standards

GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*. This statement was issued June 2022 to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements. GASB Statement No. 100 will be effective for the County for the fiscal year ending September 30, 2024.

GASB Statement No. 101, Compensated Absences. This statement was issued June 2022 to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. Other requirements include that a liability for certain types of compensated absences not be recognized until the leave commences, and that a liability for specific types of compensated absences not be recognized until the leave is used. GASB Statement No. 101 will be effective for the City for the fiscal year ending September 30, 2024.

The County is currently evaluating whether or not the above listed new GASB pronouncements will have a significant impact to the County's financial statements.

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II. RECONCILIATION OF GOVERNMENT WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes reconciliation between fund balance for total governmental funds and net position as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds payable and pension liability, are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet.” The details of this $(232,882,511) difference are as follows:

Bonds payable	$ (215,660,000)
Bond premiums, net	(11,118,156)
Lease liabilities	(266,811)
SBITA liabilities	(1,322,654)
Compensated absences	(4,514,890)
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	$ (232,882,511)

Another element of that reconciliation states that “capital assets used in governmental activities are not current financial resources and therefore, are not reported in the governmental funds balance sheet.” The details of this $140,664,353 difference are as follows:

Capital assets	$ 322,562,384
Accumulated depreciation of capital assets	(181,898,031)
	$ 140,664,353

B. Explanation of certain differences between the government fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The government fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation indicates that “governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this $24,777,966 difference are as follows:

Capital outlay	$ 37,157,008
Depreciation expense	(12,379,042)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	$ 24,777,966

(Continued)

II. RECONCILIATION OF GOVERNMENT WIDE AND FUND FINANCIAL STATEMENTS - Continued

Another element of that reconciliation states that "The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consu0mes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued; whereas the amounts are deferred and amortized in the statement of activities." The details of this $(172,942,271) difference are as follows:

Principal payments on long-term debt	$ 6,220,547
Amortization of bond premium	431,687
Proceeds from bonds issued and financed purchases	(179,594,505)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	$ (172,942,271)

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

(1) Prior to September 1, the County Judge submits to the Commissioners' Court a proposed operating budget for the fiscal year commencing October 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year. After adoption by Commissioners' Court, the control for the detailed fee office/department budgets is at the department head or elected official level and by the County Auditor.

(2) Public hearings are conducted to obtain taxpayer comment.

(3) The budget is legally enacted through adoption by the Commissioners' Court.

(4) Budgets for the General, certain Special Revenue Funds (County Law Library, County Clerk Records Preservation, District Clerk Records Preservation, Juvenile Delinquency Prevention, Courthouse Security, Justice Court Technology, County & District Court Technology, Juvenile General, Forfeiture Interest 10%, Workforce Investment, JAC Maintenance and Road & Bridge), Capital Projects and Debt Service Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) in the United States of America.

(5) Encumbrances expire at fiscal year-end, which is consistent with generally accepted accounting principles in the United States of America.

(6) Comparison of budgeted and actual amounts as shown in Schedules 1 through 2 in the accompanying financial report include the General Fund and the Road and Bridge Special Revenue Fund which are the County's major funds in the current fiscal year.

(7) Budgetary data for certain Special Revenue funds encompassing various Federal and State programs are cumulative as opposed to annual budgets or the annual budgets have a fiscal year end consistent with the state program or agency from which they receive state funding rather than the County's fiscal year end. Therefore, budget and actual comparisons are not reported in the accompanying financial report for these funds.

(Continued)

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

(8) In addition, certain Special Revenue funds are not required under the Texas Local Government Code to submit budgets under the County budgeting process. During the current year, these Smith County offices submitted a budget to Commissioners' Court for reporting purposes only.

The budgets as presented in the financial statements reflect all amendments approved by the Commissioners' Court for the year ended September 30, 2023, if designated as final budget.

B. Expenditures Over Appropriations

The Courthouse construction fund had expenditures in excess of appropriations of $4,558,399 for the year ended September 30, 2023.

C. Deficit Fund Balance

As of September 30, 2023, four funds, East Texas Auto Crushers, Transportation Grants, East Texas Anti-Gang and Financial Crimes had deficit fund balances of $8,351, $8,870, $16,601, and $189,133, respectively. These are expected to be covered by the General Fund.

IV. DEPOSITS AND INVESTMENTS

A. Cash Deposits

The carrying amount of the County's cash was $266,567,782, and total bank balances equaled $267,962,613. The carrying amount of the County's Custodial cash was $14,427,712 and total bank balances equaled $15,317,743. Certificates of deposit shown as investments on the statement of fiduciary net position had a carrying amount and bank balance of $2,254,351. The bank deposits are required to be covered by federal depository insurance or by collateral held by the depository bank in the County's name and were covered entirely by federal depository insurance or by collateral held by the depository bank in the County's name.

All deposits are held in the County's main depository or subdepository banks except funds held in trust by the Justice of the Peace offices number 2, 3 and 4, and Auto Registration, which are not under a subdepository contract.

B. Investments

The County's investment policies are governed by state statutes and county ordinance. Permissible investments include direct obligations of the U.S. Government and agency securities, certificates of deposit, and repurchase agreements. The County holds investments in Local Government Investment Cooperative (LOGIC) and Texstar. Investments at LOGIC normally consist of U.S. T-bills, commercial paper, T-notes, collateralized certificates of deposit and repurchase agreements. Investments at Texstar consist of U.S. T-bills, T-notes, collateralized certificates of deposit and repurchase agreements. Both LOGIC and Texstar were created under the Interlocal Cooperation Act, Texas Government Code Chapter 791, and the Public Funds Investment Act, Texas Government Code Chapter 2256. These two acts provide for the creation of Local Government Investment Pools (LGIPs) and authorize eligible governmental entities to invest their public funds and funds under their control through the investment pool. The LGIP's follow all requirements of the Public Funds Investment Act, including being rated by a nationally recognized rating agency, using amortized cost valuation, and to the extent reasonably possible, stabilize at $1 net asset value. Both investment pools carry investments at amortized cost. Investments are priced daily and compared to carrying value. If the ratio of the fair value of the portfolio of investments to the carrying value of investments is less than .995 or greater than 1.005, the investment pools will sell investment securities, as required, to maintain the ratio at a point between .995 and 1.005.

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IV. DEPOSITS AND INVESTMENTS - Continued

B. Investments - Continued

J.P. Morgan Investment Management, Inc., and First Southwest Company (a division of Hilltop Securities) serve as co-administrators for the Texstar and LOGIC programs under agreements with each pool's respective board of directors. The Texstar is a five-member Board consisting of three representatives of employees, officers or elected officials of participating government entities, and one member designated by each of the co-administrators. In addition, Texstar has an Advisory Board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool. A maximum of two advisor board members represent the co-administrators of LOGIC.

The County records all interest revenue earned from investment activities in the respective funds.

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the government or its agent in the government's name.
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name.
3. Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the government's name.

Investments are stated at fair value or amortized cost, which approximates fair value, and are held by the County's agent in the County's name. The County's investments at year end are shown below.

	Amortized Cost	Weighted Average Maturity (Days)	Credit Risk
Primary Government			
Local Government Investment Cooperative	$ 35,748,461	39	AAA
TexStar	5,414,179	29	AAAm
Southside - Certificate of Deposit	11,145	248	N/A
Total fair value	$ 41,173,785		
Fiduciary Funds			
Local Government Investment Cooperative	$ 359,658	39	AAA
Portfolio weighted average maturity		38	

Credit risk – Credit risk is the risk that an issuer or other counterpart to an investment will not fulfill its obligations. The County has limited credit risk, in conformance to state statutes and County ordinance, by investing in only the safest types of securities as permitted by the Public Funds Investment Act, using approved brokers and with different investment pools.

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investment. The County has no formal policy on interest rate risk.

Custodial credit risk – Custodial credit risk is the risk for deposits that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The County requires all bank deposits to be collateralized at a level not less than 100% of the total uninsured deposits.

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IV. DEPOSITS AND INVESTMENTS - Continued

B. Investments - Continued

Foreign currency risk – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The County's investment policy does not permit securities listed in foreign denominations. Consequently, the County is not exposed to foreign currency risk.

V. PROPERTY TAXES AND OTHER RECEIVABLES

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied prior to September 30, become due on October 1 and are delinquent after January 31. The County bills and collects its own property taxes and those for the County of Bullard, City of Tyler, City of Troup, City of Whitehouse, City of Winona, the Bullard Independent School District (ISD), Tyler ISD, Whitehouse ISD, Winona ISD, Tyler Junior College and the Smith County Water Control District. The County is the only entity controlled by the Commissioners' Court; the County acts only as an intermediary in the collection and distribution of property taxes to the other entities.

Collections of the property taxes and subsequent remittances to the proper entities are accounted for in the Tax Assessor/Collector's Custodial Fund. Tax collections are recorded net of the entities' related collection commission paid to the County in this custodial fund according to the levy year for which the taxes are collected. Tax collections deposited for the County are distributed on a monthly basis to the General and Debt Service Funds of the County.

This distribution is based upon the tax rate established for each fund by order of the Commissioners' Court for the tax year for which the collections are made.

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unavailable revenue reported in the governmental funds were as follows:

Unavailable revenue:	
General fund	$ 2,429,627
Road & Bridge fund	427,245
Facility improvement fund	100,528
Debt service fund	360,032
Total unavailable revenue	$ 3,317,432

The County is authorized by the tax laws of the State of Texas to levy taxes up to $.80 per $100 of assessed valuation for general governmental services and the payment of principal and interest on certain permanent improvement long-term debt. The tax rate as of September 30, 2023 was $.33000.

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V. PROPERTY TAXES AND OTHER RECEIVABLES - Continued

Receivables as of year-end for the governmental activities, individual major governmental funds and nonmajor governmental funds, including the applicable allowances for uncollectible accounts, as required by GASB 34 are as follows:

	Internal Service and General Funds	Road and Bridge and Courthouse Special Revenue Funds	Other Nonmajor Funds	Total Governmental Activities
Receivables:				
Property Taxes	$ 2,625,325	$ 461,658	$ 497,656	$ 3,584,639
Other	7,246,278	267,311	1,645,805	9,159,394
Gross receivables	9,871,603	728,969	2,143,461	12,744,033
Less: Allowance				
for uncollectibles	675,447	118,776	128,037	922,260
Net total receivables	$ 9,196,156	$ 610,193	$ 2,015,424	$ 11,821,773

Abatement

The County enters into property tax abatement agreements with local businesses under the State Property Redevelopment and Tax Abatement Act, Chapter 312, as well as its own guidelines and criteria, which is required under the Act. Under the Act, including its guidelines and criteria, the County may grant property tax abatements for economic projects under the program that provide an increase of at least $1,000,000 in property values, or an annual payroll increase of $400,000 or the creation of 25 new permanent full time jobs. Abatements are granted for up to 100% over a period of time specified on an individual basis. The County's priority for tax abatement is to extend tax abatement to primary employers. In providing local jobs, the retention of existing jobs is recognized as more important than recruitment of new companies is given to provide significant, long term, positive economic impact to the community using local contractors and the resident workforce to the maximum extent feasible and by developing, redeveloping and improving real estate within the County.

Uses available for tax abatement include manufacturing, distribution centers, corporate or regional office parks, research facilities and small entrepreneurs.

V. PROPERTY TAXES AND OTHER RECEIVABLES - Continued

Disclosure relevant for the fiscal year ended September 30, 2023 is:

Government Entering Into Tax Abatement	Terms of Abatement	Name	Type		Smith County Applied Value		Amount of Taxes Abated for FY 2023
Smith County	80% 5 years	GG Distributing	Distribution	$	508,449	$	1,766
Smith County		GG Realty, LLC	Real Estate Management		11,491,551		39,906
Smith County	80% 4 years	Industrial Wood Technology			1,793,082		6,227
Smith County	100% 5 years	JSF-2	Food Processing Facility		21,000,000		72,925
	100% 2 years						
	80% 2 years						
Smith County	50% 1 year	Dragline Service Specialties	Manufacturing		1,518,958		5,275
	100% 2 yrs						
	80% 2 years						
Smith County	50% 1 year	Wyoming Machinery	Distribution		2,995,823		10,403
	80% 7 years						
Smith County	50% 3 years	Sanderson Farms Plant	Food Processing Facility		118,400,000		411,161
Smith County	80% 4 years	Wastequip Manufacturing Co. LLC	Manufacturing		906,978		3,150
Smith County	80% 3 yrs.	McWane (Tyler Pipe)	Manufacturing		2,723,807		9,459
Smith County	Tiered 5 years	Jasper Ventures (EPC)	Engineering/Construction		2,834,664		9,844
Smith County		Mountain Park Holdings	Real Estate Management		3,550,000		12,328
			Total County Initiated	$	167,723,312	$	582,444
City of Tyler	100% 3 years	Hood Packaging	Manufacturing		-		-
City of Tyler	100% 7 years	Renal Care Group Texas, Inc.	Medical Support		-		-
City of Tyler	100% 3 years	Highland Dairy	Distribution		1,432,972		4,976
	50% 1 year						
City of Tyler	Tiered 10 years	Trane	Manufacturing		31,551,854		109,568
City of Tyler		213 Investments LLC	Real Estate Management		483,272		1,678
City of Tyler	100% 7 years	Vereit OFC Tyler TX LLC	Real Estate Management		-		-
City of Tyler	100% 4 years	American Standard	Manufacturing		17,474,151		60,681
	50% 1 year						
			Total Initiated by Others	$	50,942,249	$	176,903

(Continued)

VI. CAPITAL ASSETS

Capital assets are recorded at cost or, if donated, at fair value at the date of receipt. In accordance with GASB 34, depreciation policies were adopted to include useful lives and classification by function. Infrastructure assets are recorded at estimated acquisition costs by using indexes to discount estimated current replacement costs.

A summary of changes in capital assets follows:

	Beginning Balance as Restated	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 2,146,771	$ 1,780,229	$ -	$ 3,927,000
Construction in progress	670,917	7,180,808	(670,918)	7,180,807
Infrastructure in progress	6,615,020	1,239,688	(6,615,020)	1,239,688
Total capital assets, not being depreciated	9,432,708	10,200,725	(7,285,938)	12,347,495
Capital assets, being depreciated:				
Infrastructure	140,256,574	25,244,820	-	165,501,394
Buildings	38,195,001	3,720,512	(48,564)	41,866,949
Improvements	56,508,911	1,101,398	-	57,610,309
Machinery and equipment	39,529,749	4,175,492	(924,571)	42,780,670
Right of use assets - leases	351,879	185,386	(123,320)	413,945
Right of use assets - SBITAs	658,267	1,383,355	-	2,041,622
Total capital assets, being depreciated	275,500,381	35,810,963	(1,096,455)	310,214,889
Less accumulated depreciation for:				
Infrastructure	(85,316,595)	(6,202,447)	-	(91,519,042)
Buildings	(25,583,264)	(894,353)	13,625	(26,463,992)
Improvements	(25,403,445)	(2,339,665)	-	(27,743,110)
Machinery and equipment	(33,374,103)	(2,942,576)	924,571	(35,392,108)
Right of use assets - leases	(137,107)	(133,167)	123,320	(146,954)
Right of use assets - SBITAs	-	(632,825)	-	(632,825)
Total accumulated depreciation	(169,814,514)	(13,145,033)	1,061,516	(181,898,031)
Total capital assets, being depreciated, net	105,685,867	22,665,930	(34,939)	128,316,858
Governmental activities capital assets, net	$ 115,118,575	$ 32,866,655	$ (7,320,877)	$ 140,664,353

Right-of-Use assets

A lease is defined as a contract that conveys control of the right of use of another entity's nonfinancial asset as specified in a contract for a period of time in an exchange or exchange-like transaction. The City is party to a variety of lease and SBITA contracts as lessee for which this right-of-use (ROU) has been recognized as an asset on the balance sheet. This recognition for SBTAs is new for the current fiscal year due to the implementation of GASB 96.

(Continued)

VI. CAPITAL ASSETS - Continued

Lease right-of-use activity for the year ended December 31, 2023 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Copy machines	$ 187,729	$ -	$ (68,031)	$ 119,698
Office space	4,347	160,558	(4,347)	160,558
Machinery and equipment	159,803	24,828	(50,942)	133,689
Total Leased Assets	351,879	185,386	(123,320)	413,945
Less accumulated amortization for:				
Copy machines	(84,805)	(63,848)	68,031	(80,622)
Office space	(3,260)	(25,170)	4,347	(24,083)
Machinery and equipment	(49,042)	(44,149)	50,942	(42,249)
Total accumulated amortization	(137,107)	(133,167)	123,320	(146,954)
Net Total Leased Assets	$ 214,772	$ 52,219	$ -	$ 266,991

Depreciation expense for 2023 was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	$ 2,125,767
Public safety	1,324,590
Correction and rehabilitation	2,090,098
Infrastructure and environmental	7,504,802
Justice system	99,776
Total depreciation expense - governmental activities	$ 13,145,033

VII. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

Construction Commitments. As of September 30, 2023, the County has active construction projects. At year end the County's commitments with contractors are as follows:

Project	Spent-to-Date	Estimated Remaining Commitments
Parking Structure	$ 112,310	$ 16,887,690
Courthouse Construction	3,344,734	148,486,591
R&B Facility	3,695,491	617,909
Juvenile Attention Center EIFS	28,272	360,869
Special Road Projects	1,239,688	7,867,090
	$ 8,420,495	$ 174,220,149

(Continued)

VII. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS - Continued

Encumbrances. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end, the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

General fund	$ 1,492,581
Road and Bridge fund	1,439,622
Courthouse Construction - 2023 Series	6,649,675
Nonmajor funds	17,989,995
Total	$ 27,571,873

VIII. LONG-TERM DEBT

During the year ended September 30, 2011, the County issued $39,955,000 *General Obligation Bonds - 2011 Series*. The proceeds from the sale of the bonds were used to fund the Jail Expansion project, to refund $5,710,000 of the County's outstanding certificates of obligation to achieve debt service savings, and to pay the cost related to the issuance of the bonds.

During the year ended September 30, 2018, the County issued $11,320,000 *General Obligation Bonds – Series 2018.* The proceeds from the sale of the bonds are being used to fund road and infrastructure improvement projects.

During the year ended September 30, 2019, the County issued $11,320,000 *General Obligation Bonds – Series 2019.* The proceeds from the sale of the bonds are being used to fund road and infrastructure improvement projects.

During the year ended September 30, 2020, the County issued $7,125,000 *General Obligation Bonds – Series 2020.* The proceeds from the sale of the bonds are being used to fund road and infrastructure improvement projects.

During the year ended September 30, 2021, the County issued $7,425,000 *General Obligation Bonds – Series 2021.* The proceeds from the sale of the bonds are being used to fund road and infrastructure improvement projects.

During the year ended September 30, 2022, the County issued $17,270,000 *General Obligation Bonds – Series 2022.* The proceeds from the sale of the bonds are being used to fund road and infrastructure improvement projects.

During the year ended September 30, 2023, the County issued $18,170,000 *Courthouse Parking Tax and Revenue Bonds – Series 2023.* The proceeds from the sale of the bonds are being used to fund the construction of a parking structure.

During the year ended September 30, 2023, the County issued $152,335,000 *Limited Tax Courthouse Bonds – Series 2023.* The proceeds from the sale of the bonds are being used to fund construction of a new courthouse.

(Continued)

VIII. LONG-TERM DEBT - Continued

General obligation bonds currently outstanding are as follows:

Description	Original Bond Amt	Interest Rates (%)	Date of Issue	Date of Maturity	Bonds Outstanding
General Obligation Bonds - 2011 Series	$ 39,955,000	1.0 - 4.0	6/28/2011	8/15/2023	$ -
General Obligation Bonds - 2018 Series	11,320,000	2.0 - 4.0	6/12/2018	2/15/2028	8,530,000
General Obligation Bonds - 2019 Series	11,320,000	3.0 - 4.0	6/11/2019	2/15/2029	9,445,000
General Obligation Bonds - 2020 Series	7,125,000	2.0 - 5.0	7/23/2020	2/15/2030	5,215,000
General Obligation Bonds - 2021 Series	7,425,000	2.0 - 5.0	7/22/2021	2/15/2031	6,970,000
General Obligation Bonds - 2022 Series	17,270,000	3.0 - 5.0	9/8/2022	2/15/2042	14,995,000
Tax and Revenue Bonds - 2023 Series	18,170,000	4.0 - 5.0	7/13/2023	8/15/2047	18,170,000
Limited Tax Bonds - 2023 Series	152,335,000	4.0 - 5.0	9/21/2023	8/15/2048	152,335,000
	$ 264,920,000				$ 215,660,000

The annual debt service requirements to maturity for general obligation bonds are as follows:

Years Ending September 30	Principal	Interest
2024	4,595,000	9,076,198
2025	8,185,000	9,453,731
2026	6,325,000	9,293,756
2027	9,545,000	9,061,731
2028	10,265,000	8,612,781
2029-2033	38,155,000	35,926,531
2034-2038	39,165,000	29,532,991
2039-2043	47,945,000	19,639,653
2044-2048	51,480,000	7,599,633
	$ 215,660,000	$ 138,197,005

General Obligation Bonds are subject to the provisions of the Internal Revenue Code of 1986 related to arbitrage and interest tax regulations under these provisions.

(Continued)

VIII. LONG-TERM DEBT - Continued

Changes in Long-Term Debt

Long-term liability for the year ended September 30, 2023 was as follows:

Governmental Activities:	Beginning Balance 10/1/2022 as Restated	Additions	Reductions	Ending Balance 9/30/2023	Due Within One Year	Due in More Than One Year
General obligation bonds	$ 51,275,000	$ -	$ 6,120,000	$ 45,155,000	$ 4,595,000	$ 40,560,000
Tax and revenue bonds	-	170,505,000	-	170,505,000		170,505,000
Bond premium, net	2,460,338	9,089,505	431,687	11,118,156	-	11,118,156
Total bonds payable	53,735,338	179,594,505	6,551,687	226,778,156	4,595,000	222,183,156
Compensated absences	4,763,478	5,045,073	5,293,662	4,514,889	3,206,511	1,308,378
Net OPEB liability	40,121,260	-	9,274,478	30,846,782	-	30,846,782
Net Pension liability	-	17,330,915	-	17,330,915	-	17,330,915
Financed purchases	100,547	-	100,547	-	-	-
Lease liability	214,341	181,422	128,952	266,811	83,795	183,016
SBITA liability	658,267	918,951	254,564	1,322,654	709,108	613,546
Total	$ 99,593,231	$ 203,070,866	$ 21,603,890	$ 281,060,207	$ 8,594,414	$ 272,465,793

The liabilities listed above for compensated absences, net other post-employment benefits and net pension liability will be liquidated by the County's General Funds, Road and Bridge Fund, Adult Probation Funds, and Juvenile Probation Funds. The liability for capital leases will be liquidated by the General Funds and Road and Bridge Fund.

Authorized but Unissued Debt

In November 2021 Smith County voters approved a $45 million bond package for Phase II road construction. The 2022 series was issued for $17,270,000 and the remaining series are to be issued over the next couple of years. The bonds are expected to be amortized over a term of ten to twenty years.

IX. LEASES

The County is involved in various leasing arrangements for land, buildings, equipment and land use rights which are leased mainly to commercial customers. With the implementation of GASB Statement No. 87 Leases, effective the fiscal year ended September 30, 2022, all leases were analyzed and classified as either qualified or non-qualified leases, for both lessor and lessee positions. With this implementation, a respective receivable or payable is recognized.

Lessor Leases Receivables

The County has entered into four lease agreements to lease buildings and land to third parties. Lease receivables at the beginning of the year were $73,467 and were reduced by $38,893 during the year. Lease revenues recognized were $38,898, and interest income was $252. No leases were entered into during the year. Annual payments range from $10 to $2,788. Interest rate is .49%. Future annual lease receivables as of September 30, 2023, are as follows:

Year	Principal	Interest	Total Receipts
2024	33,585	88	33,673
2025	999	1	1,000
Total Future Receipts	34,584	89	34,673

(Continued)

IX. LEASES – Continued,

Lessee Leases Payable

The County has entered into multiple leases for office equipment, and one lease for office space. Lease payables at the beginning of the year were $214,343 and new leases of $185,386 were entered into. Payments reduced lease liabilities by $132,916 during the year. No leases were entered into during the year. Annual payments range from $118 to $2,708. Interest rates were .49%. Future annual lease payables as of September 30, 2023, are as follows:

Year	Principal	Interest	Total Payments
2024	83,795	1,108	84,903
2025	69,841	743	70,584
2026	55,905	429	56,334
2027	45,390	179	45,569
2028	11,880	16	11,896
Total Future Payments	266,811	2,475	269,286

X. SUBSCRIPTION BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The County has entered into multiple SBITAs for voting systems, tax assessment and collection, communications, probation activities, and cloud computing technology. SBITA payables at the beginning of the year were $657,467 and new arrangements of $1,384,154 were entered into. Payments reduced SBITA liabilities by $718,967 during the year. Annual payments range from $100 to $406,115. Interest rates were .49%. Future annual SBITA payables as of September 30, 2023, are as follows:

Year	Principal	Interest	Total Payments
2024	709,108	6,270	715,378
2025	613,546	2,853	616,399
Total Future Payments	1,322,654	9,123	1,331,777

XI. INTERFUND RECEIVABLES, PAYABLE BALANCES, AND TRANSFERS

In the fund financial statements, interfund balances are the result of normal transactions between funds and will be liquidated in the subsequent fiscal year. Balances between individual governmental funds are eliminated in the government-wide financial statements.

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

Receivable Fund	Payable Fund	Amount	Purpose
General Fund	Non-major Governmental Funds	$ 5,264,821	Supplement fund sources
	Total	$ 5,264,821	

(Continued)

XI. INTERFUND RECEIVABLES, PAYABLE BALANCES, AND TRANSFERS, Continued

The following summarized the County's transfers for the year ended September 30, 2023:

	Transfers In				
	General Fund	Road and Bridge Fund	Nonmajor Governmental Funds	Total	Explanation
Transfers out:					
General Fund	$ -	$ 11,000,000	$ 5,100,000	$ 16,100,000	Supplemental fund sources
Road and Bridge Fund	-	-	-	-	
Nonmajor Governmental Funds	843,038	-	105,672	948,710	Supplemental fund sources
Totals	$ 843,038	$ 11,000,000	$ 5,205,672	$ 17,048,710	

XII. DEFINED BENEFIT PENSION PLAN

(a) PLAN DESCRIPTION

The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees is responsible for the administration of the statewide agent multi-employer public employee retirement system. TCDRS in the aggregate issues a comprehensive annual financial report (ACFR) on a calendar year basis. The ACFR is available upon written request from TCDRS Board of Trustees at P. O. Box 2034, Austin, Texas 78768-2034 or the website at www.TCDRS.org.

The plan provisions are adopted by the governing body of the employers, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service, with 20 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by the employer.

Benefits are determined by the sum of the employee's contributions to the plan, with interest and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer with the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

(b) PLAN MEMBERSHIP

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

	12/31/2022
Inactive employees or beneficiaries currently receiving benefits	581
Inactive employees entitled to but not yet receiving benefits	979
Active employees	928
	2,488

(Continued)

XII. DEFINED BENEFIT PENSION PLAN - Continued

(c) CONTRIBUTIONS

The employer has elected the annually determined contribution rate (Variable Rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The County contributed using the actuarially determined rate of 11.18% for the months of the accounting year 2023, and 12.43% for the months of the accounting year 2022. County contributions to the plan were $6,251,909 for the year ended September 30, 2023.

The deposit rate payable by the employee members for 2022 and 2023 is 7% as adopted by the governing body of the employer. The employee deposit rate and the employer deposit rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

(d) NET PENSION LIABILITY OF THE COUNTY

The County's Net Pension Liability was measured as of December 31, 2022, and the Total Pension Liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

(e) ACTUARIAL ASSUMPTIONS

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

Inflation	2.50%
Overall payroll growth	3.00%
Investment rate of return	7.50%, net of pension plan investment expenses, including inflation

The County has no automatic cost-of-living adjustments ("COLA") and one is not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculation or in the funding valuation.

The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.00% (made up of 2.50% inflation and 0.50% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.70% per year for a career employee.

Mortality rates for active members were based on 135% of the Pub-2010 General Employees Amount-Weighted Table for males and 120% of the Pub-2010 General Employees Amount-Weighted Table for females, both projected with 100% of the MP2021 Ultimate scale after 2010. Mortality rates for service retirees, beneficiaries, and non-depositing members were based on the 135% of the Pub 2010 General Healthy Retirees Amount-Weighted Table for males and 120% of the Pub-2010 General Healthy Retirees Amount-Weighted Table for females, both projected with 100% of the MP2021 Ultimate scale after 2010. Mortality rates for disabled retirees were based on the 135% of the Pub-2010 General Disabled Retirees Amount-Weighted Table for males and 120% of the Pub-2010 General Disabled Retirees Amount-Weighted Table for females, both projected with 100% of the MP2021 Ultimate scale after 2010.

The actuarial cost method was Entry Age Normal, as required by GASB 68. Straight-line amortization over Expected Working Life with a 5 year smoothing period, and a non-asymptotic recognition method with no corridor were utilized in the actuarial calculations.

The actuarial assumptions used in the December 31, 2022, valuation were based on the results of an actuarial experience study for the period January 1, 2017 – December 31, 2021, except where required to be different by GASB 68.

(Continued)

XII. DEFINED BENEFIT PENSION PLAN – Continued

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2023 information for a 10 year time horizon.

The valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2022. The following target asset allocation was adopted by the TCDRS board in March 2021. The geometric real rate of return is net of inflation, assumed at 2.3%.

Asset Class	Benchmark	Target Allocation [1]	Geometric Real Rate of Return (Expected minus Inflation) [2]
US Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.95%
Global Equities	MSCI World (net) Index	2.50%	4.95%
International Equities - Developed	MSCI World Ex USA (net)	5.00%	4.95%
International Equities - Emerging	MSCI Emerging Markets (net) Index	6.00%	4.95%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	2.40%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	9.00%	3.39%
Direct Lending	S&P/LSTA Leverage Loan Index	16.00%	6.95%
Distressed Debt	Cambridge Associates Distressed Securities Index [4]	4.00%	7.60%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	4.15%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	5.30%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index [5]	6.00%	5.70%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index[3]	25.00%	7.95%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	6.00%	2.90%
Cash Equivalents	90-Day U.S. Treasury	2.00%	0.20%
		100.00%	

(1) Target asset allocation adopted at the March 2023 TCDRS Board meeting

(2) Geometric real rates of return equal the expected return minus the assumed inflation rate of 2.0% per Cliffwater's 2023 capital market assumptions

(3) Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

(4) Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

(5) Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

(Continued)

XII. DEFINED BENEFIT PENSION PLAN – Continued

(f) DISCOUNT RATE

The discount rates used to measure the Total Pension Liability was 7.60%. Using the alternative method, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments based on the funding requirements under the County's funding policy and the legal requirements under the TCDRS Act.

1. TCDRS has a funding policy where the unfunded actuarial accrued liability ("UAAL") shall be amortized as a level percent of pay over 20-year layered periods.
2. Under the TCDRS Act, the County is legally required to make the contribution specified in the funding policy.
3. The County's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.
4. Any increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments.

(g) CHANGES IN THE NET PENSION LIABILITY

		Increase (Decrease)	
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balances as of December 31, 2021	$ 217,036,987	$ 225,629,068	$ (8,592,081)
Changes for the year:			
Service cost	6,232,122	-	6,232,122
Interest on total pension liability [1]	16,561,277	-	16,561,277
Effect of plan changes [2]	-	-	-
Effect of economic/demographic gains or losses	(533,343)	-	(533,343)
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(1,139,116)	(1,139,116)	-
Benefit payments	(9,775,889)	(9,775,889)	-
Administrative expenses	-	(123,680)	123,680
Member contributions	-	3,484,609	(3,484,609)
Net investment income	-	(13,112,308)	13,112,308
Employer contributions	-	6,088,672	(6,088,672)
Other [3]	-	(233)	233
Balances as of December 31, 2022	$ 228,382,038	$ 211,051,123	$ 17,330,915

(1) Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.
(2) No plan changes valued.
(3) Relates to allocation of system-wide items.

The required schedule of changes in the County's net pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

(Continued)

XII. DEFINED BENEFIT PENSION PLAN – Continued

(h) SENSITIVITY ANALYSIS

The following presents the net pension liability of the County, calculated using the discount rate of 7.60%, as well as what the Smith County net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.60%) or one percentage point higher (8.60%) than the current rate.

	1% Decrease in Discount Rate (6.60%)	Discount Rate (7.60%)	1% Increase in Discount Rate (8.60%)
Total pension liability	$ 260,083,250	$ 228,382,038	$ 202,108,256
Fiduciary net position	211,051,123	211,051,123	211,051,123
Net pension liability/(asset)	$ 49,032,127	$ 17,330,915	$ (8,942,867)

(i) PENSION PLAN FIDUCIARY NET POSITION

Detailed information about the pension plan's fiduciary net position is available in the separately issued TCDRS financial report.

(j) PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

For the year ended September 30, 2023, the County recognized pension expense of $5,609,026. On September 30, 2023, the County 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 expected and actual economic experience	$ -	$ 665,123
Changes in actuarial assumptions	3,065,120	-
Difference between projected and actual investment earnings	24,164,354	20,014,298
Contributions made subsequent to measurement date	4,757,753	-
Total	$ 31,987,227	$ 20,679,421

County contributions subsequent to the measurement date, but before the end of the County's reporting period, of $4,757,753 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending September 30, 2024, rather than in the current fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	
2023	$ 46,242
2024	(244,679)
2025	707,400
2026	6,041,090
2027	-
Thereafter	-
	$ 6,550,053

(Continued)

XIII. OTHER INFORMATION

RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employee; and natural disasters. The County maintains commercial insurance coverage for each of these risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the County. Settled claims did not exceed this commercial insurance coverage during the past three years.

CONTINGENTCIES

Grants
Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. A contingent liability was not established because potential reimbursements are considered immaterial.

Litigation
The County is involved in lawsuits and other claims in the ordinary course of operations. Such litigation included lawsuits alleging unlawful termination, and violations of civil rights. The County is aggressively defending these suits and believes that the loss, if any, resulting from the suits listed above will not have a material impact on the County's financial position, results of operations and cash flows in the future years.

JOINT VENTURE

The North Texas Public Health District was established, effective October 1, 1993, by a cooperative agreement between the City of Tyler and Smith County, Texas pursuant to authority by the Texas Health and Safety Code for the purpose of providing public health services previously provided by the participating entities. The District is considered a joint venture between the City and County with each retaining an equity interest based upon the percentage each contributed to the budget.

For the year ended September 30, 2023, the County budgeted funding of $200,000 for the Health District. The County's equity interest in the Health District was $2,405,384 at September 30, 2023. The Health District's total Fund Balance at September 30, 2023 was approximately $6.5 million. Financial statements for the Health District may be obtained at the entity's Administrative Offices.

DEFERRED COMPENSATION

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all County employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The plan assets are not a part of the County's financial statements because a third-party administrator holds these plan assets in trust.

The fair value and carrying value of deferred compensation plan assets is $2,666,593 as of September 30, 2023.

HEALTH, DENTAL AND LIFE PLANS

The County implemented a self-insured health plan for employees, including dental and prescription benefits. The County pays the full amount of insurance premiums for their retirees except dependent coverage. The employees pay the cost of coverage for any dependents they enroll under the plan. The County maintains an Insurance Fund to track premiums and claim payments. The County has retained an insurance policy for specific and aggregate stop-loss coverage. There is an individual stop-loss of $225,000 and aggregate protection once the County's deductible of approximately $13.4 million is met. The maximum reimbursement is set at $1,000,000.

(Continued)

XIII. OTHER INFORMATION - Continued

Changes in the estimated liability for medical claims for fiscal years 2022 and 2023 are presented below:

Insurance Fund	Insurance Claims Payable At Beginning of Year	Current Year Claims and Changes In Estimates	Actual Claim Payments	Insurance Claims Payable At End of Year
September 30, 2022	520,382	10,216,350	10,069,281	$ 667,451
September 30, 2023	667,451	10,710,230	10,152,493	1,225,188

XIV. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. Other Post-Employment Benefit Plans

Smith County contributes to two other post-employment benefit plans, (1) the Retiree Health Benefit Trust (RHBT) which is a single employer defined benefit healthcare plan, and (2) a group term life insurance for all of its full-time employees and retirees through a statewide, multiple-employer, public-employee retirement system through the Texas County District Retirement System (the "TCDRS"). As of and for the year ended September 30, 2023, the two plans had the following balances reported in the government-wide financial statements:

	Total OPEB Liability	**Net OPEB Liability**	**Deferred Outflows**	**Deferred Inflows**	**OPEB Expense**
Retiree Health Plan	N/A	$ 28,718,153	$ -	$ 9,837,656	$ (8,726,005)
Supplemental Death Benefit	2,128,623	N/A	313,684	645,050	145,737
	$ 2,128,623	$ 28,718,153	$ 313,684	$ 10,482,706	$ (8,580,268)

Detailed disclosures for each plan follow.

(1) HEALTH PLAN

(a) PLAN DESCRIPTION

In addition to the pension benefits described in Note XII, as required by state law and defined by County Policy, the County makes available health care benefits, including medical/RX, dental, and life insurance, to all employees, and their spouses and children, who retire from the County and who are receiving benefits from a County sponsored retirement program (Texas County and District Retirement System (TCDRS) through a single-employer defined benefit healthcare plan.

Current retirees in the health plan and at retirement, active employees that meet the conditions for retirement from TCDRS (age 60 and above with 8 years or more of service, 20 years of service regardless of age, or when the sum of their age and years of service equals 75 or more) and the retirees that have worked for Smith County for 20 years, are eligible to remain in the health plan at the total blended contribution rate for active and retiree participants (Retiree Health Existing (Closed) Program).

Active employees hired after June 1, 2005 are not eligible to continue coverage in the County-sponsored medical/RX or dental plan, nor are they provided life insurance by the County. Under the provisions of GASB Statement 75, these employees who will not be eligible to continue coverage in the County's Health Plan do not receive an Other Post Employment Benefit. Accordingly, only those employees who are eligible to participate in the Retiree Health Existing (Closed) Program are included in the valuation results described below.

(Continued)

XIII. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – Continued

(1) HEALTH PLAN - continued

(b) PLAN MEMBERSHIP

At the September 30, 2023 measurement date, the following employees were covered by the benefit terms:

	September 30 2023
Inactive employees currently receiving benefits	214
Active employees	93
	307

(c) BENEFITS PROVIDED

The healthcare plan provides insurance to eligible retirees, their spouses, and children through the County's group health insurance plan, which covers both active and retired members, until age 65 when retirees become eligible and are required to enroll in Medicare Part B, at which time coverage supplements Medicare. There are no automatic post-employment benefit changes; including automatic cost of living adjustments ("COLA").

(d) CONTRIBUTIONS

County contribution consists of monthly premium contributions to the Smith County Insurance Fund to pay claims for retirees that are not Medicare eligible. The contributions are at the same premium rate as for active employees. Medicare eligible retirees are provided a Medicare insurance supplement program. The County contributions to the Smith County Insurance Fund for retirees in fiscal year 2023 were $1,233,938.

The table below provides the required monthly inactive participant contribution, County contribution, and total contribution for medical/Rx coverage effective for the 2022-2023 plan year.

Date of Hire	Inactive Contributions	County Contributions	Total Contributions
Before June 1, 2005*			
Plan 1			
Single	$ 322.43	$ 727.72	$ 1,050.15
Single + Spouse	998.79	727.72	1,726.51
Surviving Spouse	1,050.15	-	1,050.15
Plan 2			
Single	$ 378.62	$ 727.72	$ 1,106.34
Single + Spouse	1,066.45	727.72	1,794.17
Surviving Spouse	1,106.34	-	1,106.34
Plan 3			
Single	$ 378.62	$ 727.72	$ 1,106.34
Single + Spouse	1,066.45	727.72	1,794.17
Surviving Spouse	1,106.34	-	1,106.34

* Employees hired on or after June 1, 2005 may continue coverage under COBRA paying the above monthly total contribution while they are eligible for COBRA.

(Continued)

XIV. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - Continued

(1) HEALTH PLAN - continued

The table below provides the required inactive participant contributions, County contributions, and full group COBRA premiums for the County-sponsored dental plan effective for the 2022 - 2023 plan year.

Date of Hire	Inactive Contributions	County Contributions	Total Contributions
Before June 1, 2005*			
Single	$ -	$ 35.00	$ 35.00
Single + Spouse	30.00	35.00	65.00
Surviving Spouse	30.00	-	30.00

* Employees hired on or after June 1, 2005 may continue coverage under COBRA paying the above monthly total contribution while they are eligible for COBRA.

(e) NET OPEB LIABILITY

The County's net OPEB liability was measured as of September 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2023.

(f) ACTUARIAL ASSUMPTIONS

The Total OPEB liability in the September 30, 2023, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.60%
Overall payroll growth	Not applicable.
Discount rate	4.63% (Fidelity Municipal GO AA Index as of September 30, 2023)
Healthcare cost trend rates	Medical/Rx/Dental Post-65: 5.2% Medical/Rx/Dental Pre-65: 5.10% initial, increasing 0.1% per year then decreasing to an ultimate rate of 4.0%

All mortality rates are based on the rates used in Smith County's December 31, 2022 TCDRS valuation. Mortality rates for active members were based on 90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014. Mortality rates for inactive members were based on 130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014. Mortality rates for disabled members were based on 130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

(Continued)

XIV. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - Continued

(1) HEALTH PLAN - continued

Health insurance elections were developed based on the following:

- 100% of employees who were hired prior to June 1, 2005 and have coverage in the County-sponsored health and/or dental insurance plan before retirement are assumed to elect coverage at retirement and continue coverage for life.
- 10% of employees electing coverage in the health and/or dental insurance plan at retirement are assumed to cover their spouse, who is assumed to continue coverage for life.
- 50% of spouses electing coverage are assumed to waive coverage upon becoming Medicare eligible.
- Current participants enrolled in Medical Plan 1 or Medical Plan 2 are assumed to remain in their currently elected plan until age 65, should they elect post-retirement medical coverage. Participants in all other plans are assumed to have a 70% likelihood of electing Plan 1 and a 30% likelihood of electing Plan 2 upon retirement.
- Employees hired on or after June 1, 2005 are not eligible to continue coverage in the County-sponsored medical/Rx, dental plan, or life insurance plan, and therefore are not valued in the GASB 74 actuarial valuation.

Medical/prescription drug and dental per capita claims and administration costs were developed based on the following:

- County claims experience (including Medical/Rx and Dental), fees, and administration costs for the County's employees and retirees from October 1, 2021 through September 30, 2023.
- Claims experience was adjusted for healthcare cost trend, age-sex differentials between employees and retirees, medical plan values, and integration of Medicare at ages 65 and after.
- Post-65 medical claims are based on County contributions to the BCBS Medicare Supplemental Plan.
- The actuarial cost method was Entry Age Normal, as required by GASB 75.
- Investment gains/losses are amortized over five year, liability gains/losses are amortized over Average Working Lifetime, and Plan changes are recognized immediately.

(g) DISCOUNT RATE

The discount rate used to measure the total OPEB liability was 4.63%. Since the fund does not accumulate funds in advance of retirement, the discount rate that was used to measure the total OPEB liability is the 20-year municipal bonds rate. Because the plan operates on a pay-as-you-go basis and is not intended to accumulate assets, there is no long-term expected rate of return on plan assets and therefore the years of projected benefit payments to which the long-term expected rate of return is applicable is zero years.

(Continued)

XIV. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - Continued

(1) HEALTH PLAN - continued

(h) CHANGES IN THE NET OPEB LIABILITY

		Increase (Decrease)	
	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (a) - (b)
Balances as of September 30, 2022	$ 37,316,159	$ -	$ 37,316,159
Changes for the year:			
Service cost	385,487	-	385,487
Interest	1,631,725	-	1,631,725
Changes in benefit terms	-	-	-
Differences between expected and actual experience	(7,279,687)	-	(7,279,687)
Changes in assumptions	(2,101,593)	-	(2,101,593)
Refund of contributions	-	-	-
Benefit payments	(1,233,938)	(1,233,938)	-
Employer contributions	-	1,233,938	(1,233,938)
Net investment income	-	-	-
Administrative expenses	-	-	-
Other	-	-	-
Balances as of September 30, 2023	$ 28,718,153	$ -	$ 28,718,153

(i) SENSITIVITY ANALYSIS

The following presents the net OPEB liability of the County, calculated using the discount rate of 4.63%, as well as what the Smith County net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.63%) or 1 percentage point higher (5.63%) than the current rate.

	1% Decrease in Discount Rate (3.63%)	Discount Rate (4.63%)	1% Increase in Discount Rate (5.63%)
Total OPEB Liability	$ 32,532,566	$ 28,718,153	$ 25,582,676
Plan fiduciary net position	-	-	-
Net OPEB Liability	$ 32,532,566	$ 28,718,153	$ 25,582,676

The healthcare trend rate is 5.1% for both dental and medical/Rx Post-65, and 8.0% initial, decreasing to the ultimate rate of 4.00% for medical/Rx Pre-65. The following presents the net OPEB liability of the County, calculated using the health trend rates noted above, as well as what the Smith County net OPEB liability would be if it were calculated using healthcare trend rates that are 1 percentage point lower or 1 percentage point higher than the current rate.

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Total OPEB Liability	$ 25,205,506	$ 28,718,153	$ 33,019,245
Plan fiduciary net position	-	-	-
Net OPEB Liability	$ 25,205,506	$ 28,718,153	$ 33,019,245

(Continued)

XIV. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - Continued

(1) HEALTH PLAN - continued

(j) OPEB EXPENSE

For the year ended September 30, 2023, the County recognized OPEB income of $8,726,005.

Components of OPEB Expense		
Service cost	$	385,487
Interest on total OPEB liability		1,631,725
Differences between expected and actual experience		(6,921,965)
Changes in assumptions		(3,821,252)
Projected earnings on OPEB plan investments		-
Differences between projected and actual earnings on plan investments		-
OPEB plan administrative expenses		-
Total OPEB expense	$	(8,726,005)

(k) DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES TO BE RECOGNIZED IN OPEB EXPENSE IN FUTURE YEARS

On September 30, 2023, the County 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	$	-	$	3,887,375
Changes in actuarial assumptions		-		5,950,281
Difference between projected and actual investment earnings		-		-
Total	$	-	$	9,837,656

Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended September 30		
2024	$	(9,223,901)
2025		(613,755)
2026		-
2027		-
2028		-
Thereafter		-
	$	(9,837,656)

(Continued)

XIV. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – Continued

(2) SUPPLEMENTAL DEATH BENEFITS PLAN

(a) PLAN DESCRIPTION

The County also participates in a cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas County and District Retirement System (TCDRS). This plan is referred to as the Group Term Life Fund (GTLF). This optional plan provides group term life insurance coverage to current eligible employees and, if elected by employers, to retired employees. The coverage provided to retired employees is a postemployment benefit other than pension benefits (OPEB). Retired employees are insured for $5,000.

The GTLF is a separate trust administered by the TCDRS board of trustees. TCDRS issues a publicly available comprehensive annual financial report (ACFR) that includes financial statements and required supplementary information for the GTLF. This report is available at *www.tcdrs.org*. TCDRS' ACFR may also be obtained by writing to the Texas County & District Retirement System, P.O. Box 2034, Austin, TX 76768-2034, or by calling 800-823-7782.

(b) PLAN MEMBERSHIP

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

	12/31/2022
Inactive employees currently receiving benefits	490
Inactive employees entitled to but not yet receiving benefits	232
Active employees	928
	1,650

All full- and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year and are eligible for the TCDRS pension plan.

(c) BENEFITS PROVIDED

Payment from this funds are similar to group term life insurance benefits, and are paid to the designated beneficiaries upon the receipt of an approved application of payment. 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). The death benefit for retirees is considered an "other postemployment benefit" (OPEB) and is a fixed amount of $5,000. The obligations of this plan are payable only from the GTLF and are not an obligation of, or claim against, the TCDRS Pension Trust Fund.

(d) CONTRIBUTIONS

Each participating employer contributes to the Group Term Life program at a contractually required rate. An annual actuarial valuation is performed and the contractual rate is equal to the cost of providing one-year term life insurance. The premium rate is expressed as a percentage of the covered payroll of members employed by the County. There is a one-year delay between the actuarial valuation that services as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The funding policy is to ensure that adequate resources are available to meet all insurance benefit payments for the upcoming year. It is not the intent of the funding policy to pre-fund retiree term life insurance during employees' entire careers.

(Continued)

XIV. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – Continued

(2) SUPPLEMENTAL DEATH BENEFITS PLAN - continued

As the GTLF covers both active and retiree participants, with no segregation of assets, the GTLF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

For calendar years 2022 the total GTLF contribution rate for the County was .28%, while the retiree portion of the GTLF contribution was .12% and for Calendar year 2023 the GTLF contribution rate was .22% white the retiree portion was .09%. The County's contributions for the year ended September 30, 2023, were $53,537 for the retiree portion, and $129,173 for the total GTLF rate. Due to the SDB being considered an unfunded OPEB plan, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

(e) TOTAL OPEB LIABILITY OF THE COUNTY

The County's total OPEB liability was measured as of December 31, 2022, and was determined by an actuarial valuation as of that date.

(f) ACTUARIAL ASSUMPTIONS

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

Inflation	Does not apply
Salary Increases	Does not apply
Investment Rate of Return (Discount Rate)	3.72% 20 Year Bond GO Index published by bondbuyer.com as of December 31, 2022.

The actuarial cost method being used is known as the Entry Age Normal Method, as required by GASB 75. This method develops the annual cost of the Plan in two parts: that attributable to benefits accruing in the current year, known as the normal cost, and that due to service earned prior to the current year, known as the amortization of the unfunded actuarial accrued liability.

The County has no automatic cost-of-living adjustments ("COLA") and one is not considered to be substantively automatic under GASB 75. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculation or in the funding valuation.

All actuarial assumptions that determined the total OPEB liability as of December 31, 2021 were based on the results of an actuarial experience study for the period January 1, 2017 through December 31, 2021, except where required to be different by GASB 75.

(g) DISCOUNT RATE

Under GASB 75, the discount rate for an unfunded OPEB plan should be based on 20-year-tax-exempt AA or higher Municipal Bonds. Therefore, a discount rate of 3.72% based on the 20 Year Bond GO Index published by bondbuyer.com is used as of the measurement date of December 31, 2022.

(Continued)

XIV. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – Continued

(2) SUPPLEMENTAL DEATH BENEFITS PLAN - continued

(h) CHANGES IN THE TOTAL OPEB LIABILITY

	Total OPEB Liability
Balance at 12/31/2021	$ 2,805,101
Changes for the year:	
Service cost	101,347
Interest	59,261
Change of benefit terms	-
Difference between expected and actual experience	15,747
Changes of assumptions or other inputs	(793,097)
Benefit payments	(59,736)
Net changes	(676,478)
Balance at 12/31/2022	$ 2,128,623

(i) SENSITIVITY ANALYSIS

The following presents the total OPEB liability for the County, calculated using the discount rate of 3.72%, would be if it were calculated using a discount rate that is 1-percentage-point lowers (2.72%) or 1-percentage-point higher (4.72%) than the current rate:

	1% Decrease in Discount Rate (2.72%)	Discount Rate (3.72%)	1% Increase in Discount Rate (4.72%)
Total OPEB Liability	$ 2,563,017	$ 2,128,623	$ 1,793,789

(j) OPEB EXPENSE

For the year ended September 30, 2023, the County recognized OPEB expense of $145,737.

Components of OPEB Expense	
Service cost	$ 101,347
Interest on total OPEB liability	59,261
Effect of plan changes	-
Recognition of deferred outflows/inflows of resources:	
Recognition of economic/demographic gains or losses	(3,239)
Recognition of assumption changes or inputs	(11,632)
Total OPEB expense	$ 145,737

(Continued)

XIV. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – Continued

(2) SUPPLEMENTAL DEATH BENEFITS PLAN - continued

(k) DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES TO BE RECOGNIZED IN OPEB EXPENSE IN FUTURE YEARS

At September 30, 2023, the County 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	$ 17,750	$ 10,572
Changes in actuarial assumptions	257,642	634,478
Contributions made subsequent to the measurement date	38,292	-
Total	$ 313,684	$ 645,050

The County had $38,292 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date, but before the end of the County's reporting period will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2024, rather than in the current fiscal year. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31	
2023	$ 18,313
2024	(87,455)
2025	(145,044)
2026	(155,472)
2027	-
Thereafter	-
	$ (369,658)

XV. SUBSEQUENT EVENTS

Subsequent events were evaluated through March 14, 2024, the date the financial statements were available to be issued.

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

Proposed Form of Opinion of Bond Counsel

An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the Bonds, assuming no material changes in facts or law.

SMITH COUNTY, TEXAS
GENERAL OBLIGATION BONDS, SERIES 2024

IN THE AGGREGATE PRINCIPAL AMOUNT OF $7,000,000 [(1)]

AS BOND COUNSEL for Smith County, Texas (the "*Issuer*"), the issuer of the Bonds described above (the "*Bonds*"), we have examined into the legality and validity of the Bonds, which bear interest from the dates specified in the text of the Bonds, at the rates and payable on the dates as stated in the text of the Bonds, maturing, unless redeemed prior to maturity in accordance with the terms of the Bonds, all in accordance with the terms and conditions stated in the text of the Bonds.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, and a transcript of certified proceedings of the Issuer, and other pertinent instruments authorizing and relating to the issuance of the Bonds, including the executed Bond Numbered T-1.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been authorized and issued and the Bonds delivered concurrently with this opinion have been duly delivered and that, assuming due authentication, Bonds issued in exchange therefore will have been duly delivered, in accordance with law, and that the Bonds, except as may be limited by laws applicable to the Issuer relating to principles of sovereign immunity, bankruptcy, reorganization and other similar matters affecting creditors' rights generally, and by general principles of equity which permit the exercise of judicial discretion, constitute valid and legally binding obligations of the Issuer, and ad valorem taxes sufficient to provide for the payment of the interest on and principal of the Bonds have been levied and pledged for such purpose, without limit as to rate or amount.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual or corporate alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "*Code*"). Except as stated above, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Bonds.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Bonds, may be includable in a corporation's adjusted financial statement

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[1] Preliminary, subject to bond pricing.

income for purposes of determining the alternative minimum tax imposed on certain corporations by section 55 of the Code.

IN EXPRESSING THE AFOREMENTIONED OPINIONS, we have relied on and assume continuing compliance with, certain representations contained in the federal tax certificate of the Issuer and covenants set forth in the order adopted by the Issuer to authorize the issuance of the Bonds, relating to, among other matters, the use of the project being financed and the investment and expenditure of the proceeds and certain other amounts used to pay or to secure the payment of debt service on the Bonds, the accuracy of which we have not independently verified. We call your attention to the fact that if such representations are determined to be inaccurate or if the Issuer fails to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "*Service*"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering our opinions with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Issuer, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the Issuer as to the current outstanding indebtedness of, and assessed valuation of taxable property within the Issuer. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

Respectfully,