

This Official Notice of Sale does not alone constitute an invitation for bids on the Bonds but is merely notice of the sale of the Bonds described herein. The invitation for bids is being made by means of this Official Notice of Sale, the Official Bid Form attached hereto and the Preliminary Official Statement. Information contained in this Official Notice of Sale is qualified in its entirety by the detailed information contained in the Official Statement.

## OFFICIAL NOTICE OF SALE

**\$25,850,000\***

### **CITY OF LIBERTY HILL, TEXAS**

*(A political subdivision of the State of Texas located within Williamson County)*

### **WASTEWATER TREATMENT FACILITY REVENUE BONDS, SERIES 2026**

**Bids Due: Wednesday, January 28, 2026 at 10:00 A.M., CST**

**Award Expected: 6:00 P.M., CST**

## THE SALE

**BONDS OFFERED FOR SALE BY COMPETITIVE BIDDING:** The City Council of the City is inviting competitive bids for the purchase of \$25,850,000\* Wastewater Treatment Facility Revenue Bonds, Series 2026 (the “Bonds”). Bids may be submitted by either of three alternative procedures: (1) sealed, written bids; (2) electronic bids; or (3) telephone bids. Prospective bidders may select one of the three alternative bidding procedures in their sole discretion. Neither the City nor its Financial Advisor, Specialized Public Finance Inc., assumes any responsibility or liability for a prospective bidding procedure.

The City and Specialized Public Finance Inc. assume no responsibility or liability with respect to any irregularities associated with the submission of bids by telephone, or electronic options.

Specialized Public Finance Inc. will not be responsible for submitting any bids received after the deadline. For the purpose of determining compliance with any and all time deadlines set forth in this Official Notice of Sale, for all alternative bidding procedures, the official time shall be the time maintained only by the Parity Electronic Bid Submission System (“PARITY”).

**PROCEDURE NUMBER 1: SEALED, WRITTEN BIDS:** Sealed bids, plainly marked “Bid for Bonds,” should be addressed to “Mayor and City Council, City of Liberty Hill, Texas,” and should be delivered to the City’s Financial Advisor, Dan Wegmiller, Specialized Public Finance Inc., at 248 Addie Roy Road, Suite B-103, Austin, Texas 78746, by 10:00 A.M., CST, on Wednesday, January 28, 2026 (the “Sale Date”).

**PROCEDURE NUMBER 2: ELECTRONIC BIDDING PROCEDURES:** Any prospective bidder that intends to submit an electronic bid must submit its electronic bid through the facilities of PARITY by 10:00 A.M., CST, on the Sale Date.

Subscription to the i-Deal LLC’s BIDCOMP Competitive Bidding System is required in order to submit an electronic bid through PARITY. Further information about PARITY, including any fee charged, may be obtained from Dalcomp/Parity, 395 Hudson Street, New York, New York 10014, attention: Jennifer Emery (212) 806-8304.

The City will neither confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe to a bidding system. An electronic bid made through the facilities of PARITY shall be deemed an irrevocable offer to purchase the Bonds on the terms provided in this Official Notice of Sale, Official Bid Form and the Preliminary Official Statement and shall be binding upon the bidder as if made by a signed, sealed bid delivered to the City. Neither Specialized Public Finance Inc. nor the City shall be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of PARITY, the use of such facilities being the sole risk of the prospective bidder.

**All electronic bids shall be deemed to incorporate the provisions of this Official Notice of Sale and Official Bid Form. If any provisions of this Official Notice of Sale shall conflict with information provided by PARITY as the approved provider of electronic bidding services, this Official Notice of Sale shall control.**

For information purposes only, and not as a part of their bid, bidders are requested to state in their electronic bids the net interest cost to the City, as described under “Basis of Award” below.

**PROCEDURE NUMBER 3: BIDS BY TELEPHONE:** Bidders must submit prior to 10:00 A.M., CST, on the Sale Date, SIGNED OFFICIAL BID FORMS to Dan Wegmiller, Specialized Public Finance Inc., 248 Addie Roy Road, Suite B-103, Austin, Texas 78746, and submit their bid by telephone by 10:00 A.M., CST, on the Sale Date.

Telephone bids will be accepted at (512) 275-7300, between 9:30 A.M. and 10:00 A.M., CST on the Sale Date.

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\*Preliminary, subject to change. See “CONDITIONS OF THE SALE – Post Bid Modification of Principal Amounts.”

**SIGNED OFFICIAL BID FORM:** The bidder whose bid is the winning bid in accordance with this Notice of Sale will be notified immediately and must submit via email a signed Official Bid Form in connection with the sale, by 10:30 A.M. on the date of sale, to Monica Melvin, Specialized Public Finance Inc. at [monica@spfmuni.com](mailto:monica@spfmuni.com).

**PLACE AND TIME OF BID OPENING:** The City Council will award the sale of the Bonds at the City's regular meeting place at 2801 Ranch Road 1869, Liberty Hill, Texas, 78642, at 6:00 P.M., CST, on Wednesday, January 28, 2026. All bids, including those being hand delivered, must be received by 10:00 A.M., CST. Any bid received after the scheduled time for receipt will not be accepted by the City Council and will be returned unopened.

**AWARD OF THE BONDS:** The City will take action to award the Bonds or reject any or all bids promptly upon the opening of bids. Upon awarding the Bonds to the winning bidder (the "Initial Purchaser"), the City Council will adopt an ordinance authorizing the issuance of the Bonds (the "Bond Ordinance"). Sale of the Bonds will be made subject to the terms, conditions and provisions of the Bond Ordinance, to which Bond Ordinance reference is hereby made for all purposes. **The City reserves the right to reject any and all bids and to waive any irregularities, except the time of filing.**

**WITHDRAWAL OF THE BIDS:** Any bid may be withdrawn by an authorized representative of the bidder at any time prior to the time set for receipt of bids. Thereafter, all bids shall remain firm for twelve hours after the time for receipt of the bids. The award or rejection of bids will occur within this same time period.

**EXTENSION OF SALE DATE:** The City reserves the right to extend the date and/or time for the receipt of bids by giving notice, by Bond Buyer Wire Service, and by posting a notice at the place established for receipt of bids, not later than 3:00 P.M., CST, on Tuesday, January 27, 2026, of the new date and time for receipt of bids. Such notice shall be considered an amendment to this Official Notice of Sale.

**MUNICIPAL BOND RATING AND INSURANCE:** The Bonds have been rated "A+" by S&P Global Ratings ("S&P") without regard to credit enhancement. An application for insurance has been made. If qualified, the purchase of municipal bond insurance for the Bonds will be at the option and expense of the Initial Purchaser. The rating fees of S&P will be paid by the City; any other rating fees associated with the insurance will be the responsibility of the Initial Purchaser. A downgrade of the insurer by any rating agency subsequent to submitting a bid with municipal bond insurance and before the closing of the transaction is not a material adverse change nor is it a basis for the Initial Purchaser to terminate its obligations to pay for the Bonds at closing. See "Conditions to Delivery" and "No Material Adverse Change" herein.

## THE BONDS

**DESCRIPTION OF THE BONDS:** The Bonds will be dated February 18, 2026. Interest will accrue from the date of initial delivery, will be payable on September 1, 2026, and each March 1 and September 1 thereafter until the earlier of 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. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** The Bonds will be issued in fully registered form only, in denominations of \$5,000 or any integral multiple of \$5,000 for any one maturity, and principal and interest will be paid by the initial paying agent/registrar BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar") 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 Preliminary Official Statement (made a part hereof) for a more complete description of the Bonds, including redemption provisions.

### MATURITY SCHEDULE\*

Year (September 1)	Principal Amount	Year (September 1)	Principal Amount
2026	\$ 1,100,000	2039	\$ 1,000,000
2027	555,000	2040	1,050,000
2028	585,000	2041	1,100,000
2029	615,000	2042	1,155,000
2030	645,000	2043	1,215,000
2031	675,000	2044	1,275,000
2032	710,000	2045	1,340,000
2033	745,000	2046	1,405,000
2034	780,000	2047	1,475,000
2035	820,000	2048	1,550,000
2036	865,000	2049	1,625,000
2037	905,000	2050	1,710,000
2038	950,000		

\*Preliminary, subject to change. See "CONDITIONS OF THE SALE – Post Bid Modification of Principal Amounts."

**OPTIONAL REDEMPTION PROVISIONS:** Bonds maturing on and after September 1, 2036, are subject to redemption prior to maturity, at the option of the City, as a whole or, from time to time, in part, on September 1, 2035, or on any date thereafter, at a price of par plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption.

If less than all of the Bonds are to be redeemed, the particular Bonds thereof shall be selected and designated by the City, and if less than all of the Bonds within a maturity are redeemed, the particular Bonds or portions thereof to be redeemed shall be selected by the Paying Agent by lot or other customary random method.

**MANDATORY SINKING FUND REDEMPTION:** If the successful bidder designates principal amounts in two or more consecutive years to be combined into one or more term bonds ("Term Bonds"), each such Term Bond shall be subject to mandatory sinking fund redemption commencing on September 1 of the first year which has been combined to form such Term Bond and continuing on September 1 in each year thereafter until the stated maturity date of that Term Bond. The amount redeemed in any year shall be equal to the principal amount for such year set forth above under the captioned "MATURITY SCHEDULE." Bonds to be redeemed in any year by mandatory sinking fund redemption shall be redeemed at par by lot or other customary method. The principal amount of Term Bonds to be mandatorily redeemed in each year shall be reduced by the principal amount of Term Bonds that have been redeemed in such year and have not been the basis for any prior optional redemption.

**OTHER TERMS AND COVENANTS:** Other terms of the Bonds and various covenants of the City are contained in the Bond Ordinance, which is described in the Preliminary Official Statement, to which reference is made for all purposes.

**SOURCE AND SECURITY OF PAYMENT:** The Bonds, together with the outstanding Parity Bonds (as defined in the Preliminary Official Statement), will constitute valid and legally binding special obligations of the City, with principal and interest payable and secured by a first lien on and pledge of the revenues of the City's wastewater treatment plant, wastewater collection facilities, and wastewater disposal facilities (collectively, the "Wastewater Treatment Facility") after deducting the operating and maintenance expenses of the Wastewater Treatment Facility (the "Net Revenues") and any additional revenues or assets specifically pledged by the City, to the extent permitted by Section 1502.052, Texas Government Code, as amended (together, the "Pledged Revenues"). The City has reserved the right to issue additional obligations secured by a lien on the Pledged Revenues on parity with the Bonds and the Outstanding Parity Bonds (the "Additional Parity Bonds").

**BOOK-ENTRY-ONLY SYSTEM:** The City intends to utilize the book-entry-only system of DTC. See "THE BONDS – Book-Entry-Only System" in the Preliminary Official Statement.

**REGISTERED FORM REQUIREMENT:** Section 149(a) of the Internal Revenue Code of 1986, as amended, requires that all tax-exempt obligations (with certain exceptions that do not include the Bonds) must be in registered form in order for the interest payable on such obligations to be excluded from the Registered Owners' income for federal income tax purposes.

**SUCCESSOR PAYING AGENT/REGISTRAR:** Provision is made in the Bond Ordinance for replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the City, the new paying agent/registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any paying agent/registrar selected by the City shall be a corporation organized and doing business under the laws of the United States of America or any state thereof subject to supervision or examination by federal or state banking authorities.

## **CONDITIONS OF THE SALE**

**TYPE OF BIDS AND INTEREST RATES:** The Bonds will be sold in one block on an "All or None" basis, and at a price of not less than 102% of their par value and not more than 112.5% of their par value. Bidders are invited to name the rate(s) of interest to be borne by the Bonds, provided that each rate bid must be in a multiple of 1/8 of 1% or 1/100 of 1% and the net effective interest rate calculated in the manner prescribed by Chapter 1204, Texas Government Code, must not exceed 15%. The highest rate bid may not exceed the lowest rate bid by more than 3% in rate. For Bonds having stated maturities on and after September 1, 2036, no reoffering yield producing a dollar price less than 97.5% for any individual maturity will be accepted. The high bidder will be required to submit reoffering yields and dollar prices prior to award. No limitation is imposed upon bidders as to the number of rates or changes which may be used. All Bonds of one maturity must bear one and the same rate. No bids involving supplemental interest rates will be considered.

**BASIS FOR AWARD:** Subject to the City's right to reject any or all bids and to waive any irregularities except time of filing, the sale of the Bonds will be awarded to the bidder or syndicate account manager whose name first appears on the Official Bid Form making a bid that conforms to the specifications herein and which produces the lowest True Interest Cost rate to the City. The True Interest Cost rate is that rate which, when used to compute the total present value as of the Delivery Date of all debt service payments on the Bonds on the basis of semiannual compounding, produces an amount equal to the sum of the par value of the Bonds plus any premium bid, if any. In the event of a bidder's error in interest cost rate calculations, the interest rates and premium, if any, set forth in the Official Bid Form will be considered as the intended bid.

In order to provide the City with information required to be submitted to the Texas Bond Review Board pursuant to Section 1202.008, Texas Government Code, as amended, the Initial Purchaser will be required to provide the City at least 10 business days prior to delivery of the Bonds with a breakdown of its "underwriting spread" among the following categories: Takedown, Management Fee (if any), Legal Counsel Fee (if any) and Spread Expenses (if any).

**POST BID MODIFICATION OF PRINCIPAL AMOUNTS:** After selecting the winning bid, the aggregate principal amount of the Bonds and the principal amortization schedule may be adjusted as determined by the City and its Financial Advisor in \$5,000 increments to reflect the actual interest rates. Such adjustments will not change the aggregate principal amount of the Bonds by more than 15% from the amount set forth herein. The dollar amount bid for the Bonds by the winning bidder will be adjusted proportionately to reflect any increase or decrease in the aggregate principal amount of the Bonds finally determined to be issued. The City will use its best efforts to communicate to the winning bidder any such adjustment within three (3) hours after the opening of bids. The Initial Purchaser's compensation will be based upon the final par amount after any adjustment thereto, subsequent to the receipt and tabulation of the winning bid, within the aforementioned parameters.

In the event of any adjustment of the maturity schedule for the Bonds as described above, no rebidding or recalculation of the proposals submitted will be required or permitted. The bid price for such an adjustment will reflect changes in the dollar amount of par amount of the Bonds from the selling compensation that would have been received based on the purchase price in the winning bid and the initial reoffering terms. Any such adjustment of the aggregate principal amount of the Bonds and/or the maturity schedule for the Bonds made by the City or its Financial Advisor shall be subsequent to the award of the Bonds to the winning bidder as determined pursuant to "CONDITIONS OF THE SALE – Basis of Award" herein and shall not affect such determination. The winning bidder may not withdraw its bid as a result of any changes made within the aforementioned limits.

**STATUTORY REPRESENTATIONS AND COVENANTS:** By submitting a bid, each bidder makes the following representations and, if its bid is accepted, covenants pursuant to Chapters 2252, 2271, 2274, and 2276, Texas Government Code, as heretofore amended (the "Government Code"). As used in therein, "affiliate" means an entity that controls, is controlled by, or is under common control with the bidder within the meaning of SEC Rule 405, 17 C.F.R. § 230.405, and exists to make a profit. If a bidder's bid is accepted, then liability for breach of any such representation or covenant during the term of the contract for purchase and sale of the Bonds created thereby (the "Purchase Contract") shall survive until barred by the applicable statute of limitations and shall not be liquidated or otherwise limited by any provision of the bid or this Official Notice of Sale, notwithstanding anything herein or therein to the contrary.

*Not a Sanctioned Company.* Each bidder represents that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Government Code. The foregoing representation excludes each bidder and each of its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization.

*No Boycott of Israel.* Each bidder hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and, if its bid is accepted, will not boycott Israel during the term of the Purchase Contract. As used in the foregoing verification, "boycott Israel" has the meaning provided in Section 2271.001, Government Code.

*No Discrimination Against Firearm Entities.* Each bidder hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association and, if its bid is accepted, will not discriminate against a firearm entity or firearm trade association during the term of the Purchase Contract. As used in the foregoing verification, "discriminate against a firearm entity or firearm trade association" has the meaning provided in Section 2274.001(3), Government Code.

*No Boycott of Energy Companies.* Each bidder hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott energy companies and, if its bid is accepted, will not boycott energy companies during the term of the Purchase Contract. As used in the foregoing verification, "boycott energy companies" has the meaning provided in Section 2276.001(1), Government Code.

**REPRESENTATION REGARDING TEXAS ATTORNEY GENERAL STANDING LETTER:** By submission of a bid for the Bonds, the bidder represents and verifies that the bidder and any syndicate member listed on the Official Bid Form has on file with the Texas Attorney General either (i) a standing letter addressing the verifications contained in the Bid Form in a form acceptable to the Texas Attorney General, or (ii) another letter addressing the verifications in the Bid Form in a form acceptable to the Texas Attorney General. The winning bidder and any syndicate member listed on the winning Official Bid Form shall provide the District with a copy of such letter not later than three days after the District's acceptance of the winning bid.

**GOOD FAITH DEPOSIT:** A Good Faith Deposit, payable to the "City of Liberty Hill, Texas," in the amount of \$517,000, is required. Such Good Faith Deposit shall be retained uncashed by the City pending the Initial Purchaser's compliance with the terms of the bid and this Official Notice of Sale. The Good Faith Deposit may be provided to the City via wire transfer (the City will provide wire instructions to the winning bidder), or in the form of a certified or cashier's check. The Good Faith Deposit will be retained by the City and (a) (i) if the Initial Purchaser utilizes a cashier's check as its Good Faith Deposit, said cashier's check will be returned to the Initial Purchaser after delivery of the Bonds, (ii) if the Initial Purchaser utilizes a wire transfer method for its Good Faith Deposit, said wire transfer will be applied to the purchase price at the delivery of the Bonds; or (b) will be retained by the City as liquidated damages if the Initial Purchaser defaults with respect to its purchase of the Bonds in accordance with its bid; or (c) will be returned to the Initial Purchaser if the Bonds are not issued by the City for any reason which does not constitute a default by the Initial Purchaser.

## ADDITIONAL CONDITION OF AWARD — DISCLOSURE OF INTERESTED PARTY FORM

**OBLIGATION OF THE CITY TO RECEIVE INFORMATION FROM WINNING BIDDER:** Pursuant to Texas Government Code, Section 2252.908 (the “Interested Party Disclosure Act”), the City may not award the Bonds to a bidder unless the bidder either: (a) submits a Certificate of Interested Parties Form 1295 (the “Disclosure Form”) to the City as prescribed by the Texas Ethics Commission (“TEC”), or (b) represents to the City by marking the appropriate check box on the signature page of the Official Bid Form that the bidder represents to the City that it is a publicly traded business entity or a wholly owned subsidiary of a publicly traded business entity (the “Publicly Traded Entity Representation”). In the event that the bidder’s bid for the Bonds is the best bid received and the bidder does not provide the Publicly Traded Entity Representation, the City, acting through its financial advisor, will promptly notify the bidder. That notification will serve as the conditional verbal acceptance of the bid and the winning bidder must promptly file the materials described below.

**PROCESS FOR COMPLETING THE DISCLOSURE FORM:** The Disclosure Form can be found at <https://www.ethics.state.tx.us/whatsnew/elfinfoform1295.htm>, and reference should be made to the following information in order to complete it: (a) item 2 — Name of City (“City of Liberty Hill, Texas”), (b) item 3 — the identification number (“Series 2026-WWTB-Bid”), and (c) item 3 — description of the goods or services assigned to this contract by the City (“Wastewater Treatment Facility Revenue Bonds, Series 2026”).

If the bidder doesn’t provide the Publicly Traded Entity Representation, the City cannot accept your bid unless and until you:

- (i) complete the Disclosure Form electronically at the TEC’s “electronic portal,” and
- (ii) print, sign and deliver a copy of the Disclosure Form that is generated by the TEC’s “electronic portal.”

These materials must be delivered electronically to the City’s Bond Counsel at [juliahouston@orrick.com](mailto:juliahouston@orrick.com) and Financial Advisor at [dan@spfmuni.com](mailto:dan@spfmuni.com) no later than 3:00 p.m. (CST) on the Sale Date.

If the Disclosure Form is required, time will be of the essence in submitting the form to the City, and no bid will be accepted by the City unless a completed Disclosure Form is received on time. If multiple entities are listed on the winning Official Bid Form and the Publicly Traded Entity Representation is not provided, each such entity will be required to submit a Disclosure Form to the City.

Neither the City nor its consultants have the ability to verify the information included in a Disclosure Form, and neither have an obligation nor undertake responsibility for advising any bidder with respect to the proper completion of the Disclosure Form. Consequently, an entity intending to bid on the Bonds should consult its own advisors to the extent it deems necessary and be prepared to submit the completed Disclosure Form promptly upon notification from the City that its bid is the conditional winning bid.

## DELIVERY AND ACCOMPANYING DOCUMENTS

**INITIAL DELIVERY OF INITIAL BOND:** Initial delivery (“Initial Delivery”) will be accomplished by the issuance of one initial bond payable in installments (collectively, the “Initial Bond”), either in typed or printed form, in the aggregate principal amount of \$25,850,000\*, registered in the name of the Initial Purchaser, manually signed by the Mayor of the City and countersigned by the City Secretary of the City, and approved by the Attorney General of Texas, and registered and manually signed by the Comptroller of Public Accounts of Texas or his authorized deputy. Upon delivery of the Initial Bond, the Paying Agent/Registrar shall immediately cancel the Initial Bond and one definitive Bond for each maturity will be registered and delivered only to DTC in connection with DTC’s book-entry-only system. Initial Delivery will be at a corporate trust office of the Paying Agent/Registrar in Dallas, Texas. Payment for the Bonds must be made in immediately available funds for unconditional credit to the City, or as otherwise directed by the City. The Initial Purchaser will be given five (5) business days’ notice of the time fixed for delivery of the Bonds. It is anticipated that Initial Delivery can be made on or about February 18, 2026, and subject to the aforementioned notice it is understood and agreed that the Initial Purchaser will accept delivery of and make payment for the Bonds by 10:00 A.M., CST, on February 18, 2026, or thereafter on the date the Bonds are tendered for delivery, up to and including March 4, 2026 (the “Delivery Date”). If for any reason the City is unable to make delivery on or before March 4, 2026, then the City shall immediately contact the Initial Purchaser and offer to allow the Initial Purchaser to extend its offer for an additional thirty (30) days. If the Initial Purchaser does not elect to extend its offer within six (6) business days thereafter, then its Good Faith Deposit will be returned, and both the City and the Initial Purchaser shall be relieved of any further obligation.

**CUSIP NUMBERS:** It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such number on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the Initial Purchaser to accept delivery of and pay for the Bonds in accordance with the terms of this Official Notice of Sale. The Financial Advisor will obtain CUSIP identification numbers from the CUSIP Service Bureau, New York, New York prior to the date of sale. CUSIP identification numbers will be made available to the Initial Purchaser at the time the Bonds are awarded or as soon thereafter as practicable.

\*Preliminary, subject to change. See “CONDITIONS OF THE SALE – Post Bid Modification of Principal Amounts.”

**CONDITIONS TO DELIVERY:** The obligation to take up and pay for the Bonds is subject to the following conditions: issuance of an approving opinion of the Attorney General of Texas, the Initial Purchaser's receipt of typewritten bonds, the legal opinion of Bond Counsel, and the No-Litigation Certificate, all of which are described herein, and the non-occurrence of the events described below under the caption "No Material Adverse Change." In addition, if the City fails to comply with its obligations described in the Preliminary Official Statement, the Initial Purchaser may terminate its contract to purchase the Bonds by delivering written notice to the City within five (5) days thereafter.

**LEGAL OPINIONS:** The City will furnish without cost to the Initial Purchaser a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds, including a certified copy of the unqualified approving legal opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and binding special obligations of the City, payable from a lien on and pledge of the Pledged Revenues, and, based upon an examination of such transcript of proceedings, the legal opinion of Orrick, Herrington & Sutcliffe LLP, Austin, Texas ("Bond Counsel"), to a like effect and to the effect that the interest on the Bonds is 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."

**COMPETITIVE BIDDING AND CERTIFICATE OF INITIAL PURCHASER:** In the event that the City does not receive sufficient qualified bids to satisfy the competitive sale requirements of Treasury Regulation § 1.148-1(f)(3)(i), allowing the City to treat the reasonably expected initial offering price to the public as of the sale date as the issue price of the Bonds, the City will treat (i) the first price at which 10 percent of a maturity of the Bonds is sold to the public as the issue price of that maturity (the "10 percent rule") or (b) the initial offering price to the public as of the sale date of any maturity of the Bonds as the issue price of that maturity (the "hold the price rule"). If the 10 percent rule has not been satisfied as to any maturity of the Bonds, the Initial Purchaser agrees to promptly report to Specialized Public Finance Inc. the prices at which it sells Bonds of that maturity to the public. This reporting obligation shall continue, whether or not the Bonds have been delivered, until the 10 percent rule has been satisfied. The attached Certificate Regarding Issue Price has language for (I) when the competitive sale requirements of Treasury Regulation § 1.148-1(f)(3)(i) are met and (II) when such requirements are not met.

**NO-LITIGATION CERTIFICATE:** With the delivery of the Bonds, the Mayor or the Mayor Pro Tem and the City Secretary of the City will execute and deliver to the Initial Purchaser a certificate dated as of the Delivery Date, to the effect that no litigation of any nature of which the City has notice is pending against or, to the best knowledge of the City's certifying officers, threatened against the City, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the authorization, execution or delivery of the Bonds; affecting the provision made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for authorization, execution or delivery of the Bonds; or affecting the validity of the Bonds, the corporate existence or boundaries of the City or the title of the then present officers and directors of the City Council.

**NO MATERIAL ADVERSE CHANGE:** The obligations of the City to deliver the Bonds and of the Initial Purchaser to accept delivery of and pay for the Bonds are subject to the condition that to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the conditions of the City from those set forth in or contemplated by the Official Statement, as it may have been supplemented or amended through the date of sale.

## **GENERAL CONSIDERATIONS**

**INVESTMENT CONSIDERATIONS:** The Bonds involve certain investment considerations. Prospective bidders are urged to examine carefully the entire Preliminary Official Statement, made a part hereof, with respect to the investment security of the Bonds. Particular attention should be given to the information set forth therein under the caption "BOND INSURANCE RISK FACTORS."

**RESERVATION OF RIGHTS:** The City reserves the right to reject any and all bids and to waive any and all irregularities except time of filing.

**NOT AN OFFER TO SELL:** This Official Notice of Sale does not alone constitute an offer to sell the Bonds but is merely notice of sale of the Bonds. The invitation for bids on the Bonds is being made by means of this Official Notice of Sale, the Preliminary Official Statement and the Official Bid Form.

**FINAL OFFICIAL STATEMENT:** The City has prepared and authorized distribution of the accompanying Preliminary Official Statement for dissemination to potential purchasers of the Bonds, but does not presently intend to prepare any other document or version for such purpose except as described below. The City will be responsible for completing the Official Statement by inserting the interest rates and the purchase price bid by the Initial Purchaser and the initial public offering yields as provided by the Initial Purchaser to the City, and for preparing and inserting the final debt service schedule. The City does not intend to amend or supplement the Official Statement otherwise, except to take into account certain subsequent events, if any, as described below. Accordingly, the City deems the accompanying Preliminary Official Statement to be final as of its date, within the meaning of SEC Rule 15c2-12(b)(1), except for the omission of the foregoing items. By delivering the final Official Statement or any amendment or supplement thereto in the requested quantity to the purchaser on or after the sale date, the City represents the same to be complete as of such date, within the meaning of SEC Rule 15c2-12(e)(3). Notwithstanding the foregoing, the only representations concerning the absence of material misstatements or omissions from the Official Statement which are or will be made by the City are those

described in the Preliminary Official Statement under “PREPARATION OF OFFICIAL STATEMENT – Certification of Official Statement.”

**CHANGES TO OFFICIAL STATEMENT:** If, subsequent to the date of the Official Statement to and including the date the Initial Purchaser is no longer required to provide an Official Statement to potential customers who request the same pursuant to 15c2-12 of the federal Securities Exchange Act of 1934 (the “Rule”) (the earlier of (i) 90 days from the “end of the underwriting period” (as defined in the Rule) and (ii) the time when the Official Statement is available to any person from the Municipal Securities Rulemaking Board but in no case less than 25 days after the “end of the underwriting period”), the City learns or is notified by the Initial Purchaser of any adverse event which causes any of the key representations in the Official Statement to be materially misleading, the City will promptly prepare and supply to the Initial Purchaser a supplement to the Official Statement which corrects such representation to the reasonable satisfaction of the Initial Purchaser, unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds as described above. See “DELIVERY AND ACCOMPANYING DOCUMENTS – Conditions to Delivery.” The obligation of the City to update or change the Official Statement will terminate when the City delivers the Bonds to the Initial Purchaser (the “end of the underwriting period” within the meaning of the Rule), unless the Initial Purchaser provides written notice to the City that less than all of the Bonds have been sold to ultimate customers on or before such date, in which case the obligation to update or change the Official Statement will extend for an additional period of time of 25 days after all the Bonds have been sold to ultimate customers. In the event the Initial Purchaser provides written notice to the City that less than all of the Bonds have been sold to ultimate customers, the Initial Purchaser agrees to notify the City in writing following the occurrence of the “end of the underwriting period” as defined in the Rule.

**DELIVERY OF OFFICIAL STATEMENTS:** The City will furnish Official Statements to the Initial Purchaser (and to each participating member of the underwriting syndicate, if any, of the Bonds, within the meaning of SEC Rule 15c2-12(a), designated by the Initial Purchaser), within seven (7) business days after the sale date. The City will also furnish to the Initial Purchaser a like number of any supplement or amendment prepared by the City for dissemination to potential purchasers of the Bonds as described above as well as such additional copies of the Official Statement or any supplement or amendment as the Initial Purchaser may reasonably request as described above in “GENERAL CONSIDERATIONS – Changes to Official Statement.”

**REGISTRATION AND QUALIFICATION OF BONDS FOR SALE:** The offer and sale of the Bonds has not been registered or qualified under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder; and the Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein, nor have the Bonds been registered or qualified under the securities acts of any other jurisdiction. The City assumes no responsibility for registration or 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 registration or 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 or qualification provisions. By submission of its bid, the Initial Purchaser represents that the sale of the Bonds in states other than the State of Texas will be made pursuant to exemptions from registration or qualification, or where necessary, the Initial Purchaser will register the Bonds in accordance with the securities laws of the state in which the Bonds are offered or sold. The City agrees to cooperate with the Initial Purchaser, at the Initial Purchaser’s written request and expense, in registering or qualifying the Bonds or obtaining an exemption from registration or qualification (other than filing a consent to service of process in such state), in any state where such action is necessary.

**CONTINUING DISCLOSURE:** During the last five years, the City has complied in all material respects with all of its continuing disclosure undertakings pursuant to the Rule, except as noted and as further described below.

For the fiscal year ending September 30, 2021, the City timely filed its unaudited financial statements and continuing disclosure reports. The City Council later accepted and approved its audited annual financial report; however, due to an administrative error the audited annual financial report was not posted with the MSRB until October 24, 2022. The City filed a Notice of Material Event for Continuing Disclosure Requirements with the MSRB through EMMA on December 5, 2022. For the fiscal year ending September 30, 2023, the City filed a Notice of Material Event for Continuing Disclosure Requirements with the MSRB through EMMA on April 4, 2024, indicating due to a turnover in staffing the required reports were unavailable and would be filed as soon as possible. The City filed its audited financial statements and continuing disclosure reports on July 25, 2024.

**ADDITIONAL COPIES OF DOCUMENTS:** Additional copies of this Official Notice of Sale, the Preliminary Official Statement and the Official Bid Form may be obtained from the Financial Advisor, Specialized Public Finance Inc., 248 Addie Roy Road, Suite B-103, Austin, Texas 78746.

/s/ Crystal Mancilla  
Mayor  
City of Liberty Hill, Texas

THE DATE OF THIS OFFICIAL NOTICE OF SALE IS JANUARY 22, 2026.

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## OFFICIAL BID FORM

Mayor and City Council  
City of Liberty Hill, Texas  
926 Loop 332  
Liberty Hill, Texas 78642

Council Members:

We have read in detail your Official Notice of Sale and accompanying Preliminary Official Statement dated January 22, 2026, relating to the City of Liberty Hill, Texas (the "City") \$25,850,000\* Wastewater Treatment Facility Revenue Bonds, Series 2026 (the "Bonds"), as made a part hereof. We realize that the Bonds involve certain investment risks, and we have made inspections and investigations as we deem necessary relating to the City and to the investment quality of the Bonds.

For your legally issued Bonds, in the aggregate principal amount of \$25,850,000\*, we will pay you a price of \$ \_\_\_\_\_, representing approximately \_\_\_\_\_ % of the par value. Such Bonds mature September 1, in each of the years and in the amounts and interest rates shown below:

Maturity (September 1)	Principal Amount*	Interest Rate	Maturity (September 1)	Principal Amount*	Interest Rate
2026	\$ 1,100,000	%	2039	\$ 1,000,000	%
2027	555,000	%	2040	1,050,000	%
2028	585,000	%	2041	1,100,000	%
2029	615,000	%	2042	1,155,000	%
2030	645,000	%	2043	1,215,000	%
2031	675,000	%	2044	1,275,000	%
2032	710,000	%	2045	1,340,000	%
2033	745,000	%	2046	1,405,000	%
2034	780,000	%	2047	1,475,000	%
2035	820,000	%	2048	1,550,000	%
2036	865,000	%	2049	1,625,000	%
2037	905,000	%	2050	1,710,000	%
2038	950,000	%			

Of the principal maturities set forth in the table above, we have created term bonds as indicated in the following table (which may include multiple term bonds, one term bond or no term bond if none is indicated). For those years which have been combined into a term bond, the principal amount shown in the table above shall be the mandatory sinking fund redemption amounts in such years except that the amount shown in the year of the term bond maturity date shall mature in such year. The term bonds created are as follows:

Term Bond Maturing September 1	Year of First Mandatory Redemption	Principal Amount	Interest Rate
		\$	%
		\$	%
		\$	%
		\$	%
		\$	%
		\$	%

Our calculation (which is not a part of this bid) of the interest cost from the above is:

TRUE INTEREST COST \_\_\_\_\_ %

The initial Bonds shall be registered in the name of \_\_\_\_\_ (syndicate manager). We will advise BOKF, NA, the Paying Agent/Registrar, on forms to be provided by the Paying Agent/Registrar, of our registration instructions at least five (5) business days prior to the date set for Initial Delivery. We will not ask the Paying Agent/Registrar to accept any registration instructions after the five (5) day period.

\*Preliminary, subject to change. See "CONDITIONS OF THE SALE – Post Bid Modification of Principal Amounts."

A wire transfer or a cashiers or certified check to the City in the amount of \$517,000 will be made available in accordance with the Official Notice of Sale made a part hereof. Should we fail or refuse to make payment for the Bonds in accordance with the terms and conditions set forth in the Official Notice of Sale, the proceeds of this deposit shall be retained by the City as complete liquidated damages against us. Please check the box below to designate your Good Faith Deposit option.

We are having the Bonds insured by \_\_\_\_\_ (the "Bond Insurer") at a premium of \$\_\_\_\_\_, **said premium to be paid by the Initial Purchaser.** Any fees to be paid to the rating agency as a result of said insurance **will be paid by the Initial Purchaser.**

For purposes of contracting for the sale of the Bonds, the entity signing the bid form as Initial Purchaser shall be solely responsible for the payment of the purchase price of the Bonds. The Initial Purchaser may serve as a syndicate manager and contract under a separate agreement with other syndicate members. However, the City is not a party to that agreement and any information provided regarding syndicate managers would be for informational purposes only.

The undersigned agrees to complete, execute and deliver to the City, within 5 business days of the award of sale of the Bonds, a certificate relating to the "issue price" of the Bonds in the form accompanying the Official Notice of Sale, with such changes thereto as may be acceptable to the City. **The undersigned further agrees, if the City receives fewer than three bids for the Bonds, that it will neither offer nor sell the Bonds of any maturity to any person at a price that is higher than the initial offering price to the public for the Bonds of that maturity during the period starting on the Sale Date and ending on the earlier of (i) the close of the 5th business day after the Sale Date, or (ii) the date on which the winning bidder has sold at least 10% of the Bonds of that maturity to the public at a price no higher than the initial offering price to the public. Specialized Public Finance will advise the winning bidder the number of bids received by the City on the Sale Date.**

By submitting a bid, each bidder and any syndicate member listed on the Official Bid Form makes the following representations and, if its bid is accepted, covenants pursuant to Chapters 2252, 2271, 2274, and 2276, Texas Government Code, as heretofore amended (the "Government Code"). As used in therein, "affiliate" means an entity that controls, is controlled by, or is under common control with the bidder within the meaning of SEC Rule 405, 17 C.F.R. § 230.405, and exists to make a profit. If a bidder's bid is accepted, then liability for breach of any such representation or covenant during the term of the contract for purchase and sale of the Bonds created thereby (the "Purchase Contract") shall survive until barred by the applicable statute of limitations and shall not be liquidated or otherwise limited by any provision of the bid or this Official Notice of Sale, notwithstanding anything herein or therein to the contrary.

*Not a Sanctioned Company.* Each bidder and any syndicate member listed on the Official Bid Form represents that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Government Code. The foregoing representation excludes each bidder and each of its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization.

*No Boycott of Israel.* Each bidder and any syndicate member listed on the Official Bid Form hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and, if its bid is accepted, will not boycott Israel during the term of the Purchase Contract. As used in the foregoing verification, "boycott Israel" has the meaning provided in Section 2271.001, Government Code.

*No Discrimination Against Firearm Entities.* Each bidder and any syndicate member listed on the Official Bid Form hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association and, if its bid is accepted, will not discriminate against a firearm entity or firearm trade association during the term of the Purchase Contract. As used in the foregoing verification, "discriminate against a firearm entity or firearm trade association" has the meaning provided in Section 2274.001(3), Government Code.

*No Boycott of Energy Companies.* Each bidder and any syndicate member listed on the Official Bid Form hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott energy companies and, if its bid is accepted, will not boycott energy companies during the term of the Purchase Contract. As used in the foregoing verification, "boycott energy companies" has the meaning provided in Section 2276.001(1), Government Code.

By submission of a bid for the Bonds, the bidder represents and verifies that the bidder and any syndicate member listed on the Official Bid Form has on file with the Texas Attorney General either (i) a standing letter addressing the verifications contained in the Bid Form in a form acceptable to the Texas Attorney General, or (ii) another letter addressing the verifications in the Bid Form in a form acceptable to the Texas Attorney General. The winning bidder and any syndicate member listed on the winning Official Bid Form shall provide the District with a copy of such letter not later than three days after the District's acceptance of the winning bid.

We understand the sale of the Bonds has not been registered under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder; the Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities acts of any other

jurisdiction. We hereby represent the sale of the Bonds in jurisdictions other than Texas will be made only pursuant to exemptions from registration or qualification and that where necessary, we will register or qualify the Bonds in accordance with the securities laws and regulations of the jurisdiction in which the Bonds are offered or sold.

We further understand that the City assumes no responsibility or obligation for the distribution or delivery of any copies of the OFFICIAL STATEMENT or other information concerning the City and the Bonds to anyone other than to us.

We agree to provide in writing the initial reoffering prices and other terms, if any, to the Financial Advisor by the close of the next business day after the award.

Respectfully submitted,

\_\_\_\_\_  
Name of Initial Purchaser

\_\_\_\_\_  
Authorized Representative

\_\_\_\_\_  
Phone Number

\_\_\_\_\_  
Signature

**Check One:**

\_\_\_\_\_ **Disclosure Form(s) – Each entity executing this Official Bid Form will provide a Disclosure Form as and when required by the Official Notice of Sale.**

\_\_\_\_\_ **Publicly Traded Entity Representation – The bidder hereby represents to the City that it is a publicly traded business entity or a wholly owned subsidiary of a publicly traded business entity.**

**ACCEPTANCE CLAUSE**

The above and foregoing bid is hereby in all things accepted by City of Liberty Hill, Texas, this the 28<sup>th</sup> day of January, 2026.

ATTEST:

\_\_\_\_\_  
Secretary, City Council  
City of Liberty Hill, Texas

\_\_\_\_\_  
Mayor, City Council  
City of Liberty Hill, Texas

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## CERTIFICATE REGARDING ISSUE PRICE

The undersigned, being a duly authorized representative of the underwriter or the manager of the syndicate of underwriters ("Initial Purchaser") which has purchased the Wastewater Treatment Facility Revenue Bonds, Series 2026, being issued by the City of Liberty Hill, Texas (the "City"), hereby certifies and represents, based on its records and information, as follows:

(1) On the Sale Date, the Initial Purchaser's reasonably expected initial offering price of each Maturity of the Bonds (the "Expected Offering Price") to as the Public is set forth in the pricing wire or equivalent communication for the Bonds, as attached to this Issue Price Certificate as **Schedule A**. The Expected Offering Prices are the prices for the Bonds used by the Initial Purchaser in formulating its bid to purchase the Bonds.

(2) The Initial Purchaser had an equal opportunity to bid to purchase the Bonds and it was not given the opportunity to review other bids that was not equally given to all other bidders (i.e., no last look).

(3) The bid submitted by the Initial Purchaser constituted a firm bid to purchase the Bonds.

(4) The Initial Purchaser has made a bona fide offering of all the Bonds of each Maturity to the Public at its Expected Offering Price set forth in **Schedule A**.

***If less than 3 qualified bids are received from underwriters please attach Schedule B.***

(5) On the Sale Date, the first price at which at least 10% of each Maturity of the Bonds, except for Bonds listed on Schedule B (the "Hold-the-Offering-Price Maturities"), was sold to the Public is the respective price listed in Schedule A.

(6) As set forth in the Notice of Sale for the Bonds, the Initial Purchaser has agreed in writing that, (i) for each of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Expected Offering Price for such Maturity during the Holding Period for such Maturity (the "hold-the-offering-price rule"), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Initial Purchaser (as defined below) has offered or sold any Bonds of the Hold-the-Offering-Price Maturities to any person at a price that is higher than the respective Expected Offering Price for that Maturity of the Bonds during the Holding Period.

(7) ***Defined Terms.***

(i) *Hold-the-Offering-Price Maturities* means those Maturities of the Bonds listed in Schedule B hereto as the "Hold-the-Offering-Price Maturities."

(ii) *Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which the Initial Purchaser has sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Expected Offering Price for such Hold-the-Offering-Price Maturity.

(iii) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(iv) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Initial Purchaser or a related party to an Initial Purchaser. The term "related party" for purposes of this certificate generally means any entity if an Initial Purchaser and such entity are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profit interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

(v) *Sale Date* means the first day on which there is a binding contract in writing for the sale of the Bonds. The Sale Date of the Bonds is January 28, 2026.

(vi) *Initial Purchaser* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

(8) Please choose the appropriate statement:

( ) Purchaser will not purchase bond insurance for the Bonds.

( ) Purchaser will purchase bond insurance from \_\_\_\_\_ (the "Insurer") for a fee/premium of \$ \_\_\_\_\_ (the "Fee"). To the best of the undersigned's knowledge, information and belief, based upon the facts available at this time and current market conditions, the Fee is a reasonable amount payable solely for the transfer of credit risk for the payment of debt service on the Bonds and does not include any amount payable for a cost other than such guarantee, e.g., a credit rating or legal fees. Purchaser represents that the present value of the Fee for each obligation constituting the Bonds to which such Fee is properly allocated and which are insured thereby is less than the present value of the interest reasonably expected to be saved as a result of the insurance on each obligation constituting the Bonds. In determining present value for this purpose, the yield of the Bonds (determined with regard to the payment of the guarantee fee) has been used as the discount rate. The Fee has been paid to a person who is not exempt from federal income taxation and who is not a user or related to the user of any proceeds of the Bonds. No portion of the Fee is refundable upon redemption of any of the Bonds in an amount which would exceed the portion of such Fee that has not been earned.

The undersigned understands that the foregoing information will be relied upon by City with respect to certain of the representations set forth in the Federal Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Orrick, Herrington & Sutcliffe LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the City from time to time relating to the Bonds. Notwithstanding anything set forth herein, the Initial Purchaser is not engaged in the practice of law and makes no representation as to the legal sufficiency of the factual matters set forth herein.

\_\_\_\_\_  
By: \_\_\_\_\_

Name: \_\_\_\_\_

Dated: \_\_\_\_\_

**SCHEDULE A**

**PRICING WIRE**

**SCHEDULE B**

**HOLD-THE-OFFERING-PRICE MATURITIES**



## PRELIMINARY OFFICIAL STATEMENT

Dated January 22, 2026

Rating:

S&P: "A+"

Insurance: Applied For

(See "OTHER INFORMATION -  
- Rating and Insurance" herein)

### NEW ISSUE – Book-Entry-Only

*In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See "TAX MATTERS" herein.*



\$25,850,000\*

CITY OF LIBERTY HILL, TEXAS

(A political subdivision of the State of Texas located in Williamson County)  
WASTEWATER TREATMENT FACILITY REVENUE BONDS, SERIES 2026

Dated Date: February 18, 2026

Due: September 1, as shown on the inside cover page

Interest to accrue from the Delivery Date (defined below)

**PAYMENT TERMS** . . . Interest on the \$25,850,000\* City of Liberty Hill, Texas Wastewater Treatment Facility Revenue Bonds, Series 2026 (the "Bonds") will accrue from the Delivery Date, will be payable on September 1 and March 1 of each year, until maturity or prior redemption, commencing September 1, 2026, 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"). The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas (see "THE BONDS – Paying Agent/Registrar").

**AUTHORITY FOR ISSUANCE** . . . The Bonds are issued by the City of Liberty Hill, Texas (the "City") pursuant to the Texas Constitution and the general laws of the State of Texas, particularly Chapter 1502, Texas Government Code, as amended, the City's Home Rule Charter, and an ordinance (the "Ordinance") authorizing the issuance of the Bonds to be adopted by the City Council of the City ( "City Council") on January 28, 2026. **The Bonds, together with the outstanding Parity Bonds, as hereinafter defined, are payable from and secured by a first lien on and pledge of the Net Revenues (as defined herein) of the City's herein-defined Wastewater Treatment Facility and any additional revenues or assets specifically pledged by the City, to the extent permitted by Section 1502.052, Texas Government Code, as amended (together, the "Pledged Revenues") and, as additionally herein described and defined, a Debt Service Reserve Fund.** The City has reserved the right to issue additional obligations ("Additional Parity Bonds") secured by a first lien on and pledge of such Pledged Revenues on parity with the Bonds and the outstanding Parity Bonds.

**The City has not covenanted nor obligated itself to pay principal of or interest on the Bonds from monies raised or to be raised from taxation, and the owners of the Bonds shall never have the right to demand payment from any revenues, receipts or assets of the City, except the Pledge Revenues pledge to the payment of the Bonds. No lien or mortgage has been created on the physical properties of the Wastewater Treatment Facility to secure the payment of the Bonds (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 the purposes of (i) financing Capital Improvements to the Wastewater Treatment Facility, including the acquisition of land necessary therefore, and (ii) paying the costs of issuance of the Bonds.

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CUSIP PREFIX: 530576

MATURITY SCHEDULE

See Inside Cover Page

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**LEGALITY** . . . The Bonds are offered for delivery when, as and if issued and received by the Initial Purchaser and subject to the approving opinion of the Attorney General of Texas and the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, Austin, Texas (see "APPENDIX D – Form of Bond Counsel's Opinion").

**DELIVERY** . . . It is expected that the Bonds will be available for initial delivery through DTC on February 18, 2026 (the "Delivery Date").

**BIDS DUE WEDNESDAY, JANUARY 28, 2026 BY 10:00 A.M. CST**

\*Preliminary, subject to change. See "CONDITIONS OF THE SALE – Post Bid Modification of Principal Amounts."

## MATURITY SCHEDULE\*

September 1 Maturity	Principal Amount	Interest Rate	Initial Yield	CUSIP Numbers <sup>(1)</sup>
2026	\$ 1,100,000			
2027	555,000			
2028	585,000			
2029	615,000			
2030	645,000			
2031	675,000			
2032	710,000			
2033	745,000			
2034	780,000			
2035	820,000			
2036	865,000			
2037	905,000			
2038	950,000			
2039	1,000,000			
2040	1,050,000			
2041	1,100,000			
2042	1,155,000			
2043	1,215,000			
2044	1,275,000			
2045	1,340,000			
2046	1,405,000			
2047	1,475,000			
2048	1,550,000			
2049	1,625,000			
2050	1,710,000			

(Interest accrues from the Delivery Date)

\*Preliminary, subject to change. See “CONDITIONS OF THE SALE – Post Bid Modification of Principal Amounts.”

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. 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. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the Bonds as a result of various subsequent actions, including but not limited to, a refunding in whole or in part of such maturity, or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of the Bonds. CUSIP numbers are included herein solely for the convenience of the owners of the Bonds. None of the City, the Financial Advisor or the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP numbers shown herein.

**OPTIONAL REDEMPTION . . .** The City reserves the right, at its option, to redeem Bonds having stated maturities on and after September 1, 2036, in whole or, from time to time, in part, in principal amounts of \$5,000 or any integral multiple thereof, on September 1, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE BONDS – Optional Redemption”). Additionally, the Bonds may be subject to mandatory sinking fund redemption in the event the Initial Purchaser elect to aggregate two or more consecutive maturities as term Bonds.

(THE REMAINDER OF THIS PAGE LEFT INTENTIONALLY BLANK)

*For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission (the “Rule”), this document constitutes an “official statement” of the City with respect to the Bonds that has been “deemed final” by the City as of its date except for the omission of the information permitted by the Rule.*

*No dealer, broker, salesman or other person has been authorized by the City or the Initial Purchaser to give any information, or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City or the Financial Advisor. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy Bonds in any jurisdiction in which, or to any person to whom, it is unlawful to make such offer or solicitation.*

*The information set forth or included in this Official Statement has been provided by the City or obtained from other sources believed by the City to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall create any implication that there has been no change in the financial condition or operations of the City described herein since the date hereof. This Official Statement contains, in part, estimates and matters of opinion that are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinion or that they will be realized.*

*IN CONNECTION WITH THE OFFERING OF THE BONDS, THE INITIAL PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.*

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

*NONE OF THE CITY, ITS FINANCIAL ADVISOR, OR THE INITIAL PURCHASER 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.*

*Any references to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.*

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## 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.

<b>THE CITY</b> .....	The City of Liberty Hill, Texas (the “City”), is a political subdivision located in Williamson County, and operating as a home rule city under the laws of the State of Texas (the “State”) and a home rule charter approved by the voters on November 5, 2024 (the “Home Rule Charter”). The City operates under the City Council/Manager form of government where the Mayor and six Council Members are elected at-large. The Mayor holds office for a term of three years and the Council Members are elected for staggered three-year terms. The City Council enacts legislation, adopts budgets, determines policies, and appoints the City Manager who will execute the laws and administer the government of the City. The City is approximately 4.5 square miles in area (see “INTRODUCTION – Description of the City”).
<b>THE BONDS</b> .....	The Bonds are issued as \$25,850,000* City of Liberty Hill, Texas Wastewater Treatment Facility Revenue Bonds, Series 2026. The Bonds are issued as serial Bonds maturing on September 1 in each of the years 2026 through 2050, inclusive, in the principal amounts set forth on the inside cover page hereof unless the Initial Purchaser aggregates two or more consecutive maturities as term Bonds.
<b>PAYMENT OF INTEREST</b> .....	Interest on the Bonds accrues from the Delivery Date and is payable on September 1, 2026, and each March 1 and September 1 thereafter until maturity or prior redemption (see “THE BONDS – Description of the Bonds” and “THE BONDS – Optional Redemption”).
<b>AUTHORITY FOR ISSUANCE</b> .....	The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas, including particularly Chapter 1502, Texas Government Code, as amended, the Home Rule Charter, and an ordinance (the “Ordinance”) authorizing the issuance of the Bonds to be adopted by the City Council of the City (“City Council”) on January 28, 2026 (see “THE BONDS – Authority for Issuance”).
<b>SECURITY</b> .....	<p>The Bonds, together with Outstanding Parity Bonds, and any Additional Parity Bonds, each hereinafter defined, constitute special obligations of the City payable, both as to principal and interest, from and secured by a lien on and pledge of the revenues of the City’s herein-defined Wastewater Treatment Facility after deducting the operating and maintenance expenses of the Wastewater Treatment Facility (the “Net Revenues”) and any additional revenues or assets specifically pledged by the City, to the extent permitted by Section 1502.052, Texas Government Code, as amended (together, the “Pledged Revenues”). The City has reserved the right to issue additional obligations secured by a lien on the Pledged Revenues on parity with the Bonds (the “Additional Parity Bonds”). As additional security for the Parity Bonds, there has been established a Debt Service Reserve Fund. The City will make equal semiannual installment payments to the Debt Service Reserve Fund over the five (5) year period following the issuance of the Bonds to satisfy the increase in the Debt Service Reserve Requirement attributed to the issuance of the Bonds. The Debt Service Reserve Requirement is the average annual principal and interest requirements on the outstanding Parity Bonds; provided, however, the Debt Service Reserve Requirement shall not exceed the least of (i) ten percent (10%) of the proceeds derived from the sale of the Parity Bonds, such amount to be determined as of the date of sale of each series of Parity bonds, (ii) the maximum annual principal and interest requirements on the Parity Bonds, or (iii) one hundred twenty-five percent (125%) average annual principal and interest requirements on the Parity Bonds. The amount required to be on deposit in the Debt Service Reserve Fund can, at the option of the City, be satisfied by the deposit of a surety bond or a combination of a surety bond and cash.</p> <p><b>The City has not covenanted or obligated itself to pay the principal of or interest on Bonds from monies raised or to be raised from taxation, and the owners of the Bonds shall never have the right to demand payment from any revenues, receipts or assets of the City, except the Pledged Revenues pledge to the payment of the Bonds. No lien or mortgage has been created on the physical properties of the Wastewater Treatment Facility to secure the payment of the Bonds (see “THE BONDS – Security and Source of Payment”).</b></p>

\*Preliminary, subject to change. See “CONDITIONS OF THE SALE – Post Bid Modification of Principal Amounts.”

<b>OUTSTANDING PARITY BONDS .....</b>	The City has previously issued the “City of Liberty Hill, Texas Wastewater Treatment Facility Revenue Bonds, Series 2012” (the “Series 2012 Bonds”); the “City of Liberty Hill, Texas Wastewater Treatment Facility Revenue Bonds, Series 2015” (the “Series 2015 Bonds”); the “City of Liberty Hill, Texas Wastewater Treatment Facility Revenue Bonds, Series 2019” (the “Series 2019 Bonds”); the “City of Liberty Hill, Texas Wastewater Treatment Facility Revenue Bonds, Series 2022 (the “Series 2022 Bonds”), and the “City of Liberty Hill, Texas Wastewater Treatment Facility Revenue Bonds, Series 2023 (the “Series 2023 Bonds,” and together with the Series 2012 Bonds, the Series 2015 Bonds, the Series 2019 Bonds, and the 2022 Bonds, the “Outstanding Parity Bonds”).
<b>OPTIONAL REDEMPTION .....</b>	The City reserves the right, at its option, to redeem Bonds having stated maturities on and after September 1, 2036, in whole or, from time to time, in part, in principal amounts of \$5,000 or any integral multiple thereof, on September 1, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE BONDS – Optional Redemption”). Additionally, the Bonds may be subject to mandatory sinking fund redemption, in the event the Initial Purchaser elect to aggregate two or more consecutive maturities as term Bonds.
<b>TAX EXEMPTION.....</b>	In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See “TAX MATTERS” herein.
<b>USE OF PROCEEDS .....</b>	Proceeds from the sale of the Bonds will be used for the purpose of (i) financing Capital Improvements to the Wastewater Treatment Facility, including the acquisition of land necessary therefore, and (ii) paying the costs of issuance of the Bonds.
<b>MUNICIPAL BOND RATING AND INSURANCE .....</b>	The Bonds have been rated “A+” by S&P Global Ratings (“S&P”) without regard to credit enhancement. An application for insurance has been made. If qualified, the purchase of municipal bond insurance for the Bonds will be at the option and expense of the Initial Purchaser. Any fees to be paid on a rating as a result of such insurance will be paid by the Initial Purchaser. Any rating downgrade of the bond insurance provider after the Bid Opening shall not relieve the Initial Purchaser of its obligation (see “OTHER INFORMATION – Rating and Insurance”).
<b>BOOK-ENTRY-ONLY SYSTEM.....</b>	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”).
<b>PAYMENT RECORD .....</b>	The City has never defaulted in the payment of its Wastewater Treatment Facility debt.

## CITY OFFICIALS, STAFF AND CONSULTANTS

### ELECTED OFFICIALS

<u>City Council</u>	<u>Term Expires</u>
Crystal Mancilla Mayor	May 2028
Diane Williams Mayor Pro-Tem	May 2027
Jacquetta Thayer Councilmember	May 2027
Michael Helbing Councilmember	May 2028
Elisabeth Broan Councilmember	May 2028
Wade Ashley Councilmember	May 2027
Tim Hennseey Councilmember	May 2027

### APPOINTED OFFICIALS

<u>Name</u>	<u>Position</u>
Thomas Hunter	City Manager
Joshua Armstrong	Finance Director
Elaine Simpson	City Secretary

### CONSULTANTS AND ADVISORS

Auditors ..... Brooks Watson & Co.  
Houston, Texas

Bond Counsel ..... Orrick, Herrington & Sutcliffe LLP  
Austin, Texas

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

For additional information regarding the City, please contact:

Joshua Armstrong Finance Director City of Liberty Hill 926 Main Street Liberty Hill, Texas 78642 254/298-5631 254/298-5466 Fax	or	Dan Wegmiller Specialized Public Finance Inc. 248 Addie Roy Road Suite B-103 Austin, Texas 78746 512/275-7300 512/275-7305 Fax
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**PRELIMINARY OFFICIAL STATEMENT  
RELATING TO  
\$25,850,000\*  
CITY OF LIBERTY HILL, TEXAS  
WASTEWATER TREATMENT FACILITY REVENUE BONDS, SERIES 2026**

**INTRODUCTION**

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of \$25,850,000\* City of Liberty Hill, Texas Wastewater Treatment Facility Revenue Bonds, Series 2026 (the “Bonds”). The Bonds are issued pursuant to the authority granted to the City by Chapter 1502, Texas Government Code, as amended and an ordinance (the “Ordinance”) authorizing the issuance of the Bonds to be adopted by the City Council of the City ( “City Council”) on January 28, 2026. Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance, except as otherwise indicated herein (see “APPENDIX C – Selected Provisions of the Ordinance”).

There follows in this Official Statement descriptions of the Bonds and certain information regarding the City of Liberty Hill, Texas (the “City”) 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 City’s Financial Advisor, Specialized Public Finance Inc., Austin, 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. Copies of the Final Official Statement pertaining to the Bonds will be deposited with the Municipal Securities Rulemaking Board, and will be available through its Electronic Municipal Market Access system. See “CONTINUING DISCLOSURE OF INFORMATION” herein for a description of the City’s undertaking to provide certain information on a continuing basis.

**DESCRIPTION OF THE CITY . . .** The City is a political subdivision located in Williamson County, and operating as a home rule city under the laws of the State and the Home Rule Charter. The City operates under the City Council/Manager form of government where the Mayor and six Council Members are elected at-large. The Mayor holds office for a term of three years and the Council Members are elected for staggered three-year terms. The City Council enacts legislation, adopts budgets, determines policies, and appoints the City Manager who will execute the laws and administer the government of the City. Some of the services that the City provides are: public safety (police), streets, water and sanitary sewer utilities, public improvements, planning and zoning, and general administrative services. The 2026 estimated population of the City is 11,984. The City covers approximately 4.5 square miles. For more information regarding the City, see “APPENDIX A – General Information Regarding the City.”

**THE BONDS**

**DESCRIPTION OF THE BONDS . . .** The Bonds are dated February 18, 2026 (the “Delivery Date”) and mature on September 1 in each of the years and in the amounts shown on the inside cover page hereof. Interest will accrue from the Delivery Date, will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on September 1 and March 1 of each year until maturity or prior redemption, commencing September 1, 2026. 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 (“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 being issued pursuant to the Texas Constitution and general laws of the State, particularly Chapter 1502, Texas Government Code, as amended, the Home Rule Charter, and the Ordinance.

**SECURITY AND SOURCE OF PAYMENT . . .** The Bonds, together with Outstanding Parity Bonds, and any Additional Parity Bonds, each as hereinafter defined, constitute special obligations of the City payable, both as to principal and interest, from and secured by a first lien on and pledge of the revenues of the Wastewater Treatment Facility after deducting the operating and maintenance expenses of the Wastewater Treatment Facility (the “Net Revenues”), and any additional revenues or assets specifically pledged by the City, to the extent permitted by Section 1502.052, Texas Government Code, as amended (together, the “Pledged Revenues”). The “Wastewater Treatment Facility” consists of (i) the existing regional wastewater treatment plant, wastewater collection facilities, and wastewater disposal facilities serving the area in and around the City, together with all future Capital Acquisitions, Capital Additions, and Capital Improvements, each as defined in the Ordinance, all replacements thereof, and the City’s interest in any shared facility, and (ii) any other related facilities; provided, however, that, notwithstanding the foregoing, and to the extent now or hereafter authorized or permitted by law, the Wastewater Treatment Facility does not mean (x) the City’s Water and Sewer System or (y) any water or other facilities of any kind which are declared by the City Council not to be a part of the Wastewater Treatment Facility. See “APPENDIX C –Selected provision of the Ordinance.”

\*Preliminary, subject to change. See “CONDITIONS OF THE SALE – Post Bid Modification of Principal Amounts.”

Operating and maintenance expenses includes the current expenses of operation and maintenance of the Wastewater Treatment Facility, including any insurance premiums, all salaries, labor materials, repairs, and extensions necessary to render efficient service; provided, however, that only such repairs and extensions, as in the judgment of the City Council, reasonably and fairly exercised by the adoption of the appropriate resolution, are necessary to keep the Wastewater Treatment Facility in operation and render adequate service to the City and its inhabitants and the customers of the Wastewater Treatment Facility or such as might be necessary to meet some physical accident or condition which would otherwise impair the Bonds, Outstanding Parity Bonds or any Additional Parity Bonds, will be deducted in determining Net Revenues. Depreciation is not considered as an expense of operation and maintenance.

The City has reserved the right to issue additional obligations secured by a first lien on and pledge of the Pledged Revenues on parity with the Bonds and the Outstanding Parity Bonds (the “Additional Parity Bonds”). See “APPENDIX C – Selected provision of the Ordinance.”

The City’s Water and Sewer System operates as a separate and independent system from the Wastewater Treatment Facility. Revenues of the City’s Water and Sewer System are not security for the Bonds or the Outstanding Parity Bonds.

The City has Outstanding Parity Bonds secured by and payable from the Pledged Revenues on parity with the Bonds, as follows:

Dated Date	Outstanding Parity Bond Debt	Issue
April 15, 2012	\$ 1,665,000	Wastewater Treatment Facility Revenue Bonds, Series 2012
June 15, 2015	3,770,000	Wastewater Treatment Facility Revenue Bonds, Series 2015
November 1, 2019	6,070,000	Wastewater Treatment Facility Revenue Bonds, Series 2019
March 16, 2022	8,520,000	Wastewater Treatment Facility Revenue Bonds, Series 2022
January 5, 2023	25,710,000	Wastewater Treatment Facility Revenue Bonds, Series 2023
Total	\$ 45,735,000	

**The City has not covenanted or obligated itself to pay the principal of or interest on Bonds from monies raised or to be raised from taxation, and the owners of the Bonds shall never have the right to demand payment from any revenues, receipts or assets of the City, except the Pledge Revenues pledge to the payment of the Bonds. No lien or mortgage has been created on the physical properties of the Wastewater Treatment Facility to secure the payment of the Parity Bonds.**

As additional security for the Parity Bonds (including the Bonds), the Ordinance confirms the establishment a Debt Service Reserve Fund for the benefit and the payment of the Parity Bonds. The Debt Service Reserve Fund shall be used to pay the principal of and interest on the Parity Bonds when and to the extent the amounts in the Interest and Sinking Fund available for such payment are insufficient for such purpose. The City will make equal semiannual installment payments to the Debt Service Reserve Fund over the five (5) year period following the issuance of the Bonds to satisfy the increase in the Debt Service Reserve Requirement attributed to the issuance of the Bonds. The Debt Service Reserve Requirement is the average annual principal and interest requirements on the outstanding Parity Bonds; provided, however, the Debt Service Reserve Requirement shall not exceed the least of (i) ten percent (10%) of the proceeds derived from the sale of the Parity Bonds, such amount to be determined as of the date of sale of each series of Parity Bonds, (ii) the maximum annual principal and interest requirements on the Parity Bonds, or (iii) one hundred twenty-five percent (125%) average annual principal and interest requirements on the Parity Bonds. The amount required to be on deposit in the Debt Service Reserve Fund can, at the option of the City, be satisfied by the deposit of a surety bond or a combination of a surety bond and cash (see “APPENDIX C – Selected Provisions of the Ordinance” herein).

**ADDITIONAL PARITY DEBT . . .** In the Ordinance, the City has reserved the right to issue Additional Parity Bonds which are equally and ratably secured solely by a lien on the Pledged Revenues on parity with the Bonds and the Outstanding Parity Bonds upon satisfying certain conditions (see Section 17 of the Ordinance as described in “APPENDIX C – Selected Provisions of the Ordinance”). The Bonds are issued as Additional Parity Bonds.

In addition to the issuance of Additional Parity Bonds, the City may, at any time and from time to time, for any lawful purpose, make limited pledges of the Pledged Revenues in connection with the issuance of certificates of obligation or issue obligations the principal of, redemption premium, if any, and interest on which are payable from and secured by a pledge of and lien on the Pledged Revenues junior and subordinate to the lien and pledge created hereby for the security of the Parity Bonds; provided, however, that any such pledge and lien securing such subordinate obligations shall be, and shall be expressed to be, subordinate in all respects to the pledge of and lien on the Pledged Revenues as security for the Parity Bonds.

**CREATION OF ACCOUNTS AND SUBACCOUNTS . . .** In the Ordinance, the City confirms the establishment of the following funds or accounts: (i) the Wastewater Treatment Facility Fund (the “Wastewater Treatment Facility Fund”); (ii) the Wastewater Treatment Facility Parity Bonds Interest and Sinking Fund (the “Interest and Sinking Fund”); (iii) the Debt Service Reserve Fund; (iv) the Wastewater Treatment Facility Operating and Maintenance Reserve Fund (the “Operating and Maintenance Reserve Fund”); and (v) the Wastewater Treatment Facility Parity Bonds Construction Fund (the “Construction Fund”).

Wastewater Treatment Facility Fund. Payments from the Wastewater Treatment Facility Fund shall be made with the priorities specified in “Flow of Fund” described in the Ordinance and summarized below. After making such payments and the deposits or



payments described in the Flow of Funds, any funds remaining in the Wastewater Treatment Facility Fund may be used by the City for any lawful purpose.

**Interest and Sinking Fund.** Moneys in the Interest and Sinking Fund shall be used to pay amounts due on or with respect to Parity Bonds, including the principal of, premium, if any, and interest on Parity Bonds as the same become due and payable (whether at Stated Maturity or upon prior redemption), and the City shall maintain such account as long as Parity Bonds are Outstanding.

**Construction Fund.** Proceeds from the issuance of Parity Bonds shall be deposited from time to time upon the issuance of such Parity Bonds as provided by the applicable Parity Bond ordinance into the Construction Fund, or any subaccount thereof created with respect to such Parity Bonds. Such proceeds and the interest thereon shall remain in the Construction Fund or applicable subaccount thereof until expended to accomplish the purposes for which such Parity Bonds were issued. Amounts in the Construction Fund do not constitute Pledged Revenues.

**Debt Service Reserve Fund.** The Debt Service Reserve Fund shall be used to pay the principal of and interest on the Parity Bonds when and to the extent the amounts in the Interest and Sinking Fund available for such payment are insufficient for such purpose and may be used for the purpose of finally retiring the last of the Bonds or any other lawful purpose. Notwithstanding any provision in the Ordinance to the contrary, no deposits will be made into the Debt Service Reserve Fund at a time when there is a deficiency in the amount on deposit in the Interest and Sinking Fund nor will any deposits be made into the Debt Service Reserve Fund at any time it contains an amount equal to or greater than the Debt Service Reserve Requirement. If and whenever the balance in the Debt Service Reserve Fund is reduced below the Debt Service Reserve Requirement, the City will, from the first available and unallocated Pledged Revenues of the following month or months, cause amounts equal in the aggregate to any such deficiency to be set apart and transferred into the Debt Service Reserve Fund from the Wastewater Treatment Facility Fund; provided, however, that in any event the Debt Service Reserve Requirement shall be restored to the Debt Service Reserve Requirement within five (5) years of such reduction.

**Operating and Maintenance Reserve Fund.** Upon closing of the Series 2012 Bonds, an amount equal to \$50,000 from proceeds received from the sale of the Series 2012 Bonds was deposited in the Operating and Maintenance Reserve Fund. The Operating and Maintenance Reserve Fund shall be used for unbudgeted emergency Operating and Maintenance Expenses. In the event it becomes necessary to withdraw money for Operating and Maintenance Expenses for the Wastewater Treatment Facility, reimbursement payments into such fund will be commenced on the first (1st) day of the month following such withdrawal at a rate which, in the reasonable judgment of the City and in consultation with its financial advisor and Bond Counsel, will restore such fund to the desired level within a reasonable period of time.

**FLOW OF FUNDS . . .** All Gross Revenues are deposited in the Wastewater Treatment Facility Fund immediately upon receipt by the City. The City will make the deposits and payments from Gross Revenues in the Wastewater Treatment Facility Fund when and as required by any Parity Bond Ordinance, or any ordinance authorizing subordinate lien bonds, such deposits shall be made in the following order and with the following irrevocable priorities, respectively:

*First:* to the payment of Operating and Maintenance Expenses;

*Second:* to the Interest and Sinking Fund, when and in the amounts required by the Parity Bonds Ordinances;

*Third:* to the Debt Service Reserve Fund, when and in the amounts required by the Parity Bonds Ordinances;

*Fourth:* to the Operating and Maintenance Reserve Fund, when and in the amounts required by the Parity Bond Ordinances;

*Fifth:* to the payment of principal, interest, and reserve fund requirements for any obligations which hereafter may be issued by the City that are payable from and secured by a lien on and pledge of the Pledged Revenues which is subordinate to the liens thereon securing the Parity Bonds, when and in the amounts required by any order or ordinance authorizing the issuance of such subordinate lien obligations; and

*Sixth:* for any lawful purpose.

When the total amounts of cash or cash equivalents on deposit to the credit of the Interest and Sinking Fund and the Debt Service Reserve Fund shall be equivalent to the sum of the aggregate principal amount of all outstanding Parity Bonds plus the aggregate amount of all interest accrued and to accrue thereon, no further payments need be made into the Interest and Sinking Fund or the Debt Service Reserve Fund, and the Parity Bonds shall not be regarded as being outstanding except for the purpose of being paid with the money on deposit in such Funds.

**RATE COVENANT . . .** For the benefit of the owners of the Parity Bonds, the City has agreed and covenanted with the Owners of the Parity Bonds that it will:

(a) fix and maintain rates and collect charges for the facilities and services afforded by the Wastewater Treatment Facility which will provide revenues sufficient at all times: (1) to pay all Operating and Maintenance Expenses; (2) to establish and maintain the Interest and Sinking Fund; (3) to establish and maintain the Debt Service Reserve Fund and the Operating and

Maintenance Reserve Fund; (4) to generate in each year Net Revenues equal to 1.25 times the maximum annual requirements for the payment of the principal of and interest on the Parity Bonds at the time outstanding (although amounts shall be paid into the Interest and Sinking Fund and the Debt Service Reserve Fund only in accordance with this Ordinance); and (5) to pay all indebtedness outstanding against the Wastewater Treatment Facility as and when the same become due;

(b) adopt and enforce any periodic rate increases described in the report of the Engineer-of-Record; provide, however, that if such rate increases are not actually needed for any Year, the City may by subsequent ordinance delay such increase until it becomes actually necessary to comply with covenants in the Ordinance;

(c) deposit as collected all revenues derived from the operation of the Wastewater Treatment Facility into the Wastewater Treatment Facility Fund; and

(d) if the City's annual audit shows that the Gross Revenues of the Wastewater Treatment Facility for the year covered thereby were less than the amounts required above, within thirty (30) days after receipt of such report, review the operation of the Wastewater Treatment Facility and make the necessary adjustments or revisions to the rates and charges in order that the Gross Revenues will be sufficient to meet the requirements described above for all subsequent years.

**OPTIONAL REDEMPTION . . .** The City reserves the right, at its option, to redeem Bonds having a stated maturity on and after September 1, 2036, in whole or, from time to time, in part, in principal amounts of \$5,000 or any integral multiple thereof on September 1, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. If less than all of the Bonds are to be redeemed, the City will determine the maturities and amounts to be redeemed. If less than all the Bonds within a maturity are to be redeemed, the Registrar shall select by lot or other customary random selection method the particular Bonds or portions thereof to be redeemed, the Bonds which are to be so redeemed thereby automatically shall be redeemed prior to their scheduled maturities, they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the purpose of being paid with the funds so provided for such payment.

Not less than 30 days prior to an optional redemption date for the Bonds, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to each Owner of a Bond to be redeemed, in whole or in part, at the address of the Owner appearing on the registration books of the Paying Agent/Registrar.

Notice of any redemption shall state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as many be authorized by law, not later than the redemption date, and (ii) that the City retains the right to rescind such notice at any time on or prior to the scheduled redemption date if the City delivers a certificate of the City to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected Owners. Any Bonds subject to conditional redemption where such redemption has been rescinded will remain outstanding, and the rescission of such redemption will not constitute an event of default. Further, in the case of a conditional redemption, the failure of the City to make moneys and/or authorized securities available in part or in whole on or before the redemption date shall not constitute an event of default.

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

**DEFEASANCE . . .** Any Bond, and the interest thereon, shall be deemed to be paid, retired, and no longer outstanding within the meaning of the Ordinance (a "Defeased Bond") when payment of the principal of such Bond, plus interest thereon to the due date (whether such due date be by reason of maturity, redemption, or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption), or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to a person described by section 1207.061(a), Texas Government Code, as amended (a "Depository"), with respect to the safekeeping, investment, administration, and disposition of a deposit made under section 1207.061, Texas Government Code, as amended, for such payment (the "Deposit") (A) lawful money of the United States of America sufficient to make such payment, or (B) Government Obligations, which may be in book-entry form, that mature and bear interest payable at times and in amounts sufficient to provide for the scheduled payment or redemption of any Defeased Bond. To cause a Bond scheduled to be paid or redeemed on a date later than the next scheduled Interest Payment Date on such Bond to become a Defeased Bond, the City must, with respect to the Deposit, enter into an escrow or similar agreement with a Depository.

In connection with any defeasance of the Bonds, the City shall cause to be delivered: (i) in the event an escrow or similar agreement has been entered into with a Depository to effectuate such defeasance, a report of an independent firm of nationally recognized certified public accountants verifying the sufficiency of the escrow established to pay the Defeased Bonds in full on the maturity or redemption date thereof (the "Verification"); or (ii) in the event no escrow or similar agreement has been entered into, a certificate from the Mayor of the City or the City's Financial Advisor certifying that the amount deposited with a Depository is sufficient to pay the Defeased Bonds in full on the maturity or redemption date thereof. In addition to the required Verification or certificate, the City shall also cause to be delivered an opinion of nationally recognized bond counsel to the effect that the Defeased Bonds are no longer outstanding pursuant to the terms hereof and a certificate of discharge of the Paying Agent/Registrar with respect to the Defeased Bonds. The Verification, if any, and each certificate and opinion required hereunder shall be acceptable in form and substance, and addressed, if applicable, to the Paying Agent/Registrar and the City. The Bonds shall remain outstanding hereunder unless and until they are in fact paid and retired or the above criteria are met.

At such time as a Bond shall be deemed to be a Defeased Bond hereunder, and all herein required criteria have been met, such Bond and the interest thereon shall no longer be outstanding or unpaid and shall no longer be entitled to the benefits of the pledge of the security interest granted under this Ordinance, and such principal and interest shall be payable solely from the Deposit of money or Government Obligations. Additionally, all rights of the City to initiate proceedings to call a Defeased Bond for redemption or take any other action amending the terms of such Defeased Bond are extinguished; provided, however, the City's right to redeem a Defeased Bond shall not be extinguished if it has reserved the option to call for redemption, at an earlier date, those Defeased Bonds which have been defeased to their maturity date, if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Defeased Bonds for redemption; (ii) gives notice of the reservation of that right to the Owners immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of reservation be included in any redemption notices that it authorizes.

Any money so deposited with a Depository may at the written direction of the City also be invested in Government Obligations, maturing in the amounts and times as hereinbefore set forth, and all income from such Government Obligations received by a Depository which is not required for the payment of the Defeased Bonds and interest thereon, with respect to which such money has been so deposited, shall be used as directed in writing by the City.

For the purposes of these provisions, "Government Obligations" means (1) non-callable direct obligations of the United States of America ("Treasuries"), (2) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (3) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the City 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, (4) subject to the prior written consent of the Bond Insurer, pre-refunded municipal obligations rated in the then highest rating category by S&P and Moody's Investors Service for such obligations, or (5) subject to the prior written consent of the Bond Insurer and applicable law, any other type of security or obligation which S&P and Moody's Investors Service have determined to be permitted defeasance securities, shall be used to effect defeasance of the Bonds unless the Bond Insurer otherwise approves.

Subject to the consent of the Bond Insurer as described above, the Bonds may be defeased in any manner now or hereafter permitted by law. There is no assurance that the current law will not be changed in a manner which would permit Government Obligations other than those described above to be made with amounts deposited to defease the Bonds. Registered owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. In addition, there is no assurance that the rating(s) of securities used to fund a defeasance escrow will be maintained at any particular rating category.

**BONDHOLDERS' REMEDIES . . .** The Ordinance establishes specific events of default with respect to the Bonds. If the City (a) defaults in the payment of principal of or interest on any of the Bonds when due, or (b) fails to make the payments required to be made to any fund created hereunder in the amounts and at the times required, or (c) defaults in the observance or performance of any other of the covenants, conditions, or obligations set forth in this Ordinance, the Ordinance provides that any Owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City 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 including payment of the principal of or interest on the Bonds, or the Ordinance and the City'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 Ordinance does not provide for the appointment of a trustee to represent the interest of the Owners upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Owners. The Texas Supreme Court (the "Court") has ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) ("Tooke"), that a waiver of governmental immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. In so ruling, the Court declared that statutory language such as "sue and be sued," in and of itself, did not constitute a clear and

unambiguous waiver of sovereign immunity. In *Tooke*, the Court noted the enactment in 2005 of sections 271.151-.160, Texas Local Government Code (the “Local Government Immunity Waiver Act”), which, according to the Court, waives “immunity from suit for contract claims against most local governmental entities in certain circumstances.” The Local Government Immunity Waiver Act covers cities and relates to contracts entered into by cities for providing goods or services to cities.

In *Wasson Interests, Ltd., v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) (“Wasson”), the Court addressed whether the distinction between governmental and proprietary acts (as found in tort-based causes of action) applies to breach of contract claims against municipalities. The Court analyzed the rationale behind the Proprietary-Governmental Dichotomy to determine that “a city’s proprietary functions are not done pursuant to the ‘will of the people’” and protecting such municipalities “via the [S]tate’s immunity is not an efficient way to ensure efficient allocation of [S]tate resources.” While the Court recognized that the distinction between government and proprietary functions is not clear, the Wasson opinion held that Proprietary-Governmental Dichotomy applies in contract-claims context. The Court reviewed Wasson for a second time and issued an opinion on October 5, 2018, clarifying that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of the alleged breach. Therefore, in regard to municipal contract cases (as in tort claims), it is incumbent on the courts to determine whether a function was proprietary or governmental based upon the statutory guidance at the time of inception of the contractual relationship.

Notwithstanding the foregoing, such governmental immunity issues have not been adjudicated in relation to bond matters (specifically, in regard to the issuance of municipal debt). Each situation will be prospectively evaluated based on the facts and circumstances surrounding the contract in question to determine if a suit, and subsequently, a judgment, is justiciable against a municipality. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City’s property. Further, the Owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code (“Chapter 9”). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Owners of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to governmental immunity and the customary rights of debtors relative to their creditors and general principles or equity which permit the exercise of judicial discretion.

**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 The Depository Trust Company (“DTC”), New York, New York, 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 City believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.*

*The City cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption 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 redemption 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 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 Bonds. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is

also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a S&P Global Rating 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](http://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 Bonds 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.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 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 City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 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 City or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with 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 City, 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 City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 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 City believes to be reliable, but neither the City nor the Initial Purchaser 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 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 Owners under the Ordinance 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 City or the Initial Purchaser.

**PAYING AGENT/REGISTRAR . . .** The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City 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 or financial institution 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 City agrees to promptly cause a written notice thereof to be sent by the new Paying Agent/Registrar to each 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 . . .** In the event 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 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 Owner or his designee. 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.

**LIMITATION ON TRANSFER OF BONDS CALLED FOR REDEMPTION . . .** In any circumstance, neither the City nor the Paying Agent/Registrar shall be required (i) to make any transfer or exchange during a period beginning at the opening of business fifteen (15) days before the day of the first mailing of a notice of redemption of bonds and ending at the close of business on the day of such mailing, or (ii) to transfer or exchange any Bonds so selected for redemption when such redemption is scheduled to occur within thirty (30) calendar days.

**RECORD DATE FOR INTEREST PAYMENT . . .** The record date ("Record Date") for determining the person to whom interest is payable on any interest payment date means the fifteenth (15<sup>th</sup>) day of the month preceding a scheduled interest payment.

In the event of a non-payment of interest on a scheduled payment date, and for thirty (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 City. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date," which shall be fifteen (15) days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Holder of a 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.

**AMENDMENTS TO THE ORDINANCE . . .** The City has reserved the right to amend the Ordinance without the consent of any Owner to (i) add to the covenants and agreements of the City in this Ordinance contained, other covenants and agreements thereafter to be observed, grant additional rights or remedies to the Owners, or to surrender, restrict, or limit any right or power herein reserved to or conferred upon the City; (ii) make such provisions for the purpose of curing any ambiguity, or curing, correcting, or supplementing any defective provision contained in this Ordinance, or in regard to clarifying matters or questions arising under this Ordinance, as are necessary or desirable and not contrary to or inconsistent with this Ordinance and which shall not adversely affect the interests of the holders of the Parity Bonds; or (iii) modify any of the provisions of this Ordinance in any other respect whatsoever, provided that (A) such modification shall be, and be expressed to be, effective only after all Parity Bonds outstanding at the date of the adoption of such modification shall cease to be outstanding and (B) such modification shall be specifically referred to in the text of all Additional Parity Bonds issued after the date of the adoption of such modification.

The Ordinance further provides that the Owners of outstanding Parity Bonds aggregating in principal amount 51% of the outstanding aggregate principal amount of the then outstanding Parity Bonds shall have the right from time to time to approve any amendment not described above if it is deemed necessary or desirable by the City; provided, however, that without the consent of the Owners of all outstanding Parity Bonds at the time outstanding, no amendment may be made for the purpose of: (i) making any change in the maturity of any of the outstanding Parity Bonds; (ii) reducing the rate of interest borne by any of the outstanding Parity Bonds; (iii) reducing the amount of the principal of payable on any outstanding Parity Bonds; (iv) modifying the terms of payment of principal or of interest on outstanding Parity Bonds, or imposing any condition with respect to such payment; (v) affecting the rights of the Owners of less than all of the Parity Bonds; or (vi) changing the minimum percentage of the principal amount of the Parity Debt necessary for consent to such amendment (see "APPENDIX C – Selected Provisions of the Ordinance").

**PURPOSE . . .** Proceeds from the sale of the Bonds will be used for the purpose of (i) financing Capital Improvements to the Wastewater Treatment Facility, including the acquisition of land necessary therefore, and (ii) paying the costs of issuance of the Bonds. See "THE WASTEWATER TREATMENT FACILITY."

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

<u>Sources:</u>	
Principal	\$
Net Reoffering Premium	
Total Sources	<u>\$</u>
<u>Uses:</u>	
Deposit to Bond Proceeds Account	\$
Deposit to Interest and Sinking Fund Account	
Underwriters' Discount	
Costs of Issuance	
Total Uses	<u>\$</u>

### **THE WASTEWATER TREATMENT FACILITY**

**WASTEWATER TREATMENT FACILITY . . .** The City acquired the original Wastewater Treatment Facility from the Lower Colorado River Authority in 2012. The proceeds of the Series 2012 Bonds were used to purchase the original facility. The Series 2015 Bonds and the Series 2019 Bonds added Capital Additions to the original facility. The Series 2022 Bonds completed the Capital Additions initially constructed with the proceeds of the Series 2019 Bonds. Phase 1 of the City's current MBR Wastewater Treatment Facility began operating in late 2018, providing additional capacity to support the City's growing population. Phase 1, 0.800 MGD was intended to be in use with the SBR 0.400 MGD, equaling 1.200 MGD. Phase 2, 1.200 MGD began in 2020 and completed in late 2021 which then, per 2018 mediated settlement, the city decommissioned the SBR plant permanently. That total capacity was then 2.000 MGD at the end of 2021. Phase 3, 2.000 MGD, began in March of 2022 and had substantial completion late January, 2025. This expansion gave the SFWWTP a combined capacity of 4.000 MGD. The SBR had no upgrades to be in use and had minor repair to the basin walls to be utilized in emergencies as an equalization basin only. The current plant is operating at an average daily flow of 2.444 MGD of raw wastewater influent.

The City is committed to ensuring its systems operate at the highest level, and the new plant uses Membrane Batch Reactor ("MBR") technology with an ultraviolet ("UV") disinfection process rather than chlorination. MBR is the leading industry practice for municipal and industrial wastewater treatment.

Wastewater enters the influent collection structure and is then sent through the MBR headworks and treatment trains of the plant. The headworks consist of an automatic mechanical rake screen with grit and grease removal with rotary fine screens downstream of the mechanical rake screen. An aerobic sludge basin and a centrifuge dewatering machine is used to remove wastes. The treated wastewater then passes into a channel where it receives UV disinfection treatment and then is pumped to the City's permitted discharge point/outfall at the South San Gabriel River.

**Environmental Impact and Protection.** The City's Wastewater Treatment Facility is regulated by the Texas Commission on Environmental Quality ("TCEQ"). As part of TCEQ's protocol, regular inspections are conducted and the City is responsible for reporting any issues or violations that may occur.

The operation of a wastewater treatment plant, especially an MBR, is complex, and mechanical issues sometimes occur unexpectedly. The City uses a SCADA control system for the treatment plant, which allows the City to monitor the plant remotely but NOT operate remotely. Various data points come into a central hub, and the system will provide an alarm if there is an issue.

**TPDES Permit.** The City filed an application for renewal of its Texas Pollutant Discharge Elimination System Permit ("TPDES Permit") for the Wastewater Treatment Facility with the TCEQ in 2018. The existing TPDES Permit allows the City to discharge 4.0 Million Gallons per Day ("MGD") of treated effluent in its final phase of the permit. The final phase of the contested permit was issued approximately April of 2024. The expiration of the final phase of the issued permit will expire in March of 2028.

**TABLE 1 – WASTEWATER USAGE (MILLIONS OF GALLONS AS OF 9-30-2025)**

Fiscal Year Ended 9/30	Millions of Gallons			Net Available for Debt Service
	Average	Monthly	Total	
	Daily	Average	Usage	
2020	0.909	27.630	331.558	\$ 5,235,917
2021	1.177	35.961	431.528	7,689,174
2022	1.480	45.021	540.252	7,534,624
2023	1.875	57.313	687.758	8,167,750
2024	2.160	67.282	807.384	9,262,453
2025 <sup>(1)</sup>	2.437	74.119	889.425	9,641,888

(1) Unaudited.

**TABLE 2 – TEN LARGEST WASTEWATER CUSTOMERS (AS OF 9-30-2025)**

Customer	Type of Industry	Wastewater Revenue	Wastewater Revenue
Taylor Morrison Homes	Builder	\$ 130,993	1.09%
Liberty Hill High School	School	29,385	0.24%
San Gabriel Ridge Properties	Retail	21,157	0.18%
Liberty Hill ISD	School	14,029	0.12%
Kaufman Multifamily Part	MF	164,106	1.36%
TCF Larkspur LP dba Casagave at Larkspur	MF	154,381	1.28%
River Junction LLC	MF	139,788	1.16%
River Junction LLC	MF	60,172	0.50%
Larkspur Elementary School c/o Leander ISD	School	14,703	0.12%
Liberty Hill ISD	School	9,802	0.08%
	Total	<u>\$ 738,516</u>	<u>6.13%</u>

**TABLE 3 – MONTHLY WASTEWATER RATES (AS OF 9-30-2025)**

<b><u>Residential:</u></b>	<b><u>In-City</u></b>	<b><u>Out-of-City</u></b>
Flat Rate per month per LUE	\$ 66.65	\$ 72.36
<b><u>Commercial:</u></b>		
Flat Rate per month per LUE	\$ 81.68	\$ 102.11

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## DEBT INFORMATION

**TABLE 4 – WASTEWATER TREATMENT FACILITY DEBT SERVICE REQUIREMENTS**

Fiscal Year Ending 9/30	Outstanding Parity Bonds <sup>(1)</sup>			The Bonds <sup>(2)</sup>			Total System Revenue Debt Service
	Principal	Interest	Total	Principal	Interest	Total	
2026	\$ 2,145,000	\$ 1,852,845	\$ 3,997,845	\$ 1,100,000	\$ 692,924	\$ 1,792,924	\$ 5,790,768
2027	2,225,000	1,770,220	3,995,220	555,000	1,237,500	1,792,500	5,787,720
2028	2,315,000	1,684,206	3,999,206	585,000	1,209,750	1,794,750	5,793,956
2029	2,405,000	1,594,415	3,999,415	615,000	1,180,500	1,795,500	5,794,915
2030	2,495,000	1,500,734	3,995,734	645,000	1,149,750	1,794,750	5,790,484
2031	2,595,000	1,403,320	3,998,320	675,000	1,117,500	1,792,500	5,790,820
2032	2,710,000	1,287,753	3,997,753	710,000	1,083,750	1,793,750	5,791,503
2033	2,550,000	1,171,638	3,721,638	745,000	1,048,250	1,793,250	5,514,888
2034	2,655,000	1,065,863	3,720,863	780,000	1,011,000	1,791,000	5,511,863
2035	2,765,000	955,475	3,720,475	820,000	972,000	1,792,000	5,512,475
2036	2,885,000	840,225	3,725,225	865,000	931,000	1,796,000	5,521,225
2037	3,005,000	719,713	3,724,713	905,000	887,750	1,792,750	5,517,463
2038	3,130,000	593,838	3,723,838	950,000	842,500	1,792,500	5,516,338
2039	3,260,000	462,350	3,722,350	1,000,000	795,000	1,795,000	5,517,350
2040	2,760,000	325,100	3,085,100	1,050,000	745,000	1,795,000	4,880,100
2041	2,865,000	220,750	3,085,750	1,100,000	692,500	1,792,500	4,878,250
2042	2,970,000	112,400	3,082,400	1,155,000	637,500	1,792,500	4,874,900
2043	-	-	-	1,215,000	579,750	1,794,750	1,794,750
2044	-	-	-	1,275,000	519,000	1,794,000	1,794,000
2045	-	-	-	1,340,000	455,250	1,795,250	1,795,250
2046	-	-	-	1,405,000	388,250	1,793,250	1,793,250
2047	-	-	-	1,475,000	318,000	1,793,000	1,793,000
2048	-	-	-	1,550,000	244,250	1,794,250	1,794,250
2049	-	-	-	1,625,000	166,750	1,791,750	1,791,750
2050	-	-	-	1,710,000	85,500	1,795,500	1,795,500
	\$ 45,735,000	\$ 17,560,842	\$ 63,295,842	\$ 25,850,000	\$ 18,990,924	\$ 44,840,924	\$ 108,136,766

(1) Excludes the City's Water and Sewer System Revenue and Refunding Bonds, Series 2023, which are separate utility system operated and maintained by the City.

(2) Interest calculated at an assumed rate for purposes of illustration. Preliminary, subject to change.

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## FINANCIAL INFORMATION

**TABLE 5 – WASTEWATER TREATMENT FACILITY STATEMENT OF OPERATIONS**

	Fiscal Year Ending September 30,				
	2025 <sup>(3)</sup>	2024 <sup>(4)</sup>	2023	2022	2021
<b>Operating Revenues:</b>					
Wastewater Treatment	\$ 14,094,227	\$ 11,590,954	\$ 9,519,918	\$ 13,309,860	\$ 14,304,962
Impact Fees <sup>(1)</sup>	-	-	4,522,419	-	-
Investment Income	3,790,245	3,121,087	2,025,806	221,326	7,481
<b>Total Revenues</b>	<b>\$ 17,884,472</b>	<b>\$ 14,712,041</b>	<b>\$ 16,068,143</b>	<b>\$ 13,531,186</b>	<b>\$ 14,312,443</b>
<b>Operating and Maintenance Expenses<sup>(2)</sup>:</b>					
Wastewater Collection Operations	\$ 7,154,824	\$ 5,760,227	\$ 6,741,917	\$ 5,996,562	\$ 6,615,788
Debt Expenses	-	-	-	-	-
<b>Total Expenses</b>	<b>\$ 7,154,824</b>	<b>\$ 5,760,227</b>	<b>\$ 6,741,917</b>	<b>\$ 5,996,562</b>	<b>\$ 6,615,788</b>
<b>Net Available for Debt Service</b>	<b>\$ 10,729,648</b>	<b>\$ 8,951,814</b>	<b>\$ 9,326,226</b>	<b>\$ 7,534,624</b>	<b>\$ 7,696,655</b>
<b>Customer Count:</b>					
Wastewater	16,150	14,900	13,680	1,787	1,586

Source: The City's Audited Financial Statements.

- (1) The City collects impact fees for connections to the Wastewater Treatment Facility. In Fiscal Years 2020 and 2021, the City did not separately report impact fee revenues (including them, instead, on a consolidated basis with Wastewater Treatment Facility operating revenues). The City anticipates separately reporting impact fees in future years.
- (2) Excludes depreciation.
- (3) Unaudited.
- (4) The Customer Count for the Wastewater Treatment Facility noted in Table 5 does not match the Amended Continuing Disclosure Report for the fiscal year ended September 30, 2024 as Table 5 in the Report inadvertently included Sewer System Customer Counts and not Wastewater Treatment Facility Customer Counts. The Wastewater Treatment Facility Customer Counts will be updated in the Report for fiscal year ended September 30, 2025.

**TABLE 6 – COVERAGE AND FUND BALANCES**

Average Annual Principal and Interest Requirements (2026-2050) <sup>(1)</sup>	\$ 4,325,471
Coverage of Average Annual Requirements by 2025 Net Revenues	2.48x
Maximum Principal and Interest Requirements, 2029 <sup>(1)</sup>	\$ 5,794,915
Coverage of Maximum Requirements by 2025 Net Revenues	1.85x
Wastewater Treatment Facility Bonds Outstanding after the Issuance of Bonds <sup>(1)</sup>	\$ 71,585,000
Parity Bonds Debt Service Reserve Fund Balance, 9/30/2025 <sup>(2)</sup>	\$ 1,658,547

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

**RATE STUDY . . .** The City anticipates engaging a rate consultant to conduct a rate study to determine the necessity for an updated rate structure, including potential future rate increases, as well as the amounts and timing therefor. While the City can make no affirmative statements regarding potential future City action, it expects that the results of this study will be acted upon.

**OTHER OBLIGATIONS . . .** For more information on other obligations, see Notes to Financial Statements, Note IV.D. – Long Term Debt, in the Excerpts from the City's Annual Financial Report for Fiscal Year Ended September 30, 2024, attached hereto as APPENDIX B.

**PENSION FUND . . .** The City provides pension benefits for all of its full-time employees through the Texas Municipal Retirement System ("TMRS"), a State-wide administered pension plan. The City makes annual contributions to the plan equal to the amounts accrued for pension expense. Plan members are required to contribute 7% of their annual covered salary. The contribution rates for the City were 6.585% and 6.23% in calendar years 2024 and 2023, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2024 were \$345,970 and were equal to the required contributions. (For more detailed information concerning the retirement plan, see Notes to Financial Statements, V.D – Pension Plan – Texas Municipal Retirement System, in the Excerpts from the City's Annual Financial Report for Fiscal Year Ended September 30, 2024, attached hereto as APPENDIX B.)

In June 2012, the Government Accounting Standards Board (“GASB”) issued Statement No. 68 Accounting and Financial Reporting for Pensions, which was later amended by GASB Statement No. 71 Pension Transition for Contributions Made Subsequent to the Measurement Date, each in an effort to improve accounting and financial reporting by state and local governments related to pensions. GASB Statement No. 68 requires reporting entities, such as the City, to recognize their proportionate share of the net pension liability and operating statement activity related to changes in collective pension liability. Reporting entities, such as the City, that contribute to the TMRS pension plan will report a liability on the face of their government-wide financial statements. GASB Statement No. 68 applies only to pension benefits and does not apply to other post-employment benefits.

The discount rate used to measure the Total Pension Liability was 6.75%. The City’s net pension liability of \$54,930 for the fiscal year ending September 30, 2024 was measured as of December 31, 2023 and was determined by an actuarial valuation as of December 31, 2023.

For additional information, see Notes to Financial Statements, Note V.D. – Pension Plans – Texas Municipal Retirement System, in the Excerpts from the City’s Annual Financial Report for Fiscal Year Ended September 30, 2024, attached hereto as APPENDIX B.

**OTHER POST-EMPLOYMENT BENEFITS . . .** In addition to providing pension benefits through the TMRS, the City participates in a defined benefit other post-employment benefit (OPEB) plan administered by TMRS. TMRS administers the defined benefit group-term life insurance plan known as the SDBF. The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. As such, contributions fund the covered active member and retiree deaths on a pay-as-you-go basis. The City’s contributions to the TMRS SDBF for the year ended September 30, 2024 and 2023 were \$930 and \$869, respectively. (For more detailed information concerning the supplemental death benefits, see Notes to Basic Financial Statements, Note V.D. – Pension Plans – Supplemental Death Benefits Fund, in the Excerpts from the City’s Annual Financial Report for Fiscal Year Ended September 30, 2024, attached hereto as APPENDIX B.)

The discount rate used to measure the Total OPEB Liability was 3.77%. The discount rate was based on the Fidelity Index’s “20-Year Municipal GO AA Index” rate as of December 31, 2023. The City’s total OPEB liability of \$70,158 for the fiscal year ending September 30, 2024 was measured as of December 31, 2023 and was determined by an actuarial valuation as of December 31, 2023.

For additional information, see Notes to Basic Financial Statements, Note V.D. – Pension Plans – Supplemental Death Benefits Fund, in the Excerpts from the City’s Annual Financial Report for Fiscal Year Ended September 30, 2024, attached hereto as APPENDIX B.

## **FINANCIAL POLICIES**

**Basis of Accounting . . .** The City’s accounting system is conducted on the modified accrual basis of accounting for all governmental fund types, expendable trust funds and agency funds. Under this basis, expenditures are recorded when liabilities are incurred; and, revenues are recorded when they become measurable and available as net current assets. The accrual basis of accounting is followed for the proprietary and non-expendable trust funds. Under the accrual basis, revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recorded in the accounting period incurred, if measurable.

**GASB 34 and other GASB Pronouncements Adoption by the City . . .** In June 1999, the Governmental Accounting Standards Board issued GASB 34. The objective of GASB 34 is to enhance the clarity and usefulness of the general-purpose external financial reports of state and local governments to the citizenry, legislative and oversight bodies, and investors and creditors. The City implemented GASB 34 for its fiscal year ending September 30, 2003. While the adoption of GASB 34 has altered the presentation of some financial information, and the City has devoted additional resources to implementing GASB 34, the City believes that there has been no material adverse impact to its financial position, results of operation, or cash flows as a result of the implementation of GASB 34. Additionally, for Fiscal Year ending September 30, 2021, the City has implemented the following GASB pronouncements: GASB No. 84, “Fiduciary Activities;” GASB Statement No. 98, “The Annual Comprehensive Financial Report;” and GASB Statement No. 101, “Compensated Absences.” See Notes to Basic Financial Statements, Note 1 – Summary of Significant Accounting Policies.”

**Debt Service Fund Balance . . .** A reasonable debt service fund balance is maintained in order to compensate for unforeseen events.

**Budgetary Procedures . . .** General law requires the City Administrator submit to the City Council a proposed operating budget for the year commencing the following October 1, at least 30 days prior to the date the City Council adopts the tax rate. The operating budget includes proposed expenditures and the means of financing them. A public hearing is conducted and the budget is adopted no earlier than 15 days after the date the City Administrator submitted the budget to the City Council and no later than the date the City Council adopts the tax rate.

## INVESTMENTS

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

**INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE CITY . . .** Under State law, the City is authorized to invest in obligations meeting the requirements of the Texas Public Funds Investment Act, Texas Government Code, Chapter 2256, as amended (the "PFIA"), which may include: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (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 ("FDIC") 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 FDIC or the National Credit Union Share Insurance Fund (the "NCUSIF") or their respective successors; (8) interest-bearing banking deposits, other than those described in clause (7), that (i) are invested through a broker or institution with a main office or branch office in this state and selected by the City in compliance with the PFIA, (ii) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the City's account, (iii) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States, and (iv) the City appoints as its custodian of the banking deposits, in compliance with the PFIA, the institution in clause (8)(i) above, a bank, or a broker-dealer; (9) (i) certificates of deposit or share certificates meeting the requirements of the PFIA 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 FDIC or the NCUSIF, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8) above, or secured in accordance with Chapter 2257, Texas Government Code, or in any other manner and amount provided by law for City deposits, or (ii) certificates of deposit where (a) the funds are invested by the City through a broker or institution that has a main office or branch office in the State and selected by the City in compliance with the PFIA, (b) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the account of the City, (c) 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 (d) the City appoints, in compliance with the PFIA, the institution in clause (9)(ii)(a) above, a bank, or broker-dealer as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described in clause (1) above or clause (12) below which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) 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; (12) commercial paper with a stated maturity of 365 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; (13) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that complies with Security and Exchange Commission Rule 2a-7; (14) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations described in the this paragraph or (ii) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities; (15) guaranteed investment contracts that have a defined termination date and are secured by obligations described in clause (1), excluding obligations which the City is explicitly prohibited from investing in, and in an amount at least equal to the amount of bond proceeds invested under such contract; and (16) securities lending programs if (i) the securities loaned under the program are 100% collateralized, including accrued income, (ii) a loan made under the program allows for termination at any time, (iii) a loan made under the program is either secured by (a) obligations described in clauses (1) through (8) 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 (8) above, clauses (12) through (14) above, or an authorized investment pool, (iv) the terms of a loan made under the program require that the securities being held as collateral be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party designated by the City, (v) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State, and (vi) the agreement to lend securities has a term of one year or less.

The City 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 City 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 City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution.

The City 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 State law, the City 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 City funds, the maximum allowable stated maturity of any individual investment, 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 City funds must be invested consistent with a formally adopted “Investment Strategy Statement” that specifically addresses each fund’s investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under State law, the City’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 City’s investment officers must submit an investment report to the City Council detailing: (1) the investment position of the City, (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) State law. No person may invest City funds without express written authority from the City Council.

Under State law, the City 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 City to disclose the relationship and file a statement with the Texas Ethics Commission and the City, (3) require the registered principal of firms seeking to sell securities to the City to: (a) receive and review the City’s investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City’s investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the entity’s entire portfolio, requires an interpretation of subjective investment standards or relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority), 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 City’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 its investment in mutual funds in the aggregate to no more than 15% of the City’s monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, and to invest no portion of bond proceeds, reserves and funds held for debt service, in mutual funds, (7) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements, (8) provide specific investment training for the Treasurer, the chief financial officer (if not the Treasurer) and the investment officer, (9) adopt an order or resolution stating that it has reviewed its investment policy and investment strategies and record any changes made to either its investment policy or investment strategy in the said order or resolution, and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in the investment transactions with the City.

#### TABLE 7 – CURRENT INVESTMENTS

As of September 30, 2025 (unaudited), the City’s investable funds were invested in the following categories:

Investments	Market Value	% of Total
Classic Bank	\$ 33,037,626	44.35%
CDs/Bonds	37,589,717	50.46%
TexPool	3,866,811	5.19%
	<u>\$ 74,494,154</u>	<u>100.00%</u>

As of such date, 100% of the City’s investment portfolio will mature within one year. The market value of the investment portfolio was approximately 100% of its purchase price.

**ANTICIPATED ISSUANCE OF REVENUE BONDS** – The City does not anticipate the issuance of additional Wastewater Treatment Facility revenue debt within the next six months.

## **INVESTMENT CONSIDERATIONS**

**CYBER SECURITY** . . . Computer networks and data transmission and collection are vital to the operations of the City. Information technology and infrastructure of the City may be subject to attacks by outside or internal hackers and may be subject to breach by employee error, negligence or malfeasance. An attack or breach could compromise systems and the information stored thereon, result in the loss of confidential or proprietary data and disrupt the operations of the City. To mitigate these risks, the City continuously endeavors to improve the range of control for digital information operations, enhancements to the authentication process, and additional measures toward improving system protection/security posture.

## **BOND INSURANCE RISK FACTORS**

**BOND INSURANCE RISK FACTORS** . . . If municipal bond insurance is purchased for the Bonds, in the event of default of the scheduled payment of principal of or interest on the Bonds when all or a portion thereof becomes due, any owner of the Bonds shall have a claim against the insurer (the “Insurer”) of the municipal bond guaranty insurance policy (the “Policy”) for such payments. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the City which is recovered by the City from the bond owner as a voidable preference under applicable bankruptcy law is covered by the Policy; however, such payments will be made by the Insurer at such time and in such amounts as would have been due absence such prepayment by the City (unless the Insurer chooses to pay such amounts at an earlier date).

Payment of principal of and interest on the Bonds is not subject to acceleration, but other legal remedies upon the occurrence of non-payment do exist (see “THE BONDS – Bondholder Remedies”). The Insurer may reserve the right to direct the pursuit of available remedies, and, in addition, may reserve the right to consent to any remedies available to and requested by the bondholders.

In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from a first lien on and pledge of the Pledged Revenues. In the event the Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price or the marketability (liquidity) of the Bonds.

If a Policy is acquired, the long-term ratings on the Bonds will be dependent in part on the financial strength of the Insurer and its claims-paying ability. The Insurer’s financial strength and claims-paying ability are predicated upon a number of factors which could change over time. No assurance can be given that the long-term ratings of the Insurer and of the ratings on the Bonds, whether or not subject to a Policy, will not be subject to downgrade and such event could adversely affect the market price or the marketability (liquidity) for the Bonds.

The obligations of the Insurer under the Policy are general obligations of the Insurer and in an event of default by the Insurer, the remedies available may be limited by applicable bankruptcy law. None of the City, the Financial Advisor or either Initial Purchaser has made independent investigation into the claims-paying ability of any potential Insurer and no assurance or representation regarding the financial strength or projected financial strength of any potential Insurer is given.

**CLAIMS-PAYING ABILITY AND FINANCIAL STRENGTH OF MUNICIPAL BOND INSURERS** . . . Moody’s Investors Service, Inc., S&P Global Ratings, a division of S&P Global Inc. and Fitch Ratings (the “Rating Agencies”) have downgraded and/or placed on negative watch the claims-paying ability and financial strength of most providers of municipal bond insurance. Additional downgrades or negative changes in the rating outlook for all bond insurers are possible. Thus, when making an investment decision, potential investors should carefully consider the ability of any such bond insurer to pay principal and interest on the Bonds and the claims-paying ability of any such bond insurer, particularly over the life of the Bonds.

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## TAX MATTERS

In the opinion of the Orrick, Herrington & Sutcliffe LLP, Bond Counsel (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”). Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. Complete copies of the proposed form of opinion of Bond Counsel is set forth in APPENDIX D hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner’s basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The City has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel’s attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a Beneficial Owner’s federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner’s other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislature proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel’s judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service (“IRS”) or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the City or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The City has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the City or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the City and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the City legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the City or the Beneficial Owners to incur significant expense.

Payments on the Bonds generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate Beneficial Owner of Bonds may be subject to backup withholding with respect to "reportable payments," which include interest paid on the Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against a Beneficial Owner's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain Beneficial Owners (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. The failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

### **CONTINUING DISCLOSURE OF INFORMATION**

In the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB"). This information will be available to the public free of charge from the MSRB on its investment website at [www.emma.msrb.org](http://www.emma.msrb.org).

**ANNUAL REPORTS . . .** The City will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under Tables numbered 1 through 7. The City will update and provide this information within 6 months after the end of each fiscal year beginning with fiscal year ending in 2026. In addition, the City will provide annually to the MSRB, within twelve (12) months after the end of each fiscal year ending in or after 2026, financial statements of the City, in form attached hereto as APPENDIX B, if audited financial statements of the City are then available. If the audit of such financial statements is not complete within twelve (12) months after any such Fiscal Year end, then the City shall file unaudited financial statements within such twelve (12) month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX B or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation. The City will provide the updated information to the Municipal Securities Rulemaking Board (the "MSRB"). The MSRB intends to make the information available to the public without charge through an internet portal as part of an expansion of its Electronic Municipal Market Access ("EMMA") system. Investors will be able to access continuing disclosure information filed with the MSRB at [www.emma.msrb.org](http://www.emma.msrb.org).

The City's current fiscal year end is September 30. Accordingly, it must provide updated information by March 31 and September 30, as applicable, in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change (and of the date of the new fiscal year-end) prior to the next date by which the City otherwise would be required to provide such financial information and operating data.

The financial information and operating data to be provided by the City as described above may be set forth in full in one or more documents or may be included by specific reference to any document that is available to the public on the MSRB's internet web site or filed with the United States Securities and Exchange Commission ("SEC"). All documents provided by the City to the MSRB will be in an electronic format and accompanied by identifying information as prescribed by the MSRB.

**NOTICE OF CERTAIN EVENTS . . .** The City will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The City 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 Beneficial Owners 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 City or other obligated person within the meaning of CFR § 240.15c2-12 (the “Rule”); (13) consummation of a merger, consolidation, or acquisition involving the City or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the City or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of an definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a Financial Obligation of the City (as defined by the Rule, which includes certain debt, debt-like, and debt related obligations), if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties. Neither the Bonds nor the Ordinance make any provision for credit enhancement or a trustee.

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

For the purposes of the events described in clauses (15) and (16) of the immediately preceding paragraph, the City intends the words used in such clauses (15) and (16) in the immediately preceding paragraph and in the definition of Financial Obligation to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018.

In addition, the City will provide timely notice of any failure by the City to provide information, data or financial statements in accordance with its agreement described above under “– Annual Reports.” The City will provide each notice described in this “– Event Notices” caption to the MSRB in an electronic format and accompanied by identifying information as prescribed by the MSRB.

**AVAILABILITY OF INFORMATION . . .** The City has agreed to provide the foregoing information only to the MSRB. All documents provided by the City to the MSRB described above under “Annual Reports” and “Notice of Certain Events” will be in an electronic format and accompanied by identifying information as prescribed by the MSRB.

Should the Rule be amended to obligate the City to make filing with or provide notices to entities other than the MSRB, the City agrees to undertake such obligation with respect to the Bonds in accordance with the Rule as amended.

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

The City may amend its continuing disclosure agreement 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 City, if (i) the agreement, 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 City (such as nationally recognized Bond Counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The City may also amend or repeal the provisions of this continuing disclosure agreement 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, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

If the City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

**COMPLIANCE WITH PRIOR AGREEMENTS . . .** During the last five years, the City has complied in all material respects with all of its continuing disclosure undertakings pursuant to the Rule, except as noted and as further described below.

For the fiscal year ending September 30, 2021, the City timely filed its unaudited financial statements and continuing disclosure reports. The City Council later accepted and approved its audited annual financial report; however, due to an administrative error the audited annual financial report was not posted with the MSRB until October 24, 2022. The City filed a Notice of Material

Event for Continuing Disclosure Requirements with the MSRB through EMMA on December 5, 2022. For the fiscal year ending September 30, 2023, the City filed a Notice of Material Event for Continuing Disclosure Requirements with the MSRB through EMMA on April 4, 2024, indicating due to a turnover in staffing the required reports were unavailable and would be filed as soon as possible. The City filed its audited financial statements and continuing disclosure reports on July 25, 2024.

## **OTHER INFORMATION**

**RATING AND INSURANCE . . .** The Bonds have been rated “A+” by S&P Global Ratings (“S&P”) without regard to credit enhancement. If qualified, the purchase of municipal bond insurance for the Bonds will be at the option and expense of the Initial Purchaser. See “BOND INSURANCE RISK FACTORS.” The rating fees of S&P will be paid by the City; any other rating fees associated with the insurance will be the responsibility of the Initial Purchaser. An explanation of the significance of such rating may be obtained from the company furnishing the rating. The rating reflects only the respective views of such organizations and the City 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 one or more of such rating companies, if in the judgment of such companies, 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 . . .** It is the opinion of the City Attorney and City staff that (i) there is no pending litigation against the City that would have a material adverse financial impact upon the City or its operations, and (ii) there is no pending litigation seeking to enjoin the issuance of the Bonds or the legal ability of the City to issue the same. With the delivery of the Bonds, the Mayor or the Mayor Pro Tem and the City Secretary of the City will execute and deliver to the Initial Purchaser a certificate dated as of the Delivery Date, to the effect that no litigation of any nature of which the City has notice is pending against or, to the best knowledge of the City’s certifying officers, threatened against the City, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the authorization, execution or delivery of the Bonds; affecting the provision made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for authorization, execution or delivery of the Bonds; or affecting the validity of the Bonds, the corporate existence or boundaries of the City or the title of the then present officers and directors of the City Council.

**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 City 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 . . .** Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the PFIA, Chapter 2256, Texas Government Code, requires that the Bonds be assigned a rating of “A” or its equivalent as to investment quality by a national rating agency. See “OTHER INFORMATION – Rating and Insurance” 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 capital of one million dollars or more, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

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## LEGAL MATTERS

**LEGAL OPINION** . . . Issuance of the Bonds is subject to the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and binding special obligations of the City payable, together with the Outstanding Parity Bonds or Additional Parity Bonds hereinafter issued, from and secured by a lien on and pledge of the Pledged Revenues of the Wastewater Treatment Facility as provided in the Ordinance. The City has reserved the right to issue Additional Parity Bonds secured by a lien on the Pledged Revenues on parity with the Bonds and the Outstanding Parity Bonds. Issuance of the Bonds is also subject to the legal opinion of Bond Counsel, based upon examination of a transcript of the proceedings incident to authorization and issuance of the Bonds, to the effect that the Bonds are valid and binding special obligations of the City payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by governmental immunity, bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. In its capacity as Bond Counsel, such firm has reviewed the information under the captions and subcaptions "THE BONDS," (except for the information under the subcaptions "Bondholders' Remedies," "Book-Entry-Only System" and "Sources and Uses of Proceeds" as to which no opinion will be expressed), "TAX MATTERS," "CONTINUING DISCLOSURE OF INFORMATION" (except for the information under the subcaption "Compliance with Prior Agreements" as to which no opinion will be expressed), "OTHER INFORMATION – Registration and Qualification of Bonds for Sale," "OTHER INFORMATION – Legal Investments and Eligibility to Secure Public Funds in Texas," "LEGAL MATTERS – Legal Opinion," "APPENDIX C – Selected Provisions of the Ordinance" and "APPENDIX D – Form of Bond Counsel's Opinion" and such firm is of the opinion that such information contained under such captions and in such appendices is a fair and accurate summary of the information purported to be shown therein and is correct as to matters of law. Such opinions will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds. In connection with the issuance of the Bonds, Bond Counsel has been engaged by, and only represents, the City. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of Bonds actually issued, sold and delivered, and therefore, such fees are contingent upon the sale and delivery of the Bonds.

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

**FINANCIAL ADVISOR** . . . Specialized Public Finance Inc. is employed as Financial Advisor to the City 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 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 City 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 City and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

**FORWARD-LOOKING STATEMENTS** . . . The statements contained in this Official Statement, and in any other information provided by the City, that are not purely historical, are forward-looking statements, including statements regarding the City's expectations, hopes, intentions, or strategies regarding the future.

Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements.

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 City accepted the bid of \_\_\_\_\_ (the "Initial Purchaser") to purchase the Bonds at the interest rates shown on the inside cover of the Official Statement at a price of approximately \_\_\_\_\_ % of par. The Initial Purchaser can give no assurance that any trading market will be developed for the Bonds after their sale by the City to the Initial Purchaser. The City 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 Initial Purchaser.

**FORWARD-LOOKING STATEMENTS DISCLAIMER . . .** The statements contained in this Official Statement, and in any other information provided by the City, that are not purely historical, are forward-looking statements, including statements regarding the City's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements. The City's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

**CERTIFICATION REGARDING THE OFFICIAL STATEMENT AND NO LITIGATION . . .** At the time of payment for and delivery of the Bonds, the Initial Purchaser will be furnished (i) a certificate of the City, executed by proper officers, acting in their official capacity, to the effect that to the best of their knowledge and belief: (a) the description and statements of or pertaining to the City contained in its Official Statement, and any addenda, supplement or amendment thereto, on the date of such Official Statement, and on the date of the initial delivery of the Bonds, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of circumstances under which they are made, not misleading; (c) insofar as the description and statements, including financial data, of or pertaining to entities, other than the City, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and that the City has no reason to believe that they are untrue in any material respect; (d) there has been no material adverse change in the financial condition of the City since the date of the last audited financial statements of the City set forth in the Official Statement; and (e) except as disclosed in the Official Statement, no litigation of any nature has been filed or is then pending challenging the issuance of the Bonds or that affects the payment and security of the Bonds or in any other manner questioning the issuance, sale or delivery of the Bonds.

**MISCELLANEOUS . . .** The financial data and other information contained herein have been obtained from the City'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 ordinances contained in this Official Statement are made subject to all of the provisions of such statutes, documents and ordinances. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

The Ordinance authorizing the issuance of the Bonds will approve 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 Initial Purchaser.

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Mayor  
City of Liberty Hill, Texas

ATTEST:

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City Secretary  
City of Liberty Hill, Texas

## **APPENDIX A**

### **GENERAL INFORMATION REGARDING THE CITY**

**THE CITY . . .** The City of Liberty Hill (the “City”) is located on State Highway 29 in the Hill Country, 15 miles west of Georgetown and 33 miles northwest of Austin in Williamson County. The City encompasses some 4.5 square miles.

**LABOR MARKET PROFILE**

	Williamson County	
	November 2025	November 2024
Total Civilian Labor Force	423,114	416,364
Total Employment	407,661	401,279
Total Unemployment	15,453	15,085
Percent Unemployed	3.7%	3.6%

	State of Texas	
	November 2025	November 2024
Total Civilian Labor Force	16,038,665	15,758,856
Total Employment	15,361,936	15,115,304
Total Unemployment	676,729	643,552
Percent Unemployed	4.2%	4.1%

## **APPENDIX B**

### **EXCERPTS FROM THE CITY OF LIBERTY HILL, TEXAS ANNUAL FINANCIAL REPORT For the Year Ended September 30, 2024**

The information contained in this APPENDIX consists of excerpts from the City of Liberty Hill, Texas Annual Financial Report for the Year Ended September 30, 2024, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.



## ***INDEPENDENT AUDITOR'S REPORT***

To the Honorable Mayor and  
Members of the City Council  
City of Liberty Hill, Texas:

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the component unit, each major fund, and the aggregate remaining fund information of the City of Liberty Hill, Texas, as of September 30, 2024, 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 standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City of Liberty Hill, 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***

The City's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and



fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for one year after the date that the financial statements are issued.

### *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.

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 the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

### *Emphasis of Matter*

As discussed in Note V.E. to the financial statements, the City restated beginning net position/fund balance within governmental funds/activities, component unit activities, business-type activities, wastewater treatment fund, water fund, and the utility capital projects fund due to accounting errors. Our opinion is not modified with respect to this matter.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in net pension liability and related ratios, schedule of employer contributions to pension plan, schedule of changes in other postemployment benefits liability and related ratios, and budgetary comparison information for the general fund 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.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Liberty Hill, Texas' basic financial statements. The combining schedule of fund statements for nonmajor governmental funds is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining schedule of fund statements for nonmajor governmental funds 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 combining financial statements 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 April 15, 2025 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Brooks Watson & Co.*

Brooks Watson & Co.  
Certified Public Accountants  
Houston, Texas  
April 15, 2025

***MANAGEMENT'S DISCUSSION  
AND ANALYSIS***

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# City of Liberty Hill, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

### September 30, 2024

As management of the City of Liberty Hill, Texas (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2024.

#### **Financial Highlights**

- The City's total combined net position is \$158,888,806 at September 30, 2024. Of this, \$49,165,802 (unrestricted net position) may be used to meet the City's ongoing obligations to its citizens and creditors.
- As of the end of the year, the unassigned fund balance of the general fund was \$15,008,596 or 150% of total general fund expenditures.
- The City had an overall increase in net position of \$17,854,327.

#### **Overview of the Financial Statements**

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

#### **Government-Wide Statements**

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

The *statement of net position* presents information on all of the City's assets, liabilities, and deferred inflows/outflows with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other non-financial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that

# City of Liberty Hill, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2024

are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, and public works. The business-type activities of the City include water, wastewater and Regional WasteWater operations.

### FUND FINANCIAL STATEMENTS

Funds may be considered as operating companies of the parent corporation, which is the City of Liberty Hill. They are usually segregated for specific activities or objectives. The City of Liberty Hill uses fund accounting to ensure and demonstrate compliance with finance-related legal reporting requirements. The two categories of City funds are governmental and proprietary.

#### Governmental Funds

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

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

The City maintains seventeen governmental funds. 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, debt service fund, Butler Farms PID fund, capital improvement fund, and Summerlyn West PID fund, which are considered to be major funds for reporting purposes.

#### Proprietary Funds

The City maintains one type of proprietary fund. Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses a proprietary fund to account for its utility services. All activities associated with providing such services are accounted for in these funds, including administration, operation, maintenance, debt service, capital improvements, utility production and distribution. The City's intent is that costs of

# City of Liberty Hill, Texas

## *MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued*

**September 30, 2024**

providing the services to the general public on a continuing basis is financed through user charges in a manner similar to a private enterprise.

### **Notes to Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are the last section of the basic financial statements.

### **Other Information**

In addition to the basic financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The RSI that GASB Statement No. 34 requires is a budgetary comparison schedule. RSI can be found after the basic financial statements.

The PID special revenue funds, and their debt obligations consisting of the PID special assessment bond and note payable to the water utility fund, are solely funded by property assessments paid for by the respective homeowners of the related developments. The City is not obligated for repayment of these debts. City council is the governing body over the PID's, the City is the account holder for PID funds, and is the responsible party for management of the PID activities.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted previously, net position may serve over time as a useful indicator of the City's financial position. For the City of Liberty Hill, assets exceeded liabilities by \$158,888,806 as of September 30, 2024, in the primary government.

The largest portion of the City's net position, \$52,840,083, reflects its investments in capital assets (e.g., land, city hall, police building, Wastewater Treatment Plant, Water/Sewer System, as well as the machinery and equipment), less any debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City'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 assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, \$56,882,921, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$49,165,802 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

Current and other assets of governmental activities as of September 30, 2024 and September 30, 2023 were \$73,542,971 and \$69,082,920, respectively. The increase of \$4,460,051 was primarily due to current year surpluses resulting in an increase in cash.



**City of Liberty Hill, Texas**  
***MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued***  
**September 30, 2024**

Current and other assets of business-type activities as of September 30, 2024 and September 30, 2023 were \$55,639,308 and \$73,919,862, respectively. The decrease of \$18,280,554 was primarily due to cash outflows for capital improvements during the year.

Capital assets of the primary government as of September 30, 2024 and September 30, 2023 were \$149,285,998 and \$124,532,173, respectively. The increase of \$24,753,825 was due to capital improvements during the year.

**City of Liberty Hill, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**September 30, 2024**

**Statement of Net Position:**

The following table reflects the condensed Statement of Net Position:

	2024			2023		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 73,542,971	\$ 55,639,308	\$ 129,182,279	\$ 69,082,920	\$ 73,919,862	\$ 143,002,782
Internal balances	(1,034,235)	1,034,235	-	-	-	-
Capital assets, net	55,702,407	93,583,591	149,285,998	51,561,012	72,971,161	124,532,173
<b>Total Assets</b>	<b>128,211,143</b>	<b>150,257,134</b>	<b>278,468,277</b>	<b>120,643,932</b>	<b>146,891,023</b>	<b>267,534,955</b>
<b>Deferred Outflows of Resources</b>	<b>231,321</b>	<b>83,506</b>	<b>314,827</b>	<b>330,182</b>	<b>134,041</b>	<b>464,223</b>
Other liabilities	2,337,666	4,613,227	6,950,893	2,191,026	6,897,700	9,088,726
Long-term liabilities	52,275,651	60,596,293	112,871,944	54,541,578	63,182,425	117,724,003
<b>Total Liabilities</b>	<b>54,613,317</b>	<b>65,209,520</b>	<b>119,822,837</b>	<b>56,732,604</b>	<b>70,080,125</b>	<b>126,812,729</b>
<b>Deferred Inflows of Resources</b>	<b>52,507</b>	<b>18,954</b>	<b>71,461</b>	<b>114,972</b>	<b>36,998</b>	<b>151,970</b>
Net Position:						
Net investment in capital assets	3,991,151	48,848,932	52,840,083	5,185,386	37,849,310	43,034,696
Restricted	54,003,181	2,879,740	56,882,921	47,681,297	2,726,856	50,408,153
Unrestricted	15,782,308	33,383,494	49,165,802	11,259,855	36,331,775	47,591,630
<b>Total Net Position</b>	<b>\$ 73,776,640</b>	<b>\$ 85,112,166</b>	<b>\$ 158,888,806</b>	<b>\$ 64,126,538</b>	<b>\$ 76,907,941</b>	<b>\$ 141,034,479</b>

# City of Liberty Hill, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

### September 30, 2024

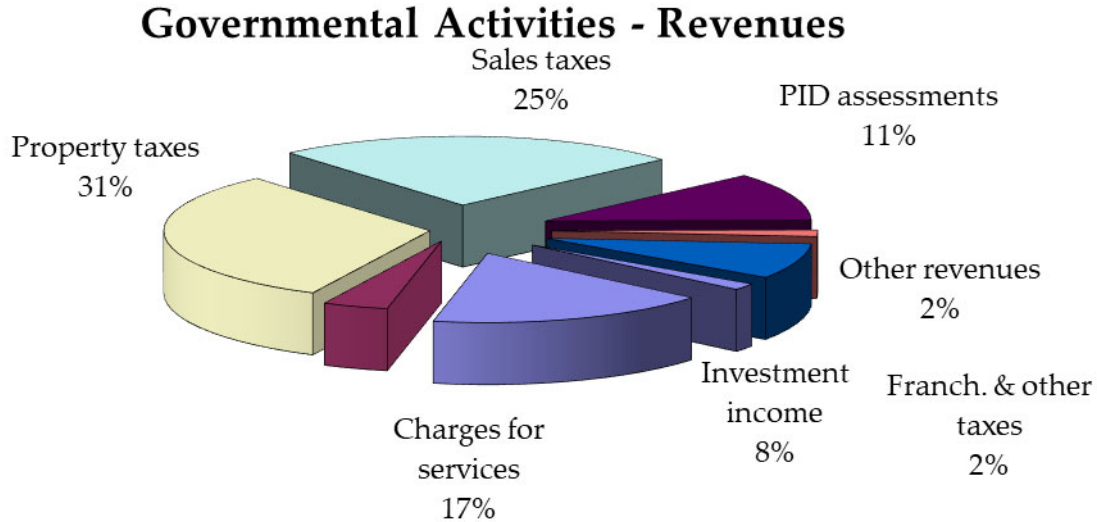
#### Statement of Activities:

The following table provides a summary of the City's changes in net position:

	For the Year Ended September 30, 2024			For the Year Ended September 30, 2023		
	Governmental	Business	Total	Governmental	Business	Total
	Activities	Type	Primary	Activities	Type	Primary
		Activities	Government	(restated)	(restated)	(restated)
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 3,157,091	\$ 15,761,580	\$ 18,918,671	\$ 1,835,006	\$ 12,948,210	\$ 14,783,216
Grants and contributions	730,501	5,091,469	5,821,970	1,365,213	9,943,693	11,308,906
Contributions - impact fees						
General revenues:						
Property taxes	5,794,610	-	5,794,610	5,400,603	-	5,400,603
Sales taxes	4,560,988	-	4,560,988	3,383,644	-	3,383,644
PID property assessments	2,087,082	-	2,087,082	2,105,923	-	2,105,923
Franch. & other taxes	274,517	-	274,517	306,448	-	306,448
Investment income	1,524,074	3,493,707	5,017,781	1,341,888	3,614,369	4,956,257
Other revenues	278,203	167,833	446,036	401,717	-	401,717
<b>Total Revenues</b>	<b>18,407,066</b>	<b>24,514,589</b>	<b>42,921,655</b>	<b>16,140,442</b>	<b>26,506,272</b>	<b>42,646,714</b>
<b>Expenses</b>						
General government	3,139,781	-	3,139,781	4,345,579	-	4,345,579
Municipal court	418,074	-	418,074	312,983	-	312,983
Development services	1,984,117	-	1,984,117	2,281,373	-	2,281,373
Police department	2,176,857	-	2,176,857	2,374,549	-	2,374,549
Parks & recreation and street maintenance	825,365	-	825,365	1,228,164	-	1,228,164
Interest & fiscal chrgs.	2,035,398	2,276,901	4,312,299	1,385,476	2,642,323	4,027,799
Utilities	-	12,210,835	12,210,835	-	11,210,627	11,210,627
<b>Total Expenses</b>	<b>10,579,592</b>	<b>14,487,736</b>	<b>25,067,328</b>	<b>11,928,124</b>	<b>13,852,950</b>	<b>25,781,074</b>
<b>Change Before Transfers</b>	<b>7,827,474</b>	<b>10,026,853</b>	<b>17,854,327</b>	<b>4,212,318</b>	<b>12,653,322</b>	<b>16,865,640</b>
Transfers	1,822,628	(1,822,628)	-	-	-	-
<b>Total</b>	<b>1,822,628</b>	<b>(1,822,628)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in Net Pos.</b>	<b>9,650,102</b>	<b>8,204,225</b>	<b>17,854,327</b>	<b>4,212,318</b>	<b>12,653,322</b>	<b>16,865,640</b>
Beginning Net Position (restated)	64,126,538	76,907,941	141,034,479	59,914,220	64,254,619	124,168,839
<b>Ending Net Position</b>	<b>\$ 73,776,640</b>	<b>\$ 85,112,166</b>	<b>\$ 158,888,806</b>	<b>\$ 64,126,538</b>	<b>\$ 76,907,941</b>	<b>\$ 141,034,479</b>

**City of Liberty Hill, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**September 30, 2024**

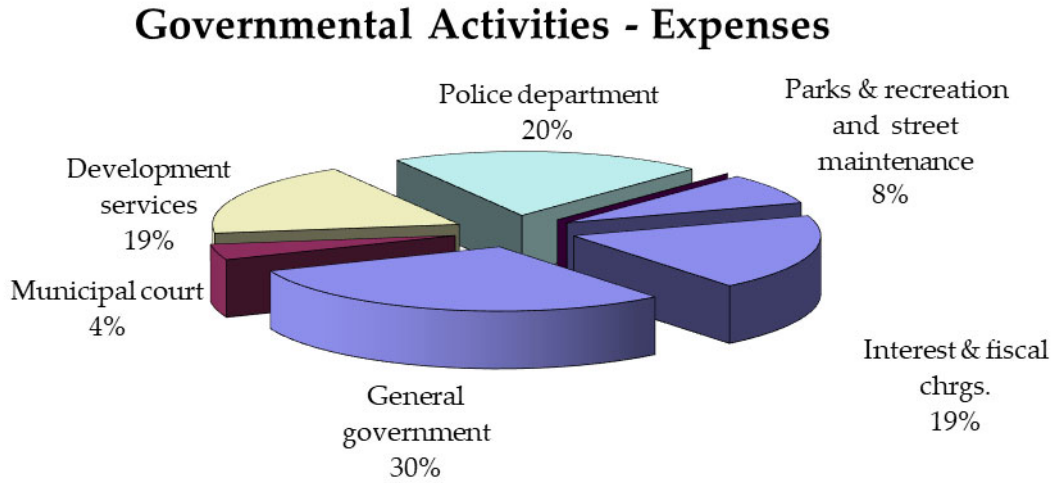
Graphic presentations of selected data from the summary tables are displayed below to assist in the analysis of the City's activities.



For the year ended September 30, 2024, revenues from governmental activities totaled \$18,407,066. Property tax, sales tax, and charges for services are the City's largest revenue sources. Charges for services increased by \$1,322,085 or 72% due to in part to greater park fees received in the current year. Grants and contributions decreased by \$634,712 due to nonrecurring grants received in the prior year. Property tax increased by \$394,007 or 7% due to higher property values. Sales taxes and franchise taxes increased by \$1,177,344 and \$31,931, respectively, which is primarily attributable to an increase in economic activity during the current year. Investment income increased by \$182,186 primarily due to an increase in interest rates during the year.

**City of Liberty Hill, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**September 30, 2024**

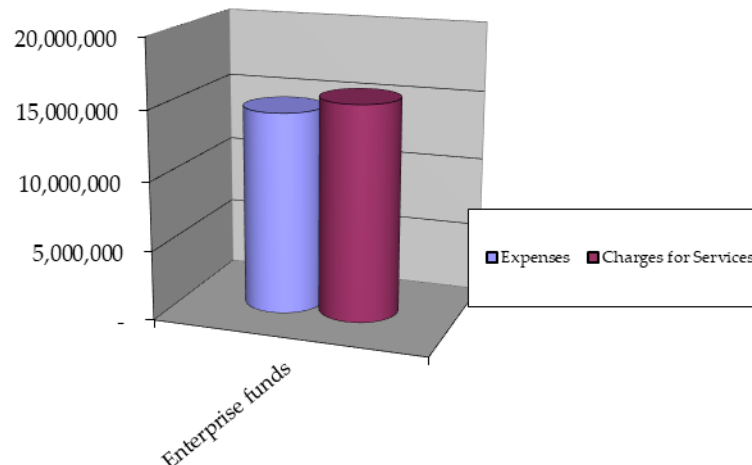
This graph shows the governmental function expenses of the City:



For the year ended September 30, 2024, expenses for governmental activities totaled \$10,579,592. This represents a decrease of \$1,348,532 or 11% from the prior year. The City's largest functional expense is general government of \$3,139,781, which includes salaries and vendor expenses not affiliated with other functions. The City had a decrease of \$1,205,798 or 28% from the prior year primarily due to employee vacancies during the current year. Municipal court expenses increased by \$105,091 or 34% primarily due to increased wages and maintenance expenses. Park and recreation, & street maintenance decreased by \$402,799 or 33% primarily due to a decrease in professional engineering services in the current year.

Business-type activities are shown comparing operating costs to revenues generated by related services.

**Business-Type Activities - Revenues and Expenses**



# City of Liberty Hill, Texas

## *MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued*

### September 30, 2024

For the year ended September 30, 2024, charges for services by business-type activities totaled \$15,761,580. This is an increase of \$2,813,370, or 22%, from the previous year. The increase was primarily due to increases in price and consumption during the current year.

Total expenses increased \$634,786 or approximately 5%, which was primarily due to an increase in water purchases based on consumption, engineering and maintenance expenses in the current year.

#### **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

Governmental Funds - The focus of the City's governmental funds is to provide information of near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the year.

As of the end of the year the general fund reflected a total fund balance of \$15,058,976. Unassigned fund balance totaled \$15,008,596 as of year-end. The general fund increased by \$588,152 primarily due to expenditures being less than budgeted.

The Debt Service fund reflected an ending fund balance of \$1,051,001 as of September 30, 2024. This was an increase of \$703,409 when compared to the fund balance as of September 30, 2023. This increase was due to property tax revenues collected during the year exceeding debt service expenditures.

The Butler Farms PID fund reflected an ending fund balance of \$3,381,950, an increase of \$373,152. This increase is due to property assessments revenue exceeding current year expenditures.

The capital projects fund reflected an ending fund balance of \$1,135,144, an increase of \$1,091,711. This increase is due to transfers received in the current year.

The Summerlyn PID fund reflected an ending fund balance of \$1,162,654, a decrease of \$38,567. This decrease is due to expenditures exceeding assessments revenue in the current year.

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

# City of Liberty Hill, Texas

## *MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued*

**September 30, 2024**

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

There was a total positive budget variance of \$480,615 in the general fund. This is primarily a combination of a negative revenue variance of \$278,957, and a positive expenditure variance of \$759,571. The most significant revenue variances were for franchise and local taxes and other revenues. The most significant expense variances were for general administration and development services. Police and streets exceeded appropriations at the legal level of control by \$42,183 and \$23,291, respectively.

### **CAPITAL ASSETS**

As of the end of the year, the City's governmental activities funds had invested \$55,702,407 in a variety of capital assets and infrastructure, net of accumulated depreciation. Depreciation is included with the governmental capital assets as required by GASB Statement No. 34. The City's business-type activities funds had invested \$93,583,591 in a variety of capital assets and infrastructure, net of accumulated depreciation.

Major capital asset constructed and acquired during the current year include the following:

- Butler Farms Hwy 29 improvements for \$2,347,899.
- Summerlyn PID improvements for \$129,201.
- Loop 332 roundabout street improvements for \$1,276,242.
- Downtown sidewalks for \$455,445.
- City hall generator for \$146,449.
- Police vehicles and other equipment for \$469,142.
- Acquisition of 1.35 acres of land for \$644,709.
- Wastewater construction improvements totaling \$16,478,424.
- Sewer construction improvements totaling \$1,909,335.
- Redrill of several water wells for \$2,602,400.
- Huber Fine screen replacements for \$630,202.
- Crane truck purchase for \$240,350.

More detailed information about the City's capital assets is presented in note IV. C to the financial statements.

**City of Liberty Hill, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued***  
**September 30, 2024**

**LONG-TERM DEBT**

At the end of the current year, the City had total debt outstanding (including premiums) of \$112,732,590. The City made principal payments on debt of \$4,606,021 in the current year. More detailed information about the City's long-term liabilities is presented in note IV. D to the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The Mayor and City Council are committed to maintaining and improving the overall wellbeing of the City of Liberty Hill and improving services provided to their residents.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the City of Liberty Hill's finances for all those with an interest in the City's finances. Questions concerning this report or requests for additional financial information should be directed to the City's Finance Director by phone at (512) 778-5449 or in person at 926 Main Street, Liberty Hill, Texas 78642.



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## ***FINANCIAL STATEMENTS***

**City of Liberty Hill, Texas**  
**STATEMENT OF NET POSITION (Page 1 of 2)**  
**September 30, 2024**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b><u>Assets</u></b>			
Current assets:			
Cash and cash equivalents	\$ 28,136,870	\$ 52,954,780	\$ 81,091,650
Special assessment receivables, current	9,340,000	-	9,340,000
Receivables, net	1,325,151	772,853	2,098,004
Due from other governments	-	1,648,269	1,648,269
Prepays	50,380	263,406	313,786
Internal balances	(1,034,235)	1,034,235	-
<b>Total Current Assets</b>	<b>37,818,166</b>	<b>56,673,543</b>	<b>94,491,709</b>
Special assessment receivables, noncurrent	34,690,570	-	34,690,570
Capital assets:			
Non-depreciable	41,709,391	39,776,341	81,485,732
Net depreciable capital assets	13,993,016	53,807,250	67,800,266
<b>Total Noncurrent Assets</b>	<b>90,392,977</b>	<b>93,583,591</b>	<b>183,976,568</b>
<b>Total Assets</b>	<b>128,211,143</b>	<b>150,257,134</b>	<b>278,468,277</b>
<b><u>Deferred Outflows of Resources</u></b>			
Pension outflows	230,737	83,295	314,032
OPEB outflows	584	211	795
<b>Total Deferred Outflows of Resources</b>	<b>231,321</b>	<b>83,506</b>	<b>314,827</b>

Component Unit	
EDC	
\$	3,399,228
	-
	8,433
	-
	295
	-
	3,407,956
	-
	-
	700,875
	700,875
	4,108,831
	-
	-
	-

**City of Liberty Hill, Texas**  
**STATEMENT OF NET POSITION (Page 2 of 2)**  
**September 30, 2024**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b><u>Liabilities</u></b>			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 1,459,376	\$ 4,133,159	\$ 5,592,535
Accrued interest payable	167,353	204,270	371,623
Unearned revenue	613,864	-	613,864
Customer deposits	-	244,474	244,474
Compensated absences, current	97,073	31,324	128,397
Long term debt due within one year	1,855,818	2,489,840	4,345,658
<b>Total Current Liabilities</b>	<b>4,193,484</b>	<b>7,103,067</b>	<b>11,296,551</b>
Noncurrent liabilities:			
OPEB liability	51,549	18,609	70,158
Net pension liability	40,360	14,570	54,930
Debt due in more than one year	50,317,138	58,069,794	108,386,932
Compensated absences	10,786	3,480	14,266
<b>Total Noncurrent Liabilities</b>	<b>50,419,833</b>	<b>58,106,453</b>	<b>108,526,286</b>
<b>Total Liabilities</b>	<b>54,613,317</b>	<b>65,209,520</b>	<b>119,822,837</b>
<b><u>Deferred Inflows of Resources</u></b>			
Pension inflows	39,629	14,305	53,934
OPEB inflows	12,878	4,649	17,527
<b>Total Deferred Outflows of Resources</b>	<b>52,507</b>	<b>18,954</b>	<b>71,461</b>
<b><u>Net Position</u></b>			
Net investment in capital assets	3,991,151	48,848,932	52,840,083
Restricted for:			
Court	457,614	-	457,614
Tourism	500	-	500
PEG	159,470	-	159,470
Grants	68,954	-	68,954
Street maintenance	1,540,843	-	1,540,843
Economic development	-	-	-
Parkland dedication	1,421,850	-	1,421,850
Debt service	45,081,571	2,879,740	47,961,311
Capital projects	5,272,379	-	5,272,379
Unrestricted	15,782,308	33,383,494	49,165,802
<b>Total Net Position</b>	<b>\$ 73,776,640</b>	<b>\$ 85,112,166</b>	<b>\$ 158,888,806</b>

See Notes to Financial Statements.

<div> <div>Component</div> <div>Unit</div> </div>	
<div> <div>EDC</div> </div>	
\$	50,906
	-
	-
	-
	-
	-
	50,906
	-
	-
	-
	-
	-
	50,906
	-
	-
	-
	-
	-
	700,875
	-
	-
	-
	-
	-
	3,357,050
	-
	-
	-
	-
\$	4,057,925

# City of Liberty Hill, Texas

## STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2024

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Capital Grants and Contributions
<b>Primary Government</b>			
<b>Governmental Activities</b>			
General government	\$ 3,139,781	\$ 743,187	\$ 730,501
Municipal court	418,074	329,027	-
Development services	1,984,117	2,084,877	-
Police	2,176,857	-	-
Parks and recreation	825,365	-	-
Interest and fiscal charges	2,035,398	-	-
<b>Total Governmental Activities</b>	<b>10,579,592</b>	<b>3,157,091</b>	<b>730,501</b>
<b>Business-Type Activities</b>			
Water	3,640,784	2,687,241	280,077
Sewer	955,595	1,305,444	1,080,820
Wastewater	9,891,357	11,768,895	3,730,572
<b>Total Business-Type Activities</b>	<b>14,487,736</b>	<b>15,761,580</b>	<b>5,091,469</b>
<b>Total Primary Government</b>	<b>\$ 25,067,328</b>	<b>\$ 18,918,671</b>	<b>\$ 5,821,970</b>
<b>Component Unit</b>			
Economic development corp.	655,863	-	-
	<b>\$ 655,863</b>	<b>\$ -</b>	<b>\$ -</b>
<b>General Revenues:</b>			
Taxes			
Property taxes			
Sales taxes			
Franchise and local taxes			
PID assessment revenue			
Investment income			
Other revenues			
<b>Transfers</b>			
<b>Total General Revenues and Transfers</b>			
<b>Change in Net Position</b>			
Beginning Net Position (as previously presented)			
Error corrections			
Change in financial reporting (EDC blended to discrete CU)			
Beginning Net Position (as adjusted)			
<b>Ending Net Position</b>			

See Notes to Financial Statements.

**Net (Expense) Revenue and Changes in Net Position**

Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	EDC
\$ (1,666,093)	\$ -	\$ (1,666,093)	\$ -
(89,047)	-	(89,047)	-
100,760	-	100,760	-
(2,176,857)	-	(2,176,857)	-
(825,365)	-	(825,365)	-
(2,035,398)	-	(2,035,398)	-
(6,692,000)	-	(6,692,000)	-
-	(673,466)	(673,466)	-
-	1,430,669	1,430,669	-
-	5,608,110	5,608,110	-
-	6,365,313	6,365,313	-
(6,692,000)	6,365,313	(326,687)	-
			(655,863)
			(655,863)
5,794,610	-	5,794,610	-
4,560,988	-	4,560,988	1,801,023
274,517	-	274,517	-
2,087,082	-	2,087,082	-
1,524,074	3,493,707	5,017,781	106,206
278,203	167,833	446,036	19,789
1,822,628	(1,822,628)	-	-
16,342,102	1,838,912	18,181,014	1,927,018
9,650,102	8,204,225	17,854,327	1,271,155
22,415,606	76,889,728	99,305,334	-
44,497,702	18,213	44,515,915	-
(2,786,770)	-	(2,786,770)	2,786,770
64,126,538	76,907,941	141,034,479	2,786,770
\$ 73,776,640	\$ 85,112,166	\$ 158,888,806	\$ 4,057,925



# City of Liberty Hill, Texas

## BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2024

	General	Debt Service	Butler Farms PID
<b><u>Assets</u></b>			
Cash and cash equivalents	\$ 15,906,154	\$ 1,117,492	\$ 3,391,921
Receivables, net	1,307,231	15,100	32,613,000
Due from other funds	-	-	-
Prepays	50,380	-	-
<b>Total Assets</b>	<b>\$ 17,263,765</b>	<b>\$ 1,132,592</b>	<b>\$ 36,004,921</b>
<b><u>Liabilities</u></b>			
Accounts payable and accrued liabilities	\$ 1,147,380	\$ -	\$ 9,971
Unearned revenue	-	-	-
Due to other funds	1,010,212	66,300	-
<b>Total Liabilities</b>	<b>2,157,592</b>	<b>66,300</b>	<b>9,971</b>
<b><u>Deferred Inflows of Resources</u></b>			
Unavailable revenue			
Property taxes	47,197	15,291	-
PID property assessments	-	-	32,613,000
<b>Total Deferred Inflows of Resources</b>	<b>47,197</b>	<b>15,291</b>	<b>32,613,000</b>
<b><u>Fund Balances</u></b>			
Nonspendable:			
Prepays	50,380	-	-
Restricted for:			
Court	-	-	-
Tourism	-	-	-
PEG	-	-	-
Grants	-	-	-
Street maintenance	-	-	-
Parkland dedication	-	-	-
Debt service	-	1,051,001	-
Capital projects	-	-	3,381,950
Unassigned reported in:			
General fund	15,008,596	-	-
<b>Total Fund Balances</b>	<b>15,058,976</b>	<b>1,051,001</b>	<b>3,381,950</b>
<b>Total Liabilities, Deferred Inflows, and Fund Balances</b>	<b>\$ 17,263,765</b>	<b>\$ 1,132,592</b>	<b>\$ 36,004,921</b>

See Notes to Financial Statements.

<b>Capital Improvement</b>	<b>Summerlyn West PID</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 1,310,851	\$ 1,171,477	\$ 5,238,975	\$ 28,136,870
-	6,230,015	5,190,375	45,355,721
-	-	429,858	429,858
-	-	-	50,380
<u>\$ 1,310,851</u>	<u>\$ 7,401,492</u>	<u>\$ 10,859,208</u>	<u>\$ 73,972,829</u>
\$ 175,707	\$ 8,823	\$ 117,495	\$ 1,459,376
-	-	613,864	613,864
-	-	387,581	1,464,093
<u>175,707</u>	<u>8,823</u>	<u>1,118,940</u>	<u>3,537,333</u>
-	-	-	62,488
-	6,230,015	5,187,555	44,030,570
<u>-</u>	<u>6,230,015</u>	<u>5,187,555</u>	<u>44,093,058</u>
-	-	-	50,380
-	-	457,614	457,614
-	-	500	500
-	-	159,470	159,470
-	-	68,954	68,954
-	-	1,540,843	1,540,843
-	-	1,421,850	1,421,850
-	-	-	1,051,001
1,135,144	1,162,654	903,482	6,583,230
-	-	-	15,008,596
<u>1,135,144</u>	<u>1,162,654</u>	<u>4,552,713</u>	<u>26,342,438</u>
<u>\$ 1,310,851</u>	<u>\$ 7,401,492</u>	<u>\$ 10,859,208</u>	<u>\$ 73,972,829</u>

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# City of Liberty Hill, Texas

## RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION GOVERNMENTAL FUNDS

September 30, 2024

<b>Fund Balances - Total Governmental Funds</b>	<b>\$ 26,342,438</b>
<b>Adjustments for the Statement of Net Position:</b>	
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.	
Capital assets - non-depreciable	41,709,391
Capital assets - net depreciable	13,993,016
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.	
Property tax receivable	62,488
Assessments receivable	44,030,570
Deferred outflows of resources, represent a consumption of net position that applies to a future period(s) and is not recognized as an outflow of resources (expense/ expenditure) until then.	
Pension outflows	230,737
OPEB outflows	584
Deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.	
OPEB inflows	(12,878)
Pension inflows	(39,629)
Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.	
Accrued interest	(167,353)
Compensated absences	(107,859)
Bond premium	(772,081)
Net pension liability	(40,360)
OPEB liability	(51,549)
Non-current liabilities due in one year	(1,855,818)
Non-current liabilities due in more than one year	(49,545,057)
	<hr/>
	<b>\$ 73,776,640</b>

See Notes to Financial Statements.

# City of Liberty Hill, Texas

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS (Page 1 of 2) For the Year Ended September 30, 2024

	General	Debt Service	Butler Farms PID
<b><u>Revenues</u></b>			
Property tax	\$ 3,626,405	\$ 2,064,733	\$ -
Sales tax	3,660,161	-	-
Franchise and local taxes	262,583	-	-
Fines and forfeitures	304,363	-	-
Development agreements	580,774	-	20,000
Charges for services	112,165	-	-
Licenses and permits	1,484,103	-	-
Intergovernmental revenue	128,669	-	-
PID property assessments	-	-	2,138,451
Investment income	874,291	58,167	196,912
Other revenue	84,703	-	-
<b>Total Revenues</b>	<b>11,118,217</b>	<b>2,122,900</b>	<b>2,355,363</b>
<b><u>Expenditures</u></b>			
Current:			
General administration	2,631,997	4,000	84,443
Municipal court	318,807	-	-
Development services	2,166,018	-	-
Police	2,868,735	-	-
Parks and recreation	785,969	-	-
Streets	210,014	-	-
Community engagement	423,762	-	-
Debt service:			
Principal	165,527	1,120,000	654,000
Interest	11,325	295,491	1,243,768
Capital outlay	434,952	-	-
<b>Total Expenditures</b>	<b>10,017,106</b>	<b>1,419,491</b>	<b>1,982,211</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>1,101,111</b>	<b>703,409</b>	<b>373,152</b>

<b>Capital Improvement</b>	<b>Summerlyn West PID</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ -	\$ 79,960	\$ 5,771,098
-	-	900,827	4,560,988
-	-	11,934	274,517
-	-	24,664	329,027
-	-	-	600,774
-	-	631,022	743,187
-	-	-	1,484,103
488,000	-	113,832	730,501
-	439,225	508,391	3,086,067
108,412	69,945	216,347	1,524,074
-	-	193,500	278,203
<u>596,412</u>	<u>509,170</u>	<u>2,680,477</u>	<u>19,382,539</u>
-	-	6,038	2,726,478
-	-	98,968	417,775
-	-	-	2,166,018
-	-	-	2,868,735
-	182,468	-	968,437
-	-	-	210,014
-	-	-	423,762
-	120,000	135,000	2,194,527
-	245,269	277,263	2,073,116
1,750,733	-	694,543	2,880,228
<u>1,750,733</u>	<u>547,737</u>	<u>1,211,812</u>	<u>16,929,090</u>
(1,154,321)	(38,567)	1,468,665	2,453,449

# City of Liberty Hill, Texas

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS (Page 2 of 2) For the Year Ended September 30, 2024

	General	Debt Service	Butler Farms PID
<b>Other Financing Sources (Uses)</b>			
Transfers in	\$ 1,822,628	\$ -	\$ -
Transfers (out)	(2,335,587)	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>(512,959)</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	588,152	703,409	373,152
Beginning fund balances (as previously presented)	14,470,824	347,592	3,008,798
Change in financial reporting (blended to discrete CU)	-	-	-
Beginning fund balances (as adjusted)	14,470,824	347,592	3,008,798
<b>Ending Fund Balances</b>	<u>\$ 15,058,976</u>	<u>\$ 1,051,001</u>	<u>\$ 3,381,950</u>

See Notes to Financial Statements.

<b>Capital Improvement</b>	<b>Summerlyn West PID</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 2,246,032	\$ -	\$ 89,555	\$ 4,158,215
-	-	-	(2,335,587)
<u>2,246,032</u>	<u>-</u>	<u>89,555</u>	<u>1,822,628</u>
1,091,711	(38,567)	1,558,220	4,276,077
43,433	1,201,221	5,781,263	24,853,131
-	-	(2,786,770)	(2,786,770)
<u>43,433</u>	<u>1,201,221</u>	<u>2,994,493</u>	<u>22,066,361</u>
<u>\$ 1,135,144</u>	<u>\$ 1,162,654</u>	<u>\$ 4,552,713</u>	<u>\$ 26,342,438</u>



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# City of Liberty Hill, Texas

## *RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES*

**For the Year Ended September 30, 2024**

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

Net changes in fund balances - total governmental funds	\$ 4,276,077
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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.

Capital outlay	4,977,706
Depreciation expense	(836,311)

Revenues in the statement of activities that do not provide current financial resources and, therefore, are not reported as revenues in the funds.

Property tax receivable	23,512
PID property assessments receivable	(998,985)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	(15,166)
Accrued interest	(4,812)
Net pension liability	842
OPEB liability	(9,818)

The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) 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 issuance costs, premiums, discounts, and similar items when they are first issued; whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Amortization of premium on debt	42,530
Principal payments	2,194,527

<b>Change in Net Position of Governmental Activities</b>	<b>\$ 9,650,102</b>
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See Notes to Financial Statements.

# City of Liberty Hill, Texas

## STATEMENT OF NET POSITION PROPRIETARY FUND (Page 1 of 2)

September 30, 2024

	Water	Sewer	Wastewater Treatment
<b><u>Assets</u></b>			
<b><u>Current Assets</u></b>			
Cash and cash equivalents	\$ 4,746,146	\$ 8,828,653	\$ 31,919,291
Receivables, net	507,383	158,553	106,917
Due from other governments	-	-	1,038,784
Prepays	240,095	920	11,460
Due from other funds	5,388,185	-	3,025,714
<b>Total Current Assets</b>	<b>10,881,809</b>	<b>8,988,126</b>	<b>36,102,166</b>
<b><u>Noncurrent Assets</u></b>			
Capital assets:			
Non-depreciable	2,157,423	4,633,451	32,985,467
Net depreciable capital assets	12,653,090	10,993,612	30,160,548
<b>Total Noncurrent Assets</b>	<b>14,810,513</b>	<b>15,627,063</b>	<b>63,146,015</b>
<b>Total Assets</b>	<b>25,692,322</b>	<b>24,615,189</b>	<b>99,248,181</b>
<b><u>Deferred Outflows of Resources</u></b>			
Pension outflows	20,824	-	62,471
OPEB outflows	47	-	164
<b>Total Deferred Outflows of Resources</b>	<b>20,871</b>	<b>-</b>	<b>62,635</b>

See Notes to Financial Statements.

Utility		Total	
Capital Projects			
\$	7,460,690	\$	52,954,780
	-		772,853
	609,485		1,648,269
	10,931		263,406
	-		8,413,899
	8,081,106		64,053,207
	-		39,776,341
	-		53,807,250
	-		93,583,591
	8,081,106		157,636,798
	-		83,295
	-		211
	-		83,506

# City of Liberty Hill, Texas

## STATEMENT OF NET POSITION PROPRIETARY FUND (Page 2 of 2) September 30, 2024

	Water	Sewer	Wastewater Treatment
<b><u>Liabilities</u></b>			
<b><u>Current Liabilities</u></b>			
Accounts payable and accrued liabilities	\$ 612,292	\$ 36,076	\$ 2,681,402
Accrued interest	34,138	-	170,132
Customer deposits	178,674	100	65,700
Compensated absences, current	9,720	-	21,604
Long-term debt due within a year	402,757	-	2,087,083
Due to other funds	-	104,625	5,818,043
<b>Total Current Liabilities</b>	<b>1,237,581</b>	<b>140,801</b>	<b>10,843,964</b>
<b><u>Noncurrent Liabilities</u></b>			
OPEB liability	3,137	-	15,472
Net pension liability	3,642	-	10,928
Compensated absences	1,080	-	2,400
Long-term debt due in more than a year	9,237,095	-	48,832,699
<b>Total Liabilities</b>	<b>10,482,535</b>	<b>140,801</b>	<b>59,705,463</b>
<b><u>Deferred Inflows of Resources</u></b>			
Pension inflows	3,576	-	10,729
OPEB inflows	1,144	-	3,505
<b>Total Deferred Inflows of Resources</b>	<b>4,720</b>	<b>-</b>	<b>14,234</b>
<b><u>Net Position</u></b>			
Net investment in capital assets	7,744,113	20,094,420	21,544,766
Restricted for debt service	798,315	-	2,081,425
Unrestricted	6,683,510	4,379,968	15,964,928
<b>Total Net Position</b>	<b>\$ 15,225,938</b>	<b>\$ 24,474,388</b>	<b>\$ 39,591,119</b>

See Notes to Financial Statements.

<b>Utility</b>		<b>Total</b>
<b>Capital Projects</b>		
\$ 803,389	\$ 4,133,159	
-	204,270	
-	244,474	
-	31,324	
-	2,489,840	
1,456,996	7,379,664	
<u>2,260,385</u>	<u>14,482,731</u>	
-	18,609	
-	14,570	
-	3,480	
-	58,069,794	
<u>2,260,385</u>	<u>72,589,184</u>	
-	14,305	
-	4,649	
<u>-</u>	<u>18,954</u>	
(534,367)	48,848,932	
-	2,879,740	
6,355,088	33,383,494	
<u>\$ 5,820,721</u>	<u>\$ 85,112,166</u>	

# City of Liberty Hill, Texas

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION PROPRIETARY FUND

For the Year Ended September 30, 2024

	Water	Sewer	Wastewater Treatment
<b><u>Operating Revenues</u></b>			
Charges for services	\$ 2,687,241	\$ 1,305,444	\$ 11,501,552
Other revenue	78,431	-	89,402
<b>Total Operating Revenues</b>	<b>2,765,672</b>	<b>1,305,444</b>	<b>11,590,954</b>
<b><u>Operating Expenses</u></b>			
Administration	462,886	594,707	1,372,933
Water production	2,116,358	-	-
Repairs and maintenance	258,382	-	1,086,011
Wastewater treatment	-	-	2,013,288
Utilities	-	-	484,585
Engineering fees	-	-	-
Depreciation	378,662	360,888	873,910
<b>Total Operating Expenses</b>	<b>3,216,288</b>	<b>955,595</b>	<b>5,830,727</b>
<b>Operating Income (Loss)</b>	<b>(450,616)</b>	<b>349,849</b>	<b>5,760,227</b>
<b><u>Nonoperating Revenues (Expenses)</u></b>			
Investment income	567,336	459,347	2,064,458
Loss on disposal of capital asset	-	-	-
Interest expense	(424,496)	-	(1,852,405)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>142,840</b>	<b>459,347</b>	<b>212,053</b>
<b>Income (Loss) Before Transfers Before Contributions</b>	<b>(307,776)</b>	<b>809,196</b>	<b>5,972,280</b>
Grants and contributions - impact fees	280,077	1,080,820	3,121,087
Grants and contributions	-	-	267,343
Transfers in	-	-	-
Transfers (out)	(331,319)	(155,286)	(2,145,068)
<b>Change in Net Position</b>	<b>(359,018)</b>	<b>1,734,730</b>	<b>7,215,642</b>
Beginning net position, as previously presented	15,583,324	22,739,658	38,566,746
Error correction	1,632	-	16,581
Change in financial reporting - separated funds	-	-	(6,207,850)
Beginning net position, as adjusted	15,584,956	22,739,658	32,375,477
<b>Ending Net Position</b>	<b>\$ 15,225,938</b>	<b>\$ 24,474,388</b>	<b>\$ 39,591,119</b>

See Notes to Financial Statements.

Utility Capital Projects	Total
\$ -	\$ 15,494,237
-	167,833
-	15,662,070
-	2,430,526
-	2,116,358
-	1,344,393
-	2,013,288
-	484,585
1,399,180	1,399,180
-	1,613,460
1,399,180	11,401,790
(1,399,180)	4,260,280
402,566	3,493,707
(809,045)	(809,045)
-	(2,276,901)
(406,479)	407,761
(1,805,659)	4,668,041
-	4,481,984
609,485	876,828
809,045	809,045
-	(2,631,673)
(387,129)	8,204,225
-	76,889,728
-	18,213
6,207,850	-
6,207,850	76,907,941
\$ 5,820,721	\$ 85,112,166



# City of Liberty Hill, Texas

## STATEMENT OF CASH FLOWS

PROPRIETARY FUND (Page 1 of 2)

For the Year Ended September 30, 2024

	Water	Sewer	Wastewater Treatment
<b><u>Cash Flows from Operating Activities</u></b>			
Receipts from customers	\$ 2,624,293	\$ 1,369,201	\$ 11,612,054
Payments to suppliers	(2,394,121)	-	(6,391,554)
Payments to employees	(464,199)	(587,180)	(1,365,205)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(234,027)</b>	<b>782,021</b>	<b>3,855,295</b>
<b><u>Cash Flows from Noncapital Financing Activities</u></b>			
Operating transfers (out)	(5,769,110)	(4,813,453)	(4,354,704)
Operating transfers in	-	-	5,818,043
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>(5,769,110)</b>	<b>(4,813,453)</b>	<b>1,463,339</b>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>			
Capital purchases	(3,052,759)	(2,674,220)	(17,307,956)
Grants and contributions	280,077	1,080,820	3,388,430
Principal paid on debt	(411,248)	-	(2,000,246)
Interest paid on debt	(480,265)	-	(1,695,502)
<b>Net Cash (Used) by Capital and Related Financing Activities</b>	<b>(3,664,195)</b>	<b>(1,593,400)</b>	<b>(17,615,274)</b>
<b><u>Cash Flows from Investing Activities</u></b>			
Interest on investments	567,336	459,347	2,064,458
<b>Net Cash Provided by Investing Activities</b>	<b>567,336</b>	<b>459,347</b>	<b>2,064,458</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(9,099,996)</b>	<b>(5,165,485)</b>	<b>(10,232,182)</b>
Beginning cash and cash equivalents	13,846,142	13,994,138	42,151,473
<b>Ending Cash and Cash Equivalents</b>	<b>\$ 4,746,146</b>	<b>\$ 8,828,653</b>	<b>\$ 31,919,291</b>

See Notes to Financial Statements.

Utility Capital Projects	Total
\$ -	\$ 15,605,548
(1,435,476)	(10,221,151)
-	(2,416,584)
(1,435,476)	2,967,813
-	(14,937,267)
6,269,394	12,087,437
6,269,394	(2,849,830)
-	(23,034,935)
609,485	5,358,812
-	(2,411,494)
-	(2,175,767)
609,485	(22,263,384)
402,566	3,493,707
402,566	3,493,707
5,845,969	(18,651,694)
1,614,721	71,606,474
\$ 7,460,690	\$ 52,954,780

# City of Liberty Hill, Texas

## STATEMENT OF CASH FLOWS

### PROPRIETARY FUND (Page 2 of 2)

For the Year Ended September 30, 2024

	Water	Sewer	Wastewater Treatment
<b><u>Reconciliation of Operating Income</u></b>			
<b><u>to Net Cash Provided by Operating Activities</u></b>			
Operating income (loss)	\$ (450,616)	\$ 349,849	\$ 5,760,227
Adjustments to reconcile operating income to net cash provided:			
Depreciation	378,662	360,888	873,910
<b>Changes in Operating Assets and Liabilities:</b>			
<b>(Increase) Decrease in:</b>			
Accounts receivable	(131,809)	63,757	11,760
Prepays	(5,452)	(920)	(11,460)
Due from/to other funds	-	-	-
Net pension and deferrals	(799)	3,983	7,073
OPEB liability and deferrals	(514)	(1,094)	703
<b>Increase (Decrease) in:</b>			
Accounts payable and accrued liabilities	(13,929)	5,558	(2,796,210)
Compensated absences	-	-	(48)
Customer deposits	(9,570)	-	9,340
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (234,027)</b>	<b>\$ 782,021</b>	<b>\$ 3,855,295</b>

See Notes to Financial Statements.

#### Non-cash Transactions

Capital assets transferred	\$ -	\$ -	\$ (809,045)
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Utility Capital Projects	Total
\$ (1,399,180)	\$ 4,260,280
-	1,613,460
(609,485)	(665,777)
(10,931)	(28,763)
-	-
-	10,257
-	(905)
584,120	(2,220,461)
-	(48)
-	(230)
<u>\$ (1,435,476)</u>	<u>\$ 2,967,813</u>

\$ 809,045	\$ -
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# City of Liberty Hill, Texas

## NOTES TO FINANCIAL STATEMENTS

September 30, 2024

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

#### B. Reporting Entity

The City of Liberty Hill, Texas (the “City”) was incorporated under the laws of the State of Texas in January 1999. The City operates as a “General Law” City, which provides for a “Mayor-Council” form of government.

The City provides the following services: public safety, municipal court, highways and streets, sanitation, water and sewer services, and general administration.

The City is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the City's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles

# City of Liberty Hill, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

### September 30, 2024

include considerations pertaining to organizations for which the primary government is financially accountable, and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

#### **Discretely Presented Component Unit**

##### Liberty Hill Economic Development Corporation

The Liberty Hill Economic Development Corporation (LHEDC) is a non-profit corporation organized under the Development Corporation Act of 1979 (the "Act") and covered by Section 4B of the Act. The LHEDC was organized exclusively for the purposes of benefiting and accomplishing public purposes of, and to act on behalf of, the City; and for the promotion and development of commercial, industrial, and manufacturing enterprises to promote and encourage employment and the public welfare. The LHEDC is governed by a board of directors appointed by the City Council. The LHEDC is responsible for managing a one-half percent sales tax for its economic development activities on behalf of the City. The LHEDC's budget requires approval from City Council.

#### **Blended Component Units**

##### **Public Improvement Districts (PID)**

The Butler Farms PID, Liberty Parke PID, and Summerlyn West PID were created pursuant to Chapter 372 of the Texas Local Government Code. The City created the PIDs as a mechanism to finance public infrastructure improvements within the PID boundaries. These improvements consist of the maintenance of water lines, sanitary sewer lines, streets, sidewalks, parks, public landscaping, recreational activity amenities, contingency provisions, financing costs, and administrative and legal services for the PID. The City Council found that the improvements would serve to promote the construction of single-family units and confer a special benefit to properties within the PID. Consequently, it would be necessary to apportion the costs of the improvements against the property owners in the PID by special assessments. Initially, the public improvements would be prefunded by the developers of the residential subdivisions within the PID. The developers would then be entitled to receive reimbursement of the public improvement costs, subject to limitations contained in their development agreements with the City. The City retains the right to create a board to manage the PID, but currently retains all management capacity at year end.

**City of Liberty Hill, Texas**  
**NOTES TO FINANCIAL STATEMENTS, *Continued***  
**September 30, 2024**

**Tax Increment Reinvestment Zones (TIRZ)**

Reinvestment Zone Number Three Butler Farms TIRZ and Reinvestment Zone Number Two Summerlyn West TIRZ were created by the City in 2018 under the provisions of Chapter 311 of the Texas Tax Code, as tax increment reinvestment zones, for the purpose of promoting, assisting, and enhancing economic and development activities on behalf of the City through public improvements to be completed within the boundaries of the Zones. The City retains the right to create a board to manage the TIRZs, but currently retains all management capacity at year end.

**C. Basis of Presentation Government-Wide and Fund Financial Statements**

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and transit functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The fund financial statements provide information about the government's funds. Separate statements for each fund category—governmental and proprietary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.



**City of Liberty Hill, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2024**

The government reports the following major governmental funds:

**Governmental Funds**

Governmental funds are those funds through which most governmental functions are typically financed.

**General Fund**

The general fund is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales taxes, and franchise fees, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general administration, municipal court, police department, and parks and recreation. The general fund is always considered a major fund for reporting purposes.

**Debt Service Fund**

The debt service fund is used to account for the payment of interest and principal on all general obligation bonds and other long-term debt of the City. The primary source of revenue for debt service is local property taxes. The debt service fund is considered a major fund for reporting purposes.

**Butler Farms PID Fund**

The Butler Farms PID fund is used to track the special assessment revenue and development and operating expenditures in the Butler Farms PID. The Butler Farms PID fund is considered a major fund for reporting purposes.

**Summerlyn West PID Fund**

The Summerlyn West PID fund is used to track the special assessment revenue and development and operating expenditures in the Summerlyn West PID. The Summerlyn West PID fund is considered a major fund for reporting purposes.

**Capital Improvement Fund**

The capital improvement fund is used to account for the expenditures of resources accumulated from the sale of long-term debt, as well as resources from other funds and related interest earnings for capital improvement projects.

# City of Liberty Hill, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

### September 30, 2024

The capital improvements fund is considered a major fund for reporting purposes.

The City reports the following nonmajor governmental funds:

The special revenue funds are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The nonmajor special revenue funds include street and maintenance, court fees restricted, Liberty Parke PID, Stonewall PID, PEG Fees, Summerlyn West TIRZ #2, Parkland Dedication, Tree Mitigation, Butler Farms TIRZ, hotel tax, and American Rescue Plan (ARP). These funds are considered nonmajor funds for reporting purposes.

#### **Proprietary Fund Types**

Proprietary funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the government's business activities are accounted for through proprietary funds. The measurement focus is on determination of net income, financial position, and cash flows. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues include charges for services. Operating expenses include costs of materials, contracts, personnel, and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Proprietary fund types follow GAAP prescribed by the Governmental Accounting Standards Board (GASB) and all financial Accounting Standards Board's standards issued prior to November 30, 1989. Subsequent to this date, the City accounts for its enterprise funds as presented by GASB. The proprietary fund types used by the City include enterprise funds.

The sewer, wastewater treatment, water, utility capital projects funds are considered major funds for reporting purposes.

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

**City of Liberty Hill, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2024**

so that only the net amount is included as internal balances in the business-type activities column.

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

**D. Measurement Focus and Basis of Accounting**

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

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

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

# City of Liberty Hill, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

### September 30, 2024

expenditures in governmental funds. Issuance of long-term debt and acquisitions under leases are reported as other financing sources.

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

#### **E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance**

##### **1. Cash & Cash Equivalents**

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

The City maintains a pooled cash and investments account. Each fund whose monies are deposited in the pooled cash and investment account has equity therein, and interest earned on the investment of these monies is allocated based upon relative equity at the previous month end. Amounts on deposit in interest-bearing accounts and other investments are displayed on the combined balance sheet as cash and cash equivalents.

##### **2. Investments**

Investments, except for certain investment pools, commercial paper, money market funds, and investment contracts, are reported at fair value. The investment pool operates in accordance with appropriate state laws and regulations and is reported at amortized cost. Money market funds, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations and commercial paper that have a remaining maturity of one year or less upon acquisition, are

# City of Liberty Hill, Texas

## *NOTES TO FINANCIAL STATEMENTS, Continued*

### September 30, 2024

reported at amortized cost. Investments in nonparticipating interest earning contracts, such as certificates of deposits are reported at cost.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Government Code. In summary, the City is authorized to invest in the following:

- Direct obligations of the U.S. Government or U.S. Government agencies
- Fully collateralized certificates of deposit
- Money market mutual funds that meet certain criteria
- Bankers' acceptances
- Statewide investment pools

### **3. Fair Value**

The City has applied Governmental Accounting Standards Board ("GASB") Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

### **4. Receivables and Interfund Transactions**

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds" in the fund financial statements. If the transactions are between the primary government and its component unit, these receivables and payables are classified as "due to/from component unit/primary government." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds are offset by a fund balance reserve account in the applicable governmental fund to indicate they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of any allowance for uncollectible amounts.

# City of Liberty Hill, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

### September 30, 2024

#### **5. Inventories and Prepaid Items**

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred, (i.e., the purchase method). The inventories are valued at the lower of cost or market using the average cost method. Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) are recognized as expenditures when utilized.

#### **6. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of four years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The City has established a lease and SBITA recognition threshold of \$75,000. As the City constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost (except for intangible right-to-use lease and SBITA assets). The reported value excludes normal maintenance and repairs, which are amounts spent in relation to capital assets that do not increase the asset's capacity or efficiency or increase its estimated useful life. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest costs incurred in connection with the construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

# City of Liberty Hill, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

### September 30, 2024

Property, plant, and equipment of the primary government are depreciated and amortized using the straight-line method over the following estimated useful years:

<b>Asset Description</b>	<b>Estimated Useful Life</b>
Vehicles	5 years
Furniture and fixtures	4-8 years
Infrastructure	40 years
Machinery and equipment	4-8 years
Water and sewer system	20 to 40 years
Building and improvements	20 to 40 years
Right-to-use lease asset	3 years
Right-to-use SBITA asset	3 years

#### **7. Leases**

Lessee: The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements for noncancellable leases of buildings, equipment, vehicles, and other machinery. The City recognizes lease liabilities with an initial, individual value of \$75,000 or more.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

# City of Liberty Hill, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

### September 30, 2024

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with capital assets and lease liabilities are reported with long-term debt on the statement of net position.

During fiscal year 2024, no leases met the recognition threshold.

#### **8. Subscription-Based Information Technology Arrangements (SBITAs)**

The City is under contracts for SBITA for various financial and educational software. The agreements/contracts are noncancellable and the City recognizes a SBITA liability and an intangible right-to-use SBITA asset in the government-wide financial statements. The City recognizes SBITA liabilities with an initial, individual value of \$75,000 or more.

At the commencement of the SBITA, the City initially measures the SBITA liability at the present value of payments expected to be made during the SBITA term. Subsequently, the SBITA liability is reduced by the principal portion of SBITA payments made. The SBITA asset is initially measured as the initial amount of the SBITA liability, adjusted for payments made at or before the SBITA commencement date, plus certain initial direct costs. Subsequently, the SBITA asset is amortized on a straight-line basis over its useful life. Key estimates and judgments related to SBITA include how the City determines (1) the discount rate it uses to discount the expected SBITA payments to present value, (2) SBITA term, and (3) SBITA payments.

- The City uses the interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for SBITAs.
- The SBITA term includes the noncancellable period of the SBITA and payments included in the measurement of the SBITA liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its SBITA and will remeasure the SBITA asset and liability if certain changes occur that are expected to significantly affect the amount of the SBITA liability.



**City of Liberty Hill, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2024**

During fiscal year 2024, no SBITAs met the recognition threshold.

**9. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Deferred outflows/inflows of resources are amortized as follows:

- Deferred outflows/inflows from pension/other postemployment benefits (OPEB) activities are amortized over the average of the expected service lives of pension/OPEB plan members, except for the net differences between the projected and actual investment earnings on the pension/OPEB plan assets, which are amortized over a period of five years.
- For employer pension/OPEB plan contributions that were made subsequent to the measurement date through the end of the City's fiscal year, the amount is deferred and recognized as a reduction to the net pension liability (asset)/total OPEB liability during the measurement period in which the contributions were made.

At the fund level, the City has two types of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and property assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**10. Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused vacation. Accumulated amounts, up to certain amounts, may be paid to employees upon termination of employment. The estimated amount of compensation for

# City of Liberty Hill, Texas

## *NOTES TO FINANCIAL STATEMENTS, Continued*

### September 30, 2024

services provided that is expected to be liquidated with expendable, available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it when it matures or becomes due. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable, available financial resources are maintained separately and represent a reconciling item between the fund and government-wide presentations.

#### **11. Long-Term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental 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 sources while discounts 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.

The property tax rate is allocated each year between the general and debt service funds. The full amount estimated to be required for debt service on general obligation debt is provided by the tax along with the interest earned in the debt service fund. Although a portion of the general obligation debt was directly related to the purchase of water and sewer infrastructure, the debt service expenditures are included in the governmental fund financial statements as they are expected to be paid from debt service tax revenues instead of water system revenues.

#### **12. Net Position Flow Assumption**

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

**City of Liberty Hill, Texas**  
**NOTES TO FINANCIAL STATEMENTS, *Continued***  
**September 30, 2024**

**13. Fund Balance Flow Assumptions**

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

**14. Fund Balance Policies**

Fund balances of governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). Amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact are classified as nonspendable fund balance. Limitations that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions are classified as restricted.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as

**City of Liberty Hill, Texas**  
**NOTES TO FINANCIAL STATEMENTS, *Continued***  
**September 30, 2024**

discussed above, an additional action is essential to either remove or revise a commitment.

**15. 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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**16. Pension**

For the purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's fiduciary net position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**17. Other Post-Employment Benefits**

The City participates in a single-employer, unfunded, defined benefit group-term life insurance plan operated by TMRS known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. Benefit payments are treated as being equal to the employer's yearly contributions for retirees. Benefit payments and refunds are due and payable in accordance with the benefit terms. Information about the City's total other postemployment benefits (OPEB) liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense is provided by TMRS from reports prepared by their consulting actuary.

**City of Liberty Hill, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2024**

**18. Revenues and Expenditures/Expenses**

**a. Program Revenues**

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

**b. Property Taxes**

Property taxes are levied during September of each year, are due upon receipt of the City's tax bill, and become delinquent on February 1 of the following year. The City's tax lien exists from January 1 (the assessment date) each year until the taxes are paid. Penalties and interest accumulate on the unpaid accounts until July 1, at which time the delinquent accounts are turned over to the tax attorney for legal action.

**c. Proprietary Funds Operating and Non-operating Revenues and Expenses**

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

**City of Liberty Hill, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2024**

**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-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds, are not due and payable in the current period and, therefore, are not reported in the funds.

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

The governmental 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 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 consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.”

**III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

Annual budgets are adopted on a budgetary basis for the general fund and on a basis consistent with generally accepted accounting principles for the debt service fund. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control as defined in the approved budget is at the department level. Appropriations lapse at the end of the year, excluding capital project budgets. Supplemental budget appropriations were made for the year ended September 30, 2024.

# City of Liberty Hill, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

### September 30, 2024

#### A. Expenditures in Excess of Appropriations

For the year ended, expenditures exceeded appropriations at the legal level of control as follows:

General Fund:	
Police	\$ 42,183
Streets	23,291

#### IV. DETAILED NOTES ON ALL FUNDS

##### A. Implementation of new Accounting Standards

The following GASB pronouncement was effective during the fiscal year 2024.

The City has adopted the provision of Governmental Accounting Standard Board (GASB) Statement No. 100, entitled Accounting Changes and Error Calculations. The requirements of this Statement are displayed within the government-wide and fund financial statements, where applicable.

##### B. Deposits and Investments

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

Investment Type	Value	Average Maturity (Years)
External investment pools	\$ 61,864,234	0.10
Total value	<u>\$ 61,864,234</u>	
Portfolio weighted average maturity		0.10

*Interest rate risk* – In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average of maturity not to exceed six months; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations; monitoring credit ratings of portfolio position to assure compliance with rating requirements imposed by the Public Funds Investment Act; and invest operating funds primarily in short-term securities or similar government investment pools.

*Credit risk* – The City’s investment policy limits investments to obligations of the United States, State of Texas, or their agencies and instrumentalities with an investment quality rating of not less than “A” or its equivalent, by a nationally

# City of Liberty Hill, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

### September 30, 2024

recognized investment rating firm. Other obligations must be unconditionally guaranteed (either express or implied) by the full faith and credit of the United States Government or the issuing U.S. agency and investment pools with an investment quality not less than AAA or AAA-m, or equivalent, by at least one nationally recognized rating service.

*Custodial credit risk – deposits* In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. As of September 30, 2024, the market values of pledged securities and FDIC full insured all deposit balances.

*Custodial credit risk – investments* For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that it will seek to safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City's safekeeping account prior to the release of funds.

#### **TexPool**

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rate TexPool AAAm. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review. There were no limitations or restrictions on withdrawals.



# City of Liberty Hill, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

### September 30, 2024

#### Texas CLASS

Texas CLASS is a local government investment pool created to meet the cash management and short-term investment needs of Texas governmental entities. Texas CLASS Government seeks to provide participants with a competitive market yield while maintaining daily liquidity and a stable net asset value. Texas CLASS Government is rated 'AAAm' by S&P Global Ratings. There were no limitations or restrictions on withdrawals.

#### **B. Receivables**

The following comprise receivable balances of the primary government at year end:

	<b>General</b>	<b>Debt Service</b>	<b>Butler Farms PID</b>	<b>Summerlyn West PID</b>	<b>Nonmajor Government</b>	<b>Total</b>
Property taxes	\$ 48,130	\$ 15,291	\$ -	\$ -	\$ -	\$ 63,421
Sales tax	1,145,556	-	-	-	-	1,145,556
Other taxes	77,825	-	-	-	2,820	80,645
Assessments	-	-	32,613,000	6,230,015	5,187,555	44,030,570
Accounts	36,819	-	-	-	-	36,819
Allowance	(1,099)	(191)	-	-	-	(1,290)
	<u>\$ 1,307,231</u>	<u>\$ 15,100</u>	<u>\$ 32,613,000</u>	<u>\$ 6,230,015</u>	<u>\$ 5,190,375</u>	<u>\$ 45,355,721</u>

	<b>Water</b>	<b>Sewer</b>	<b>Wastewater Treatment</b>	<b>Utility Capital Projects</b>	<b>Total</b>
Accounts	654,163	321,790	169,990	-	1,145,943
Allowance	(146,780)	(163,237)	(63,073)	-	(373,090)
Due from other governments	-	-	1,038,784	609,485	1,648,269
	<u>\$ 507,383</u>	<u>\$ 158,553</u>	<u>\$ 1,145,701</u>	<u>\$ 609,485</u>	<u>\$ 2,421,122</u>

**City of Liberty Hill, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2024**

**C. Capital Assets**

A summary of changes in governmental activities capital assets for the year end was as follows:

	<b>Beginning Balances</b>	<b>Increases</b>	<b>Disposals / Reclassifications</b>	<b>Ending Balances</b>
Capital assets, not being depreciated:				
Land and intangibles	\$ 1,520,318	\$ -	\$ 2,040,729	\$ 3,561,047
Construction in progress	36,503,370	3,753,342	(2,108,368)	38,148,344
Total capital assets not being depreciated	<u>38,023,688</u>	<u>3,753,342</u>	<u>(67,639)</u>	<u>41,709,391</u>
Capital assets, being depreciated:				
Buildings and improvements	14,551,942	608,773	-	15,160,715
Machinery and equipment	445,448	146,449	67,639	659,536
Police equipment	1,186,337	469,142	-	1,655,479
Total capital assets being depreciated	<u>16,183,727</u>	<u>1,224,364</u>	<u>67,639</u>	<u>17,475,730</u>
Less accumulated depreciation				
Buildings and improvements	(1,598,799)	(544,500)	-	(2,143,299)
Machinery and equipment	(126,834)	(91,055)	-	(217,889)
Police equipment	(920,770)	(200,756)	-	(1,121,526)
Total accumulated depreciation	<u>(2,646,403)</u>	<u>(836,311)</u>	<u>-</u>	<u>(3,482,714)</u>
Net capital assets being depreciated	<u>13,537,324</u>	<u>388,053</u>	<u>67,639</u>	<u>13,993,016</u>
<b>Total Capital Assets</b>	<u><u>\$ 51,561,012</u></u>	<u><u>\$ 4,141,395</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 55,702,407</u></u>

Depreciation was charged to governmental functions as follows:

General administration	\$ 553,157
Police	200,756
Streets	82,398
<b>Total Governmental Activities Depreciation Expense</b>	<u><u>\$ 836,311</u></u>

**City of Liberty Hill, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2024**

A summary of changes in business-type activities capital assets for the year end was as follows:

	<b>Beginning Balances</b>	<b>Increases</b>	<b>Decreases/ Reclassifications</b>	<b>Ending Balances</b>
Capital assets, not being depreciated:				
Land	\$ 1,913,094	\$ 644,709	\$ -	\$ 2,557,803
Construction in progress	31,036,666	18,727,272	(12,545,400)	37,218,538
Total capital assets not being depreciated	<u>32,949,760</u>	<u>19,371,981</u>	<u>(12,545,400)</u>	<u>39,776,341</u>
Capital assets, being depreciated:				
Infrastructure	8,967,824	2,713,237	2,905,764	14,586,825
Buildings and improvements	25,497,791	829,534	8,830,591	35,157,916
Machinery and equipment	13,844,884	120,183	-	13,965,067
Total capital assets being depreciated	<u>48,310,499</u>	<u>3,662,954</u>	<u>11,736,355</u>	<u>63,709,808</u>
Less accumulated depreciation				
Infrastructure	(1,555,081)	(378,662)	-	(1,933,743)
Buildings and improvements	(4,123,458)	(873,910)	-	(4,997,368)
Machinery and equipment	(2,610,559)	(360,888)	-	(2,971,447)
Total accumulated depreciation	<u>(8,289,098)</u>	<u>(1,613,460)</u>	<u>-</u>	<u>(9,902,558)</u>
Net capital assets being depreciated	<u>40,021,401</u>	<u>2,049,494</u>	<u>11,736,355</u>	<u>53,807,250</u>
Total capital assets	<u>\$ 72,971,161</u>	<u>\$ 21,421,475</u>	<u>\$ (809,045)</u>	<u>\$ 93,583,591</u>

Depreciation was charged to business-type activities as follows:

Water	\$ 378,662
Sewer	360,888
Wastewater Treatment	873,910
<b>Total Business-type Activities Depreciation Expense</b>	<u><u>\$ 1,613,460</u></u>

**City of Liberty Hill, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2024**

The City has active construction projects as of September 30, 2024. The estimated construction commitments with contractors were as follows:

	<b>Remaining Commitment</b>
<b>Governmental Activities</b>	
Butler Farms-Hwy 29 imp and Butler Farms - 366 TX 29	\$ 14,154,946
Summerlyn PID	10,085,584
Streetscape Design (façade)	578,828
Total	<u>24,819,358</u>
 <b>Business-Type Activities</b>	
Waste Water	2,397,283
Sewer System	101,081
Water System	900,556
Total	<u>3,398,920</u>

**City of Liberty Hill, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2024**

**D. Long-term Debt**

The following is a summary of changes in the City's total governmental long-term liabilities for the year ended. In general, the City uses the debt service fund to liquidate the majority of governmental activities debts.

<b>Bonds, Notes and Other Payables:</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Decreases</b>	<b>Ending Balance</b>	<b>Amounts Due within One Year</b>
<b>Governmental Activities:</b>					
Tax Notes	\$ 2,190,000	\$ -	\$ (920,000)	\$ 1,270,000	\$ 420,000
Certificates of Obligation	2,775,000	-	-	2,775,000	150,000
General Obligation Bonds	3,315,000	-	(200,000)	3,115,000	205,000
Special Assessment Revenue Bonds	44,972,000	-	(909,000)	44,063,000	934,000
Notes payable	343,402	-	(165,527)	177,875	146,818
Less deferred amounts:					
For issuance premiums	814,611	-	(42,530)	772,081	-
<b>Total Governmental Activities</b>	<b>\$ 54,410,013</b>	<b>\$ -</b>	<b>\$ (2,237,057)</b>	<b>\$ 52,172,956</b>	<b>\$ 1,855,818</b>
<b>Long-term liabilities due in more than one year</b>				<b>\$ 50,317,138</b>	
<b>Business-Type Activities:</b>					
Revenue & Refunding Bonds	\$ 58,670,000	\$ -	\$ (2,280,000)	\$ 56,390,000	\$ 2,370,000
Notes Payable	492,426	-	(131,494)	360,932	119,840
Less deferred amounts:					
For issuance premiums	4,019,999	-	(211,297)	3,808,702	-
<b>Total Business-Type Activities</b>	<b>\$ 63,182,425</b>	<b>\$ -</b>	<b>\$ (2,622,791)</b>	<b>\$ 60,559,634</b>	<b>\$ 2,489,840</b>
<b>Long-term liabilities due in more than one year</b>				<b>\$ 58,069,794</b>	

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

General obligation bonds are direct obligations of the City for which its full faith and credit are pledged. Repayment of general obligation bonds are from taxes levied on all taxable property located within the City.

**City of Liberty Hill, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2024**

Governmental Activities Long-term debt at year end was comprised of the following debt issues:

	<b>September 30, 2024</b>
	<b>Balance</b>
<b>Certificates of Obligation:</b>	
\$2,875,000 Certificates of Obligation, Series 2018, due in annual installments through 2038, interest at 3-4%	\$ 2,775,000
<b>Total Certificates of Obligation</b>	<b>2,775,000</b>
<b>PID Assessment Revenue Bonds:</b>	
\$24,750,000 PID Special Assessment Bond, Series 2022, due in annual installments through 2052, interest at 2.625 - 4%	23,789,000
\$9,150,000 PID Special Assessment Bond, Series 2022A, due in annual installments through 2052, interest at 3.5 - 4.375%	8,824,000
\$1,825,000 PID Special Assessment Bond, Series 2017 MIA, due in annual installments through 2047, interest at 5.125 - 6%	2,455,000
\$1,150,000 PID Special Assessment Bond, Series 2017 NIA, due in annual installments through 2047, interest at 5.38%	1,000,000
\$1,965,000 PID Special Assessment Bond, Series 2019 MIA, due in annual installments through 2047, interest at 3.375 - 4.125%	1,750,000
\$6,725,000 PID Special Assessment Bond, Series 2020 Summerlyn, due in annual installments through 2055, interest at 2.5 - 4%	6,245,000
<b>Total PID Assessment Revenue Bonds</b>	<b>44,063,000</b>
<b>Tax Note:</b>	
\$2,500,000 Tax Note, Series 2021, due in annual installments through 2027, interest at 1.1%	1,270,000
<b>Total Tax Note</b>	<b>1,270,000</b>
<b>Notes payable:</b>	
\$799,762 equipment financed with 6 note payable agreements, due in annual installments through 2024 - 2026, interest at 2.9 - 3.69%	177,875
<b>Total Notes Payable</b>	<b>177,875</b>
<b>General Obligation Bonds:</b>	
\$4,225,000 Tax Note, Series 2018, Refunding due in annual installments through 2036, interest at 3 - 4%	3,115,000
<b>Total General Obligation Bonds</b>	<b>3,115,000</b>
<b>Plus deferred amounts:</b>	
Issuance premium	772,081
<b>Total Debt</b>	<b>\$ 52,172,956</b>

# City of Liberty Hill, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

### September 30, 2024

PID Assessment Revenue Bonds are not the responsibility of the City, and are repaid by PID revenues, primarily property assessments paid for by individual property owners within the respective PID territories.

Business-Type Activities Long-term debt at year end was comprised of the following debt issues:

	September 30, 2024
	<u>Balance</u>
<b>Revenue &amp; Refunding Bonds:</b>	
\$3,750,000 Revenue Bond, Series 2012, Wastewater Treatment Facility due in annual installments through 2032, interest at 3.85%	\$ 1,870,000
\$10,000,000 Revenue Bond, Series 2015, Wastewater Treatment Facility due in annual installments through 2030, interest at 2.52%	4,470,000
\$7,170,000 Revenue Bond, Series 2019, Wastewater Treatment Facility due in annual installments through 2034, interest at 2.75%	6,260,000
\$9,330,000 Revenue Bond, Series 2022, Wastewater Treatment Facility due in annual installments through 2042, interest at 3 - 5%	8,855,000
\$9,305,000 Revenue Bond, Series 2023, Water and Sewer System Refunding Bonds due in annual installments through 2043, interest at 4 - 5%	8,590,000
\$27,960,000 Revenue Bond, Series 2023, Wastewater Treatment Facility due in annual installments through 2043, interest at 4 - 5%	26,345,000
<b>Total Revenue Bonds</b>	<u>56,390,000</u>
<b>Notes payable:</b>	
\$793,688 equipment financed with 3 note payable agreements, due in annual installments through 2026 - 2027, interest at 2.58 - 3.24%	360,932
<b>Total Notes Payable</b>	<u>360,932</u>
<b>Plus deferred amounts:</b>	
Issuance premium	3,808,702
<b>Total Debt</b>	<u><u>\$ 60,559,634</u></u>

**City of Liberty Hill, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2024**

The annual requirements to amortize governmental activities debt issues outstanding at year ending were as follows:

Year ending September 30,	Governmental Activities					
	Special Revenue Bonds		Certificates of Obligation		General Obligation Bond	
	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 934,000	\$ 1,738,485	\$ 150,000	\$ 111,000	\$ 205,000	\$ 124,600
2026	965,000	1,709,925	160,000	105,000	215,000	116,400
2027	993,000	1,679,161	165,000	98,600	225,000	107,800
2028	1,030,000	1,647,526	170,000	92,000	235,000	98,800
2029	1,067,000	1,610,525	175,000	85,200	245,000	89,400
2030	1,110,000	1,572,164	185,000	78,200	250,000	79,600
2031	1,144,000	1,532,236	190,000	70,800	260,000	69,600
2032	1,189,000	1,489,818	200,000	63,200	275,000	59,200
2033	1,240,000	1,445,688	210,000	55,200	285,000	48,200
2034	1,289,000	1,397,340	215,000	46,800	295,000	36,800
2035	1,346,000	1,347,064	225,000	38,200	305,000	25,000
2036	1,393,000	1,294,481	235,000	29,200	320,000	12,800
2037	1,452,000	1,240,068	245,000	19,800	-	-
2038	1,512,000	1,183,349	250,000	10,000	-	-
2039	1,570,000	1,124,215	-	-	-	-
2040	1,644,000	1,062,826	-	-	-	-
2041	1,703,000	998,380	-	-	-	-
2042	1,777,000	931,645	-	-	-	-
2043	1,856,000	861,969	-	-	-	-
2044	1,938,000	782,259	-	-	-	-
2045	2,019,000	699,096	-	-	-	-
2046	2,082,000	612,361	-	-	-	-
2047	1,809,000	523,208	-	-	-	-
2048	1,888,000	449,246	-	-	-	-
2049	1,976,000	372,050	-	-	-	-
2050	2,062,000	291,255	-	-	-	-
2051	2,151,000	206,938	-	-	-	-
2052	2,249,000	118,974	-	-	-	-
2053	330,000	27,000	-	-	-	-
2054	345,000	13,800	-	-	-	-
	<u>\$ 44,063,000</u>	<u>\$ 29,963,052</u>	<u>\$ 2,775,000</u>	<u>\$ 903,200</u>	<u>\$ 3,115,000</u>	<u>\$ 868,200</u>



**City of Liberty Hill, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2024**

Year ending September 30,	Governmental Activities			
	Tax Note		Notes Payable	
	Principal	Interest	Principal	Interest
2025	\$ 420,000	\$ 13,970	\$ 146,818	\$ 5,777
2026	425,000	9,350	31,057	931
2027	425,000	4,675	-	-
	<u>\$ 1,270,000</u>	<u>\$ 27,995</u>	<u>\$ 177,875</u>	<u>\$ 6,708</u>

The annual requirements to amortize business-type activities debt issues outstanding at year ending were as follows:

Year ending September 30,	Business-Type Activities			
	Revenue/Refunded Bonds		Notes Payable	
	Principal	Interest	Principal	Interest
2025	\$ 2,370,000	\$ 2,341,773	\$ 119,840	\$ 11,387
2026	2,465,000	2,247,245	123,602	7,625
2027	2,565,000	2,148,620	117,490	3,745
2028	2,670,000	2,045,606	-	-
2029	2,775,000	1,938,065	-	-
2030	2,885,000	1,825,884	-	-
2031	3,005,000	1,708,970	-	-
2032	3,140,000	1,572,903	-	-
2033	3,005,000	1,435,288	-	-
2034	3,130,000	1,306,763	-	-
2035	3,265,000	1,172,625	-	-
2036	3,410,000	1,032,375	-	-
2037	3,555,000	885,613	-	-
2038	3,705,000	732,238	-	-
2039	3,865,000	572,000	-	-
2040	3,395,000	404,500	-	-
2041	3,525,000	274,750	-	-
2042	3,660,000	140,000	-	-
	<u>\$ 56,390,000</u>	<u>\$ 23,785,216</u>	<u>\$ 360,932</u>	<u>\$ 22,757</u>

General obligation bonds are direct obligations of the City for which its full faith and credit are pledged. Repayment of general obligation bonds are from taxes levied on all taxable property located within the City.

**City of Liberty Hill, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2024**

**E. Other Long-term Liabilities**

The following is a summary of changes in the City's other long-term liabilities for the year ended. In general, the City uses the general and enterprise funds to liquidate compensated absences.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b>Governmental Activities:</b>					
Compensated Absences	\$ 92,693	\$ 98,589	\$ (83,423)	\$ 107,859	\$ 97,073
<b>Total Governmental Activities</b>	<u>\$ 92,693</u>	<u>\$ 98,589</u>	<u>\$ (83,423)</u>	<u>\$ 107,859</u>	<u>\$ 97,073</u>
<b>Other Long-term Liabilities Due in More than One Year</b>				<u>\$ 10,786</u>	
<b>Business-Type Activities:</b>					
Compensated Absences	\$ 34,804	\$ 36,162	\$ (36,162)	\$ 34,804	\$ 31,324
<b>Total Business-Type Activities</b>	<u>\$ 34,804</u>	<u>\$ 36,162</u>	<u>\$ (36,162)</u>	<u>\$ 34,804</u>	<u>\$ 31,324</u>
<b>Other Long-term Liabilities Due in More than One Year</b>				<u>\$ 3,480</u>	

**F. Interfund Transactions**

Transfers between the primary government funds during the 2024 year were as follows:

Transfer in:	Transfer out:				Total
	General	Sewer	Wastewater	Water	
General	\$ -	\$ 155,286	\$ 1,336,023	\$ 331,319	\$ 1,822,628
Capital improvement	2,246,032	-	-	-	2,246,032
Non-major funds	89,555	-	-	-	89,555
Utility capital projects	-	-	809,045	-	809,045
<b>Total</b>	<u>\$ 2,335,587</u>	<u>\$ 155,286</u>	<u>\$ 2,145,068</u>	<u>\$ 331,319</u>	<u>\$ 4,967,260</u>

**City of Liberty Hill, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2024**

The compositions of interfund due to/from balances as of the year ended September 30, 2024 were as follows:

Due to: (Payable Fund)	Due from: (Receivable Fund)			Total
	Wastewater	Water	Non-major funds	
Debt service	\$ 66,300	\$ -	\$ -	\$ 66,300
General	1,010,212	-	-	1,010,212
Non-major funds	387,581	-	-	387,581
Utility capital projects	1,456,996	-	-	1,456,996
Sewer	104,625	-	-	104,625
Wastewater	-	5,388,185	429,858	5,818,043
<b>Total</b>	<b>\$ 3,025,714</b>	<b>\$ 5,388,185</b>	<b>\$ 429,858</b>	<b>\$ 8,843,757</b>

Interfund balances resulted from the timing difference between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All balances are expected to be paid in the subsequent year.

**G. Restricted/Committed Fund Equity**

The City records fund balance restrictions on the fund level to indicate that a portion of the fund balance is legally restricted for a specific future use or to indicate that a portion of the fund balance is not available for expenditures.

The following is a list of net position/fund balances restricted by the City:

	Governmental Funds Restricted	Governmental Activities Restricted	Business-Type Activities Restricted
Municipal court	\$ 457,614 *	\$ 457,614	\$ -
Tourism	500	500	-
PEG	159,470	159,470	-
Grants	68,954	68,954	-
Street maintenance	1,540,843	1,540,843	-
Parkland dedication	1,421,850	1,421,850	-
Debt service	1,051,001	45,081,571	2,879,740
Capital projects	6,583,230	5,272,379	-
	<b>\$ 11,283,462</b>	<b>\$ 54,003,181</b>	<b>\$ 2,879,740</b>

\* Restricted by enabling legislation

**City of Liberty Hill, Texas**  
**NOTES TO FINANCIAL STATEMENTS, *Continued***  
**September 30, 2024**

**V. OTHER INFORMATION**

**A. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the City participates along with 2,800 other entities in the Texas Municipal League's Intergovernmental Risk Pools. The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

**B. Contingent Liabilities**

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

**C. Arbitrage**

The Tax Reform Act of 1986 instituted certain arbitrage consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed correctly, a substantial liability to the City could result. The City does not anticipate that it will have an arbitrage liability and performs periodic calculations to estimate whether any potential liability exists.

**City of Liberty Hill, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2024**

The City will also engage an arbitrage consultant to perform the calculations in accordance with Internal Revenue Service's rules and regulations if indicated.

**D. Pension Plans**

Texas Municipal Retirement System

**1. Plan Description**

The City of Liberty Hill, Texas participates as one of 934 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at [www.tmrs.com](http://www.tmrs.com).

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

**2. Benefits Provided**

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

# City of Liberty Hill, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

### September 30, 2024

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	<u>Plan Year 2022</u>	<u>Plan Year 2023</u>
Employee deposit rate	7%	7%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100%, repeating, transfers	100%, repeating, transfers
Annuity increase (to retirees)	70% of CPI	70% of CPI
Supplemental death benefit to active employees	Yes	Yes
Supplemental death benefit to retirees	Yes	Yes

#### **Employees covered by benefit terms**

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

	<u>2023</u>
Inactive employees or beneficiaries currently receiving benefits	12
Inactive employees entitled to but not yet receiving benefits	55
Active employees	64
Total	<u>131</u>

### **3. Contributions**

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

Employees for the City of Liberty Hill, Texas were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rate for the City of Liberty Hill, Texas was 6.58% and 6.23% for the calendar years 2024 and 2023, respectively. The

# City of Liberty Hill, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

### September 30, 2024

City's contributions to TMRS for the year ended September 30, 2024, were \$345,970 and were equal to the required contributions.

#### **4. Net Pension Liability (Asset)**

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

#### **Actuarial assumptions**

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

Inflation	2.50% per year
Overall payroll growth	3.60% to 11.85%, including inflation
Investment Rate of Return	6.75% net of pension plan investment expense, including inflation

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

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 1, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

# City of Liberty Hill, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

### September 30, 2024

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, Gabriel Roeder Smith & Company (GRS) focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2024 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Public Equity	35.0%	6.7%
Core Fixed Income	6.0%	4.7%
Non-Core Fixed Income	20.0%	8.0%
Other Public/Private Markets	12.0%	8.0%
Real Estate	12.0%	7.6%
Hedge Funds	5.0%	6.4%
Private Equity	10.0%	11.6%
Total	100.0%	

#### Discount Rate

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



**City of Liberty Hill, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2024**

**Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate**

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

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
\$ 727,185	\$ 54,930	\$ (485,722)

**Changes in the Net Pension Liability:**

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
<b>Balance at 12/31/22</b>	\$ 3,028,977	\$ 2,903,934	\$ 125,043
Changes for the year:			
Service Cost	689,980	-	689,980
Interest (on the Total Pension Liab.)	225,090	-	225,090
Change in benefit terms	-	-	-
Difference between expected and actual experience	43,780	-	43,780
Changes of assumptions	(21,725)	-	(21,725)
Contributions – employer	-	315,146	(315,146)
Contributions – employee	-	354,095	(354,095)
Net investment income (loss)	-	340,150	(340,150)
Benefit payments, including refunds of emp. contributions	(78,610)	(78,610)	-
Administrative expense	-	(2,138)	2,138
Other changes	-	(15)	15
Net changes	858,515	928,628	(70,113)
<b>Balance at 12/31/23</b>	<b>\$ 3,887,492</b>	<b>\$ 3,832,562</b>	<b>\$ 54,930</b>

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the internet at [www.tmrs.com](http://www.tmrs.com).

**City of Liberty Hill, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2024**

**5. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended September 30, 2024, the City recognized pension expense of \$355,332.

The general fund and wastewater fund are used to liquidate pension liabilities.

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual economic experience	\$ 52,468	\$ -
Changes in assumptions	-	16,107
Investment gains (inflows) or losses		
outflows	-	37,827
Contributions subsequent to the measurement date	\$ 261,564	-
<b>Total</b>	<b>\$ 314,032</b>	<b>\$ 53,934</b>

The City reported \$261,564 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2025.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended December 31:</b>		
2024	\$	(447)
2025		836
2026		26,919
2027		(28,774)
2028		-
Thereafter		-
	<b>\$</b>	<b>(1,466)</b>

**City of Liberty Hill, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2024**

**Supplemental Death Benefits Fund**

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

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

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. As such, contributions fund the covered active member and retiree deaths on a pay-as-you-go basis.

**Employees covered by benefit terms**

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

Inactive employees or beneficiaries currently receiving benefits	9
Inactive employees entitled to but not yet receiving benefits	7
Active employees	64
Total	80

The City's contributions to the TMRS SDBF for the year ended September 30, 2024 and 2023 were \$930 and \$869, respectively.

**Total OPEB Liability**

The City's Postemployment Benefits Other Than Pensions Liability (OPEB) was measured as of December 31, 2023, and the Total OPEB Liability was determined by an actuarial valuation as of that date.

**City of Liberty Hill, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2024**

**Actuarial assumptions:**

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

Inflation	2.5% per year
Overall payroll growth	3.60% to 11.85%, including inflation per year
Discount rate	3.77%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with Scale UMP. For disabled annuitants, the 2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

**Discount Rate:**

The discount rate used to measure the Total OPEB Liability was 3.77%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2023.

**City of Liberty Hill, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2024**

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate**

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

1% Decrease 2.77%	Current Single Rate Assumption 3.77%	1% Increase 4.77%
\$ 87,015	\$ 70,158	\$ 57,458

**Changes in the Total OPEB Liability:**

	<b>Total OPEB Liability</b>
<b>Balance at 12/31/22</b>	\$ 50,654
Changes for the year:	
Service Cost	9,611
Interest	2,226
Difference between expected and actual experience	4,654
Changes of assumptions	4,025
Benefit payments	(1,012)
Net changes	19,504
<b>Balance at 12/31/23</b>	<u>\$ 70,158</u>

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

For the year ended September 30, 2023, the City recognized OPEB expense of \$9,972.

# City of Liberty Hill, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

### September 30, 2024

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Contributions subsequent to yearend	\$ 795	-
Difference between expected and actual experience	-	(6,935)
Changes in assumptions	-	(10,592)
<b>Total</b>	<u><u>\$ 795</u></u>	<u><u>\$ (17,527)</u></u>

The City reported \$795 as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the OPEB liability for the year ending September 30, 2025.

Deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Year ended December 31:</b>		
2024	\$	(1,868)
2025		(2,176)
2026		(5,435)
2027		(3,331)
2028		(3,282)
Thereafter		(1,435)
	<u><u>\$</u></u>	<u><u>(17,527)</u></u>

The OPEB plan is not administered through a trust, or equivalent arrangement, and there are no assets accumulated in a GASB-compliant trust.

#### **E. Restatements**

The City had the following restatements to fund balance and net position from errors in the prior year.

The Economic Development Corporation was changed from being reported within the primary government as a blended component unit to a discretely presented component due to not meeting any criteria required for blending. The City elected to reclass capital projects included within the wastewater treatment fund within a

**City of Liberty Hill, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2024**

separate fund during the current year. The City also recorded corrections of errors to cash, special assessments receivable, accrued interest, long-term debt, and compensated absences. The below is a summary of these corrections:

	<b>Governmental Funds</b>	<b>Component Unit - EDC</b>	<b>Governmental Activities</b>
Prior year ending fund balance/net position as reported	\$ 24,853,131	\$ -	\$ 22,415,606
Report Economic Development Corporation as discretely presented component unit	(2,786,770)	2,786,770	(2,786,770)
Correction to capital assets	-	-	(570,725)
Correction to compensated absences	-	-	38,872
Correction to assessments receivable	-	-	45,029,555
Restated beginning fund balance/net position	<u>\$ 22,066,361</u>	<u>\$ 2,786,770</u>	<u>\$ 64,126,538</u>

	<b>Wastewater Treatment</b>	<b>Water</b>	<b>Utility Capital Projects</b>	<b>Business-Type Activities</b>
Prior year ending net position as reported	\$ 38,566,746	\$ 15,583,324	\$ -	\$ 76,889,728
Correction to compensated absences	16,581	1,632		18,213
Reclass utility capital projects fund separate	(6,207,850)	-	6,207,850	-
Correction to cash	-	107,383	-	107,383
Correction to accrued interest	-	(14,414)	-	(14,414)
Correction to long-term debt	-	(92,969)	-	(92,969)
Restated beginning net position	<u>\$ 32,375,477</u>	<u>\$ 15,584,956</u>	<u>\$ 6,207,850</u>	<u>\$ 76,907,941</u>

**F. Subsequent Events**

Subsequent events were evaluated through April 15, 2025, the date the financial statements were available to be issued.

## **APPENDIX C**

### **SELECTED PROVISIONS OF THE ORDINANCE**



## APPENDIX C

### DEFINITIONS AND SELECTED PROVISIONS OF THE ORDINANCE

The following are excerpts of certain provisions of the Ordinance. Such excerpts do not purport to be complete or verbatim and reference should be made to the Ordinance for the entirety thereof. Copies of the Ordinance are available upon request to the City.

The following capitalized terms appearing in this Official Statement have the meanings set forth below, unless the context otherwise requires. A reference **to any of these terms in the singular number includes the plural and vice versa.**

**Section 6. Definitions.** As used in this Ordinance in addition to other defined terms herein, the following terms shall have the meanings set forth below, unless the text hereof specifically indicates otherwise:

“Accountant” means any certified public accountant or firm of certified public accountants or accounting corporation selected by the City.

“Act” means Chapter 1502, Texas Government Code, as amended.

“Additional Parity Bonds” means the additional parity obligations which the City reserves the right to issue in the future, as provided in Section 17 hereof.

“Bond” or “Bonds” means any bond or bonds or all of the City’s bonds, as the case may be, of the series styled “City of Liberty Hill, Texas Wastewater Treatment Facility Revenue Bonds, Series 2026,” issued in the original aggregate principal amount of \$[PAR AMOUNT] and authorized by the Act and this Ordinance.

“Bond Counsel” means Orrick, Herrington & Sutcliffe LLP, or such other firm of nationally recognized bond counsel appointed by the City.

“Business Day” means any day when banks are not required or authorized by law or executive order to be closed in the principal office of the Paying Agent/Registrar, or New York, New York or when the New York Stock Exchange is not required or authorized by law or executive order to be closed.

“Capital Acquisition” means the acquisition of any existing wastewater treatment plant, wastewater collection facilities, or wastewater disposal facilities.

“Capital Additions” means a wastewater treatment plant or an interest therein, wastewater collection facilities or an interest therein, and wastewater disposal facilities, and any combination thereof, which shall become a part of the Wastewater Treatment Facility.

“Capital Improvements” means any extensions, improvements, and additions to the Wastewater Treatment Facility other than Capital Additions and Capital Acquisitions.

“City” means the City of Liberty Hill, Texas, or where appropriate, the City Council thereof.

“City Council” means the governing body of the City.

“City Manager” means the city manager of the City.

“City’s Water and Sewer System” means the City’s combined water and sewer system for the supply, storage, treatment and distribution of treated water and the collection and treatment of wastewater (which includes collection and transportation of wastewater, from the City’s retail customers to the Points of Entry into the Wastewater Treatment Facility).

“Comptroller” means the acting Comptroller of Public Accounts for the State of Texas.

“Construction Fund” means the fund created and established by, and further described in Section 11 hereof.

“Debt Service Reserve Fund” means the fund created and established pursuant to the Series 2012 Ordinance and reaffirmed and ratified by, and further described in Section 13 hereof.

“Debt Service Reserve Requirement” means the average annual principal and interest requirements on the outstanding Parity Bonds; provided, however, the Debt Service Reserve Requirement shall not exceed the least of (i) ten percent (10%) of the

proceeds derived from the sale of the Parity Bonds, such amount to be determined as of the date of sale of each series of Parity Bonds, (ii) the maximum annual principal and interest requirements on the Parity Bonds, or (iii) one hundred twenty-five percent (125%) average annual principal and interest requirements on the Parity Bonds.

“Delivery Date” means the date on which the Bonds are delivered to and paid for by the Purchaser.

“EMMA” means the Electronic Municipal Market Access System available on the internet at <http://emma.msrb.org>.

“Engineer-of-Record” means the engineer or firm of engineers, registered as professional engineers under the laws of the State of Texas, engaged by the City from time to time to perform the duties herein described.

“Financial Advisor” means Specialized Public Finance, Inc. or any successors thereto.

“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) guarantee of a debt obligation or any such derivative instrument; provided that “financial obligation” shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

“Fund” means any of the funds established pursuant to Ordinance.

“Government Obligations” means the (i) direct noncallable obligations of the United States, including obligations that are unconditionally guaranteed by the United States of America; (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency of instrumentality and that, on the date the governing body of the City 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; (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 governing body of the City adopts or approves the proceedings and 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; or (iv) such other obligations as may be authorized by law to be used for defeasance.

“Gross Revenues” means all revenues, income, and receipts of every nature derived or received by the City from the operation and ownership of the Wastewater Treatment Facility in providing retail and wholesale wastewater services, including the interest income from the investment or deposit of money in any Fund created by this Ordinance, or maintained by the City in connection with the Wastewater Treatment Facility.

“Interest Payment Date” means September 1, 2026, and each March 1 and September 1 thereafter until maturity or earlier redemption of the Bonds.

“Interest and Sinking Fund” means the fund created and established by, and further described in Section 12 hereof.

“Initial Bond” means that certain Initial Bond registered by the Comptroller as described in Section 5 hereof.

“Purchaser” means [PURCHASER], the initial purchaser(s) of the Bond.

“MSRB” means the Municipal Securities Rulemaking Board.

“Net Revenues” means all Gross Revenues after deducting the Operating and Maintenance Expenses.

“Official Statement” means a document described in Section 28 prepared for dissemination to potential investors in connection with the public offering and sale of Bonds.

“Operating and Maintenance Expenses” means the current expenses of operation and maintenance of the Wastewater Treatment Facility, including any insurance premiums, all salaries, labor materials, repairs, and extensions necessary to render efficient service; provided, however, that only such repairs and extensions, as in the judgment of the City Council, reasonably and fairly exercised by the adoption of the appropriate resolution, are necessary to keep the Wastewater Treatment Facility in operation and render adequate service to the City and its inhabitants and the customers of the Wastewater Treatment Facility or such as might be necessary to meet some physical accident or condition which would otherwise impair the Bonds or Additional Parity Bonds, shall be deducted in determining Net Revenues. Depreciation shall never be considered as an expense of operation and maintenance.

“Operating and Maintenance Reserve Fund” means the fund created and established by, and further described in Section 14 hereof.

“Ordinance” means this ordinance authorizing the issuance of the Bonds, adopted by the City Council on January 28, 2026.

“Owner” means any person who shall be the owner of any of the outstanding Parity Bonds.

“Parity Bonds” means, collectively, the Bonds, the Series 2012 Bonds, the Series 2015 Bonds, the Series 2019 Bonds, the Series 2022 Bonds, the Series 2023 Bonds, and any Additional Parity Bonds.

“Parity Bonds Ordinances” means, collectively, the ordinances authorizing the Bonds and any other Parity Bonds.

“Paying Agent/Registrar” means BOKF, NA, Dallas, Texas, and any such other bank or trust company as may hereafter be appointed in substitution therefor or in addition thereto to perform the duties of the Paying/Agent Registrar in accordance with this Ordinance and the Paying Agent/Registrar Agreement.

“Paying Agent/Registrar Agreement” means the Agreement dated as of January 28, 2026, between the City and the Paying Agent/Registrar relating to the registration, authentication, and transfer of the Bonds in substantially the form presented herewith.

“Pledged Revenues” means the Net Revenues and any additional revenues or assets specifically pledged by the City, to the extent permitted by Section 1502.052, Texas Government Code, as amended.

“Points of Entry” means the locations in the Wastewater Treatment Facility at which all wastewater passes from City’s Water and Sewer System to the Wastewater Treatment Facility.

“Preliminary Official Statement” means a document described in Section 28 prepared for dissemination to potential investors prior to the availability of the final Official Statement.

“Purchase Contract” means the contract between the City and the Purchaser providing for the sale of the Bond pursuant to Section 27 of this Ordinance.

“Purchaser” means [PURCHASER] (the “Representative”), acting on its own behalf and on behalf of the other underwriters listed on the cover page of the final Official Statement authorized pursuant to Section 28 of this Ordinance.

“Record Date” means the fifteenth (15th) day of the month next preceding the applicable Interest Payment Date.

“Register” means the books of registration kept by the Paying Agent/Registrar in which are maintained the names and addresses of and the principal amounts registered to each Owner.

“Related Document” means this Ordinance or any other document or documents relating to the Bonds.

“Rule” means the rule set out at 17 C.F.R. § 240.15c2-12, as amended from time to time.

“SEC” means the United States Securities and Exchange Commission.

“Series 2012 Bonds” means the “City of Liberty Hill, Texas Wastewater Treatment Facility Revenue Bonds, Series 2012.”

“Series 2012 Ordinance” means the ordinance adopted by the City Council authorizing the issuance of the Series 2012 Bonds.

“Series 2015 Bonds” means the “City of Liberty Hill, Texas Wastewater Treatment Facility Revenue Bonds, Series 2015.”

“Series 2019 Bonds” means the “City of Liberty Hill, Texas Wastewater Treatment Facility Revenue Bonds, Series 2019.”

“Series 2022 Bonds” means the “City of Liberty Hill, Texas Wastewater Treatment Facility Revenue Bonds, Series 2022.”

“Series 2023 Bonds” means the “City of Liberty Hill, Texas Wastewater Treatment Facility Revenue Bonds, Series 2023.”

“Special Payment Date” means the scheduled payment date established by the Paying Agent/Registrar for the payment of any past due payment, which shall be fifteen (15) calendar days after the Special Record Date.

“Special Record Date” means the new Record Date established by the Paying Agent/Registrar in the event of a non-payment of interest or interest and principal on an Interest Payment Date.

“Wastewater Treatment Facility” means (i) the existing regional wastewater treatment plant, wastewater collection facilities, and wastewater disposal facilities serving the area in and around the City, together with all future Capital Acquisitions, Capital Additions, and Capital Improvements, all replacements thereof, and the City’s interest in any shared facility, and (ii) any other related facilities, all or any part of the revenues or income from which may, in the future, at the option of the City Council, and in accordance with law, become Pledged Revenues; provided, however, that, notwithstanding the foregoing, and to the extent now or hereafter authorized or permitted by law, the term Wastewater Treatment Facility shall not mean (x) the City’s Water and Sewer System or (y) any water or other facilities of any kind which are declared by the City Council not to be a part of the Wastewater Treatment Facility.

“Wastewater Treatment Facility Fund” means the fund created and established by, and further described in Section 10 hereof.

“Year” or “Fiscal Year” means the regular fiscal year used by the City in connection with the operation of the Wastewater Treatment Facility, which may be any 12 consecutive months period established by the City Council, presently October 1 to September 30.

**Section 7. Pledge; Perfection of Security Interest.** Principal of the Parity Bonds, redemption premium (if any), and any interest payable thereon, are and shall be secured by and payable from a first lien on and pledge of the Pledged Revenues, and the Pledged Revenues are further pledged irrevocably to the establishment and maintenance of the funds created by the Parity Bonds Ordinances. The Parity Bonds are not and will not be secured by or payable from a mortgage or deed of trust on any real, personal, or mixed properties constituting the Wastewater Treatment Facility. The Owners of the Parity Bonds shall never have the right to demand payment of such obligations out of any funds raised or to be raised by taxation or from any source whatsoever other than the Pledged Revenues. This Ordinance shall not be construed as requiring the City to expend any funds which are derived from sources other than the operation of the Wastewater Treatment Facility, but nothing herein shall be construed as preventing the City from doing so.

Chapter 1208, Texas Government Code, as amended, applies to the issuance of the Bonds and the pledge of the Pledged Revenues thereto, and such pledge is, therefore, valid, effective, and perfected. Should Texas law be amended at any time while the Bonds are outstanding and unpaid, the result of such amendment being that the pledge of the Pledged Revenues is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, as amended, in order to preserve to the Owners a security interest in such pledge, the City agrees to take such measures as it determines are reasonable and necessary to enable a filing of a security interest in said pledge to occur.

\* \* \*

**Section 10. Wastewater Treatment Facility Fund.** There has been created, established, and is hereby confirmed on the books of the City, and accounted for separate and apart from all other funds of the City, a special fund entitled the “City of Liberty Hill, Texas Wastewater Treatment Facility Fund” (the “Wastewater Treatment Facility Fund”). All Gross Revenues are and shall be credited to the Wastewater Treatment Facility Fund immediately upon receipt. Payments from the Wastewater Treatment Facility Fund shall be made with the priorities specified in Section 15 hereof. After making such payments and the deposits or payments described in Section 15 hereof, any funds remaining in the Wastewater Treatment Facility Fund may be used by the City for any lawful purpose.

**Section 11. Construction Fund.** There has been created, established, and is hereby confirmed on the books of the City, and accounted for separate and apart from all other funds of the City, a separate fund designated as the “City of Liberty Hill, Texas Wastewater Treatment Facility Parity Bonds Construction Fund” (the “Construction Fund”). Proceeds from the sale of the Bonds, other than accrued interest, capitalized interest, and moneys, if any, for deposit to the credit of the Interest and Sinking Fund, shall be deposited to the credit of the Construction Fund for use by the City for payment of all lawful costs associated with acquiring the Wastewater Treatment Facility, and constructing, improving, and extending the Wastewater Treatment Facility, as hereinbefore provided, and costs of issuance of the Bonds, if not paid on the closing date of the Bonds. Upon payment of all such costs, any moneys remaining on deposit in the Construction Fund shall be transferred to the Interest and Sinking Fund.

**Section 12. Interest and Sinking Fund.** For the sole purpose of paying the principal of, redemption premium, if any, and interest on the Parity Bonds, as the same come due, there has been created, established, and is hereby reaffirmed, ratified and confirmed on the books of the City a separate fund entitled the “City of Liberty Hill, Texas Wastewater Treatment Facility Parity Bonds Interest and Sinking Fund” (the “Interest and Sinking Fund”). Payments into the Interest and Sinking Fund shall be made in semiannual payments (commencing with respect to the Bonds and any Additional Parity Bonds on the Delivery Date) during each year in which any of the Parity Bonds are outstanding in an aggregate amount equal to one hundred percent (100%) of

the amounts required to meet the interest and principal payments falling due on or before the next maturity date or mandatory redemption date of the Parity Bonds. The City shall, at least five (5) days prior to an Interest Payment Date, deposit into the Interest and Sinking Fund any additional Pledged Revenues available in the Wastewater Treatment Facility Fund which may be necessary to pay in full the interest on and principal, if any, coming due on such Interest Payment Date. In no event shall any amount in excess of the amounts stated above be retained in the Interest and Sinking Fund, and any such excess amount may be withdrawn by the City and replaced in the Wastewater Treatment Facility Fund.

**Section 13. Debt Service Reserve Fund.** There has been created and established pursuant to the Series 2012 Ordinance and is hereby confirmed on the books of the City at the City's depository bank a separate fund entitled the "City of Liberty Hill, Texas Wastewater Treatment Facility Parity Bonds Debt Service Reserve Fund" (the "Debt Service Reserve Fund"). The Debt Service Reserve Fund shall be used to pay the principal of and interest on the Parity Bonds when and to the extent the amounts in the Interest and Sinking Fund available for such payment are insufficient for such purpose and may be used for the purpose of finally retiring the last of the Bonds or any other lawful purpose. Notwithstanding any provision hereof to the contrary, no deposits shall be made into the Debt Service Reserve Fund at a time when there is a deficiency in the amount on deposit in the Interest and Sinking Fund nor shall any deposits be made into the Debt Service Reserve Fund at any time it contains an amount equal to or greater than the Debt Service Reserve Requirement. If and whenever the balance in the Debt Service Reserve Fund is reduced below the Debt Service Reserve Requirement, the City shall, from the first available and unallocated Pledged Revenues of the following month or months, cause amounts equal in the aggregate to any such deficiency to be set apart and transferred into the Debt Service Reserve Fund from the Wastewater Treatment Facility Fund; provided, however, that in any event the Debt Service Reserve Requirement shall be restored to the Debt Service Reserve Requirement within five (5) years of such reduction. If at the end of any Year, surplus funds remain in the Debt Service Reserve Fund resulting from any reduction of the Debt Service Reserve Requirement or otherwise, they shall be promptly transferred from the Debt Service Reserve Fund into the Interest and Sinking Fund and payments into the Interest and Sinking Fund from the Wastewater Treatment Facility Fund shall be reduced accordingly.

The Debt Service Reserve Fund was initially funded by depositing 1/60th of the average annual payment of principal and interest on the Series 2012 Bonds on a monthly basis into the Debt Service Reserve Fund upon the issuance of the Series 2012 Bonds and continuing until the Debt Service Reserve Requirement has been satisfied. Thereafter, the City may (i) use cash from Net Revenues or any other lawfully available source, (ii) use a surety bond in lieu thereof, (iii) use a combination of such cash and surety bond, or (iv) make equal semiannual installment payments to the Debt Service Reserve Fund over the five (5) year period following the issuance of Parity Bonds, including the Bonds, all as the City deems reasonable and appropriate, to maintain the Debt Service Reserve Requirement in the Debt Service Reserve Fund; provided, however, that (A) the amount of any such cash, the coverage of any surety bond in lieu thereof, the amount of such cash and the coverage of such surety bond, and the sum of the semiannual payments when added together shall at least equal the Debt Service Reserve Requirement, and (B) any such surety bond provided in lieu of cash shall be issued by an insurance company or association of companies whose insured obligations are rated by a nationally recognized rating agency in its highest rating categories. It is the City's intention hereby to provide maximum flexibility with respect to the Debt Service Reserve Fund to be provided for any of the Parity Bonds, including the Additional Parity Bonds which may be issued hereafter and the foregoing provisions shall be liberally construed in order to achieve that objective without materially prejudicing the rights and interests of the owners of any Parity Bonds at the time outstanding.

**Section 14. Operating and Maintenance Reserve Fund.** There has been created, established, and is hereby confirmed on the books of the City at the City's depository bank a separate fund entitled the "City of Liberty Hill, Texas Wastewater Treatment Facility Operating and Maintenance Reserve Fund" (the "Operating and Maintenance Reserve Fund"). Upon closing of the Series 2012 Bonds, an amount equal to \$50,000 from proceeds received from the sale of the Series 2012 Bonds was deposited in the Operating and Maintenance Reserve Fund. The Operating and Maintenance Reserve Fund shall be used for unbudgeted emergency Operating and Maintenance Expenses. In the event it becomes necessary to withdraw money for Operating and Maintenance Expenses for the Wastewater Treatment Facility, reimbursement payments into such fund will be commenced on the first (1st) day of the month following such withdrawal at a rate which, in the reasonable judgment of the City and in consultation with its financial advisor and Bond Counsel, will restore such fund to the desired level within a reasonable period of time. Any money remaining in the Operating and Maintenance Reserve Fund upon redemption, defeasance or final maturity of the Parity Bonds shall be used to pay principal and interest on the Parity Bonds or for any lawful purpose.

\* \* \*

(a) **Section 16. Investments and Security.** (a) Investment of Funds. Except as otherwise provided herein, the City may place money in any fund created by this Ordinance in time or demand deposits or invest such money as authorized by law at the time of such deposit; provided, however, that the City hereby covenants that the proceeds of the sale of the Bonds will be used as soon as practicable for the purposes for which the Bonds are issued. Obligations purchased as an investment of money in a fund shall be deemed to be a part of such fund.

(b) Amounts Received from Investments. Except as otherwise provided by law, amounts received from the investment of any money in any fund created by this Ordinance shall belong to the fund from which the money for such investment was taken.

(c) Security for Funds. All funds created by this Ordinance shall be secured in the manner and to the fullest extent required by law for the security of funds of the City.

**Section 17. Additional Parity Bonds.** In addition to inferior lien bonds permitted to be issued hereunder, the City expressly reserves the right hereafter to issue Additional Parity Bonds, and the Additional Parity Bonds, when issued, may be secured by and payable from a first lien on and pledge of the Pledged Revenues in the same manner and to the same extent as the then-outstanding Parity Bonds but subject to the remaining provisions hereof, and the Parity Bonds shall be in all respects of equal dignity. The Additional Parity Bonds may be issued to provide funds for any lawful purpose; provided, however, that no Additional Parity Bonds shall be issued unless such Additional Parity Bonds are made to mature on September 1 in each of the years in which they are scheduled to mature, and the applicable requirements in this Section 17 are met.

(a) Conditions Precedent for Issuance of Additional Parity Bonds - General. As a condition precedent to the issuance of any Additional Parity Bonds, the City Manager or City Finance Director and the City Attorney shall have executed a certificate stating (i) that the City is not then in default as to any covenant, obligation, or agreement contained in any proceeding relating to any obligations of the City payable from and secured by a lien on and pledge of the Pledged Revenues, and (ii) all payments into all funds or accounts created and established for the payment and security of all outstanding obligations payable from and secured by a lien on and pledge of the Pledged Revenues have been made in full and that the amounts on deposit in such funds or accounts are the amounts then required to be deposited therein. Such certificate shall be dated as of the date of delivery of such Additional Parity Bonds.

(b) Conditions Precedent for Issuance of Additional Parity Bonds - Capital Acquisitions, Capital Improvements, and any Other Lawful Purpose Except for Capital Additions or for Refunding. The City covenants and agrees that Additional Parity Bonds will not be issued for the purpose of financing Capital Acquisitions, financing Capital Improvements, or any other lawful purpose (except for Capital Additions or for refunding, which are to be issued in accordance with the provisions of clauses (c), (d), or (e) of this Section) unless and until the conditions precedent in clause (a) above have been satisfied and, in addition thereto, the City has secured a certificate or opinion of the Accountant to the effect that, according to the books and records of the City, the Net Revenues for the preceding year or for twelve (12) consecutive months out of the fifteen (15) months immediately preceding the month the order or ordinance authorizing the Additional Parity Bonds is adopted are at least equal to the sum of 1.25 times the average annual principal and interest requirements for the outstanding Parity Bonds and for the proposed Additional Parity Bonds. In making a determination of the Net Revenues, the Accountant may (i) take into consideration a change in the rates and charges for services and facilities afforded by the Wastewater Treatment Facility that became effective at least sixty (60) days prior to the last day of the period for which Net Revenues are determined and (ii) for purposes of satisfying the above Net Revenues test, make a pro forma determination of the Net Revenues for the period of time covered by his certification or opinion based on such change in rates and charges being in effect for the entire period covered by the Accountant's certificate or opinion. In addition, the revenues and expenses of any Capital Acquisition may be added to the Net Revenues for determinations made under this Section.

(c) Conditions Precedent for Issuance of Additional Parity Bonds - Capital Additions: Initial Issue. The City covenants and agrees that Additional Parity Bonds will not be issued for the purpose of financing Capital Additions unless the same conditions precedent specified in clause (a) above have been satisfied and, in addition thereto, the conditions precedent specified in clause (b) above are satisfied or, in the alternative, the City shall have obtained:

(i) from the Engineer-of-Record a comprehensive report for each Capital Addition to be financed, which report shall (A) contain (i) detailed estimates of the cost of acquiring and constructing the Capital Addition, (ii) the estimated date the acquisition and construction of the Capital Addition will be completed and commercially operative, and (iii) a detailed analysis of the impact of the Capital Addition on the financial operations of the Wastewater Treatment Facility during the construction thereof and for at least five (5) years after the date the Capital Addition becomes commercially operative, and (B) conclude that (i) the Capital Addition will substantially increase the capacity, or is needed to replace existing facilities, to meet current and projected demands for the service or product to be provided thereby, and (ii) the estimated cost of providing the service or product from the Capital Addition will be reasonable in comparison with projected costs for furnishing such service or product from other reasonably available sources; and

(ii) a certificate of the Engineer-of-Record to the effect that, based on the report prepared for each Capital Addition, the projected Net Revenues for each of the five (5) Years subsequent to the date the Capital Addition becomes commercially operative (as estimated in such report) will be equal to at least 1.25 times the average annual principal and interest requirements for Parity Bonds then outstanding or incurred and all Parity Bonds estimated to be issued, if any, for all Capital Acquisitions, Capital Improvements, and Capital Additions then in progress or then being initiated during the period from the date the first (1st) series of obligations for the Capital Additions is to be delivered through the fifth (5th) Year subsequent to the date the Capital Addition is estimated to become commercially operative.

The City Council covenants that it will adopt on or before the closing date for the proposed Additional Parity Bonds and enforce any periodic rate increases described in the report of the Engineer-of-Record; provided, however, that if such rate increases are not actually needed for any Year, the City Council may by subsequent ordinance delay such increase until it becomes actually necessary to comply with its covenants in Section 9 of this Ordinance.

(d) Conditions Precedent for Issuance of Additional Parity Bonds - Capital Additions: Subsequent Issues. Once the initial Parity Bonds have been delivered for a Capital Addition, the City reserves the right to issue Additional Parity Bonds to finance the remaining costs of such Capital Addition in such amounts as may be necessary to complete the acquisition and construction thereof and make the same commercially operative without satisfaction of any condition precedent under clause (b) or clause (c) of this Section but subject to satisfaction of the following conditions precedent:

(i) the City makes a forecast (the "Forecast") of the operations of the Wastewater Treatment Facility demonstrating the Wastewater Treatment Facility's ability to pay all obligations payable from the Pledged Revenues to be outstanding after the issuance of the Parity Bonds then being issued for the period (the "Forecast Period") of each ensuing year through the fifth (5th) year subsequent to the latest estimated date such Capital Addition is expected to be commercially operative, and

(ii) the Engineer-of-Record reviews the Forecast and executes a certificate to the effect that the Forecast is reasonable, and that based thereon (and such other factors deemed to be relevant), the Pledged Revenues will be adequate to pay all the obligations payable from the Pledged Revenues to be outstanding after the issuance of the Parity Bonds then being issued for the Forecast Period.

(e) Refunding Bonds. The City reserves the right to issue refunding bonds to refund all or any part of the outstanding Parity Bonds (pursuant to any law then available), upon such terms and conditions as the City Council may deem to be in the best interest of the City and its inhabitants, and if less than all such outstanding Parity Bonds are refunded, the conditions precedent (for the issuance of Additional Parity Bonds) set forth in clauses (a) and (b) of this Section shall be satisfied and the Accountant's certificate or opinion required by clause (b) shall give effect to the issuance of the proposed refunding bonds (and shall not give effect to the obligations being refunded following their cancellation or provision being made for their payment). No Accountant's certificate otherwise required by clause (b) will be required for refunding bonds if, after giving effect to such proposed refunding, there is no increase in debt service for any year before or including any year in which there will be debt service on Parity Bonds outstanding both before and after such refunding and any such refunding bond does not have a lien on Pledged Revenues superior to the obligation which it refunds.

(f) Determination of Average Annual Principal and Interest Requirements. With reference to Additional Parity Bonds anticipated and estimated to be issued or incurred, the average annual principal and interest requirements therefor shall be those reasonably estimated and computed by the City Manager or City Finance Director. In the preparation of the report required in clause (c)(i) above, the Engineer-of-Record may rely on other experts or professionals, including those in the employment of the City, provided such reports disclose the extent of such reliance and concludes it is reasonable so to rely. In connection with the issuance of Additional Parity Bonds for Capital Additions, the certificate of the City Manager or the Finance Director, the City Attorney, and the Engineer-of-Record, together with the appropriate report for the initial issue and the Forecast for a subsequent issue, shall be conclusive evidence and the only evidence required to show compliance with the provisions and requirements of this Section.

(g) Combined Issues. Parity Bonds for Capital Additions may be combined in a single issue with Parity Bonds, as the case may be, for Capital Acquisitions or Capital Improvements, or for any lawful purpose, provided the conditions precedent set forth in clauses (b) through (e) are complied with as the same relate to the appropriate purpose.

(h) Debt Service Reserve Fund. The City shall increase the amounts in the Debt Service Reserve Fund for such Additional Parity Bonds as described in Section 13 herein.

(i) Operating and Maintenance Reserve Fund. The City may increase the amounts in the Operating and Maintenance Reserve Fund for such Additional Parity Bonds as described in Section 14 herein.

(j) Subordinate Obligations. The City may, at any time and from time to time, for any lawful purpose, make limited pledges of the Pledged Revenues in connection with the issuance of certificates of obligation or issue obligations the principal of, redemption premium, if any, and interest on which are payable from and secured by a pledge of and lien on the Pledged Revenues junior and subordinate to the lien and pledge created hereby for the security of the Parity Bonds; provided, however, that any such pledge and lien securing such subordinate obligations shall be, and shall be expressed to be, subordinate in all respects to the pledge of and lien on the Pledged Revenues as security for the Parity Bonds.

(k) Additional Requirements. Notwithstanding satisfaction of other conditions to the issuance of Additional Parity Bonds contained in this Ordinance, no such issuance may occur (i) should any default have occurred and be continuing unless such default shall be cured upon such issuance, and (ii) unless the Debt Service Reserve Fund is fully funded at its requirement (including the new issue), in accordance with Section 13 hereof, upon the issuance of such Additional Parity Bonds.

**Section 18. General Covenants.** (a) General Covenants. The City covenants and represents that:

(i) (the City is a duly created and existing Type A general-law municipality of the State of Texas, and it is duly authorized under the laws of the State of Texas to create and issue bonds; all action on its part for

the creation and issuance of the Bonds has been duly and effectively taken; and the Bonds in the hands of the Owners thereof are and will be valid and enforceable obligations of the City in accordance with their terms; and

(ii) all Parity Bonds shall be ratably secured in such manner that no one Parity Bond shall have preference over other Parity Bonds.

(b) Specific Covenants. The City covenants and represents that, while the Parity Bonds are outstanding and unpaid:

(c) Performance. It will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in each Parity Bond Ordinance, and in each and every Parity Bond; it will promptly pay or cause to be paid the principal of and interest on every Parity Bond, on the dates and in the places and manner prescribed in the Parity Bonds Ordinances; and it will, at the times and in the manner prescribed, deposit or cause to be deposited the amounts required to be deposited into the Interest and Sinking Fund and the Debt Service Reserve Fund; and any holder of the Parity Bonds may require the City, its officials, and employees to carry out, respect, or enforce the covenants and obligations of the Parity Bonds Ordinances by all legal and equitable means, including specifically, but without limitation, the use and filing of mandamus proceedings in any court of competent jurisdiction against the City, its officials, and employees.

(d) Title. It has or will obtain lawful title to the lands, buildings, structures, and facilities constituting the Wastewater Treatment Facility; it will defend the title to all the aforesaid lands, buildings, structures, and facilities, and every part thereof, for the benefit of the holders and owners of the Parity Bonds, against the claims and demands of all persons whomsoever; it is lawfully qualified to pledge the Pledged Revenues to the payment of the Parity Bonds in the manner prescribed herein; and it has lawfully exercised such rights.

(e) Liens. It will from time to time and before the same become delinquent pay and discharge all taxes, assessments, and governmental charges, if any, which shall be lawfully imposed upon it or the Wastewater Treatment Facility; it will pay all lawful claims for rents, royalties, labor, materials, and supplies which if unpaid might by law become a lien or charge thereon, the lien of which would be prior to or interfere with the liens hereof, so that the priority of the liens granted hereunder shall be fully preserved in the manner provided herein; and it will not create or suffer to be created any mechanic's, laborer's, materialman's, or other lien or charge which might or could be prior to the liens hereof, or do or suffer any matter or thing whereby the liens hereof might or could be impaired; provided, however, that no such tax, assessment, or charge, and that no such claims which might be used as the basis of a mechanic's, laborer's, materialman's, or other lien or charge, shall be required to be paid so long as the validity of the same shall be contested in good faith by the City.

(f) Operation of Wastewater Treatment Facility; No Free Service. It shall continuously and efficiently operate the Wastewater Treatment Facility and maintain the Wastewater Treatment Facility in good condition, repair, and working order, all at reasonable cost. No free service of the Wastewater Treatment Facility shall be allowed, and should the City or any of its agencies or instrumentalities, lessees, or concessionaires, make use of the services and facilities of the Wastewater Treatment Facility, payment monthly of the standard retail price of the services provided shall be made by the City or any of its agencies or instrumentalities, lessees, or concessionaires, out of funds from sources other than the revenues of the Wastewater Treatment Facility.

(g) Further Encumbrance. The rents, revenues, and income of the Wastewater Treatment Facility have not in any manner been pledged to the payment of any debt or obligations of the City, with the exception of the outstanding Parity Bonds, or of the Wastewater Treatment Facility; and the City shall not additionally sell or encumber the Net Revenues in any manner, except as permitted in the Parity Bonds Ordinances in connection with Additional Parity Bonds, unless said encumbrance is made junior and subordinate in all respects to the liens, pledges, covenants, and agreements of the Parity Bonds Ordinances; but the right of the City to issue revenue bonds and certificates of obligation payable from a subordinate lien on the surplus Net Revenues is specifically recognized and retained.

(h) Sale or Disposal of Property. The City shall not sell, convey, mortgage, encumber, lease, or in any manner transfer title to, or dedicate to other use, or otherwise dispose of the Wastewater Treatment Facility, or any significant or substantial part thereof; provided, however, that whenever the City deems it necessary to dispose of any other property, machinery, fixtures, or equipment, or dedicate such property to other use, it may do so either when it has made arrangements to replace the same or provide substitutes therefor, or it is determined by ordinance of the City that no such replacement or substitute is necessary.

(i) Insurance. The City Council shall cause to be insured for such parts of the Wastewater Treatment Facility as would usually be insured by corporations operating like properties, with a responsible insurance company or companies, against risks, accidents, or casualties against which and to the extent insurance is usually carried by corporations operating like properties, including, to the extent reasonably obtainable, fire and extended coverage insurance, insurance against damage by floods, and use and occupancy insurance. Public liability and property damage insurance shall also be carried unless legal counsel for the City gives a written opinion to the effect that the City and the City Council are not liable for claims which would be protected by such insurance. All insurance premiums shall be paid as an Operating and Maintenance Expense. At any time while any contractor engaged in construction work shall be fully responsible therefor, the City Council shall not be required to carry insurance on the work being constructed if the contractor is required to carry appropriate insurance. All such policies shall be open to the



inspection of the Owners and their representatives at all reasonable times. Upon the happening of any loss or damage covered by insurance from one or more of said causes, the City Council shall make due proof of loss and shall do all things necessary or desirable to cause the insuring companies to make payment in full directly to the City Council. The proceeds of insurance covering such property, together with any other funds necessary and available for such purpose, shall be used forthwith by the City Council for repairing the property damaged or replacing the property destroyed; provided, however, that if said insurance proceeds and other funds are insufficient for such purpose, then said insurance proceeds pertaining to the Wastewater Treatment Facility shall be deposited in a special and separate trust fund, at an official depository of the City, to be designated the "Insurance Account." The Insurance Account shall be held until such time as other funds become available which, together with the Insurance Account, will be sufficient to make the repairs or replacements originally required.

(j) Covenant Compliance. The annual audit hereinafter required may contain a section commenting on whether or not the City Council has complied with the requirements of this Section with respect to the maintenance of insurance and shall state whether or not all insurance premiums upon the insurance policies to which reference is made have been paid.

(k) Records. The City shall keep proper books of record and account in which full, true, proper, and correct entries will be made of all dealings, activities, and transactions relating to the Wastewater Treatment Facility, the Pledged Revenues, and the funds created pursuant to this Ordinance, and all books, documents, and vouchers relating thereto shall at all reasonable times be made available for inspection upon request of any Owner or customer of the City. To the extent consistent with the provisions of this Ordinance, the City shall keep its books and records in a manner conforming to standard accounting practices as usually would be followed by private corporations owning and operating a system similar to the Wastewater Treatment Facility, with appropriate recognition being given to essential differences between municipal and corporate accounting practices.

(l) Audits. After the close of each Fiscal Year, an audit will be made of the books and accounts relating to the Wastewater Treatment Facility and the Pledged Revenues by an independent certified public accountant or an independent firm of certified public accountants. The audit shall include a schedule of the deposits made to the various funds created by this Ordinance. The annual audit reports shall be open to the inspection of the Owners and their agents and representatives at all reasonable times.

(m) Governmental Agencies. The City will comply with all of the terms and conditions of any and all franchises, permits, and authorizations applicable to or necessary with respect to the Wastewater Treatment Facility, and which have been obtained from any governmental agency; and the City Council has or will obtain and keep in full force and effect all franchises, permits, authorization, and other requirements applicable to or necessary with respect to the acquisition, construction, equipment, operation, and maintenance of the Wastewater Treatment Facility.

(n) No Competition. The City will not operate or grant any franchise or permit for the acquisition, construction, or operation of, any facilities which would be in competition with the Wastewater Treatment Facility, and to the extent that it legally may, the City will prohibit any such competing facilities.

\* \* \*

**Section 21. Remedies of Owners.** In addition to all the rights and remedies provided by the laws of the State of Texas, the City and the City Council covenant and agree that in the event the City (a) defaults in the payment of principal of or interest on any of the Bonds when due, or (b) fails to make the payments required to be made to any fund created hereunder in the amounts and at the times required, or (c) defaults in the observance or performance of any other of the covenants, conditions, or obligations set forth in this Ordinance, the Owner(s) of any of the Bonds shall be entitled to a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the City and other officers of the City to observe and perform any covenant, obligation, or condition prescribed in this Ordinance; no delay or omission to exercise any right or power accruing upon any default shall impair any such power or right or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient. The specific remedies herein provided shall be cumulative of any other available remedies and the specification of such shall not be deemed to be exclusive. In no event, however, will acceleration of the maturity of the Bonds be a remedy available to any person.

\* \* \*

(a) **Section 26. Amendment of Ordinance.** (a) The holders of the Parity Bonds aggregating in principal amount of at least fifty-one percent (51%) of the aggregate principal amount of then outstanding Parity Bonds shall have the right from time to time to approve any amendment to this Ordinance which may be deemed necessary or desirable by the City; provided, however, that without the consent of the Owners of all of the Parity Bonds at the time outstanding, nothing herein contained shall permit or be construed to permit the amendment of the terms and conditions in this Ordinance or in the Parity Bonds Ordinances so as to:

- (i) Make any change in the maturity of any of the outstanding Parity Bonds;
- (ii) Reduce the rate of interest borne by any of the outstanding Parity Bonds;

- (iii) Reduce the amount of the principal payable on the outstanding Parity Bonds;
- (iv) Modify the terms of payment of principal of or interest on the outstanding Parity Bonds or impose any conditions with respect to such payment;
- (v) Affect the rights of the Owners of less than all of the Parity Bonds; or
- (vi) Change the minimum percentage of the principal amount of Parity Bonds necessary for consent to such amendment.

(b) If at any time the City shall desire to amend this Ordinance under this Section, the City shall cause notice of the proposed amendment to be published in a financial newspaper or journal published in New York, New York, once during each calendar week for at least two (2) successive calendar weeks. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy thereof is on file at the principal office of the Paying Agent/Registrar for inspection by all Owners. Such publication is not required, however, if notice in writing is given to each Owner.

(c) When at any time not less than thirty (30) days, and within one year, from the date of the first publication of said notice or other service of written notice, the City shall receive an instrument or instruments executed by the Owners of at least fifty-one percent (51%) in aggregate principal amount of all Parity Bonds then outstanding, which instrument or instruments shall refer to the proposed amendment described in said notice and which specifically consent to and approve such amendment in substantially the form of the copy thereof on file with the Paying Agent/Registrar, the City Council may pass the amendatory ordinance in substantially the same form. When at any time not less than thirty (30) days, and within one (1) year, from the date of the first publication of said notice or other service of written notice, the City shall receive an instrument or instruments executed by the holders of at least fifty-one percent (51%) in aggregate principal amount of all Parity Bonds, which instrument or instruments shall refer to the proposed amendment described in said notice and which specifically consent to and approve such amendment in substantially the form of the copy thereof on file with the Paying Agent/Registrar, the City Council may pass the amendatory ordinance in substantially the same form.

(d) Upon the passage of any amendatory ordinance pursuant to the provisions of this Section, this Ordinance shall be deemed to be amended in accordance with such amendatory ordinance, and the respective rights, duties, and obligations under this Ordinance of the City and all the Owners shall thereafter be determined, exercised, and enforced hereunder, subject in all respects to such amendments.

(e) Any consent given by an Owner pursuant to the provisions of this Section shall be irrevocable for a period of six (6) months from the date of the first publication of the notice provided for in this Section and shall be conclusive and binding upon all future Owners during such period. Such consent may be revoked at any time after six (6) months from the date of the first publication of such notice by the Owner who gave such consent, or by a successor in title, by filing notice thereof with the Paying Agent/Registrar and the City, but such revocation shall not be effective if the Owners of at least fifty-one percent (51%) in aggregate principal amount of the Parity Bonds as in this Section defined have, prior to the attempted revocation, consented to and approve the amendment.

(f) For the purpose of this Section the fact of the owning of Parity Bonds issued in registered form without coupons and the amounts and numbers of such Parity Bonds and the date of their holding same shall be proved by the Register of the Paying Agent/Registrar. The City may conclusively assume that such ownership continues until written notice to the contrary is served upon the City.

(g) The foregoing provisions of this Section notwithstanding, the City, by action of the City Council and without consent of the Owners, may amend this Ordinance for any one or more of the following purposes:

(i) To add to the covenants and agreements of the City in this Ordinance contained, other covenants and agreements thereafter to be observed, grant additional rights or remedies to the Owners, or to surrender, restrict, or limit any right or power herein reserved to or conferred upon the City;

(ii) To make such provisions for the purpose of curing any ambiguity, or curing, correcting, or supplementing any defective provision contained in this Ordinance, or in regard to clarifying matters or questions arising under this Ordinance, as are necessary or desirable and not contrary to or inconsistent with this Ordinance and which shall not adversely affect the interests of the holders of the Parity Bonds;

(iii) To modify any of the provisions of this Ordinance in any other respect whatsoever, provided that (A) such modification shall be, and be expressed to be, effective only after all Parity Bonds outstanding at the date of the adoption of such modification shall cease to be outstanding and (B) such modification shall be specifically referred to in the text of all Additional Parity Bonds issued after the date of the adoption of such modification.

**APPENDIX D**

**FORM OF BOND COUNSEL'S OPINION**



## FORM OF OPINION

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\_\_\_\_\_, 2026

### City of Liberty Hill, Texas Wastewater Treatment Facility Revenue Bonds, Series 2026

Ladies and Gentlemen:

We have acted as bond counsel to the City of Liberty Hill, Texas (the “Issuer”) in connection with the issuance of \$\_\_\_\_\_ aggregate principal amount of bonds designated as “City of Liberty Hill, Texas Wastewater Treatment Facility Revenue Bonds, Series 2026” (the “Bonds”), dated February 18, 2026, issued pursuant to an ordinance (the “Bond Ordinance”) adopted by the City Council of the Issuer authorizing their issuance. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Bond Ordinance.

In such connection, we have reviewed a transcript of certain certified proceedings pertaining to the issuance of the Bonds, including the Bond Ordinance; the tax certificate of the Issuer dated the date hereof (the “Tax Certificate”), certificates of the Issuer, and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. We have also examined the executed initial Bond of this issue, numbered R-1.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the original delivery of the Bonds on the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the original delivery of the Bonds on the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed that each document and each signature thereon provided to us is genuine and that each such document has been duly and legally executed by, and constitutes a valid and binding agreement of, each party thereto other than the Issuer. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the first paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Bond Ordinance and the



Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in the gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Bond Ordinance and the Tax Certificate, and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against governmental entities such as the Issuer in the State of Texas. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness, or fairness of the Official Statement or other offering material relating to the Bonds and express no view with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently in effect; the Bonds constitute valid and legally binding special obligations of the Issuer; and the Bonds have been authorized and delivered in accordance with law.
2. The Bonds are special obligations of the Issuer and are payable from and secured by a first lien on and pledge of the Pledged Revenues. "Pledged Revenues" means the "Net Revenues" of the Issuer's Wastewater Treatment Facility and any additional revenues or assets specifically pledged by the Issuer, to the extent permitted by Section 1502.052, Texas Government Code, as amended, as described in the Bond Ordinance.
3. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. We observe that interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.



The Issuer has reserved the right in the Bond Ordinance to issue from time to time additional Parity Bonds which are equally and ratably secured on parity with the Bonds and the Outstanding Parity Bonds by a first lien on and pledge of the Pledged Revenues.

Very truly yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP