

This Official Notice of Sale does not alone constitute an invitation for bids on the Notes but is merely notice of the sale of the Notes 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.

THE NOTES WILL NOT BE DESIGNATED AS “QUALIFIED TAX-EXEMPT
OBLIGATIONS” FOR FINANCIAL INSTITUTIONS.

OFFICIAL NOTICE OF SALE

\$3,485,000*

CITY OF LIBERTY HILL, TEXAS

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

TAX NOTES, SERIES 2026

Bids Due: Wednesday, May 13, 2026 at 10:00 A.M., CDT

Award Expected: 6:00 P.M., CDT

THE SALE

NOTES OFFERED FOR SALE BY COMPETITIVE BIDDING: The City Council of the City is inviting competitive bids for the purchase of \$3,485,000* Tax Notes, Series 2026 (the “Notes”). 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 Notes,” 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., CDT, on Wednesday, May 13, 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., CDT, 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 Parity Customer Support, 40 West 23rd Street, 5th Floor, New York, New York 10010, (212) 404-8102.

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 Notes 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., CDT, 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., CDT, on the Sale Date.

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

*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.

PLACE AND TIME OF BID OPENING: The City Council is expected to award the sale of the Notes at the City’s regular meeting place at 2801 Ranch Road 1869, Liberty Hill, Texas, 78642, at 6:00 P.M., CDT, on Wednesday, May 13, 2026. All bids, including those being hand delivered, must be received by 10:00 A.M., CDT. 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 NOTES: The City is expected to take action to award the Notes or reject any or all bids promptly upon the opening of bids. Upon awarding the Notes to the winning bidder (the “Initial Purchaser”), the City Council will adopt an ordinance authorizing the issuance of the Notes (the “Ordinance”). Sale of the Notes will be made subject to the terms, conditions and provisions of the Ordinance, to which 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., CDT, on Tuesday, May 12, 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: The Notes have been rated “AA+” by S&P Global Ratings (“S&P”) without regard to credit enhancement. See “Conditions to Delivery” and “No Material Adverse Change” herein.

THE NOTES

DESCRIPTION OF THE NOTES: The Notes will be dated June 3, 2026. Interest will accrue from the date of initial delivery, will be payable on March 1, 2027, and each September 1 and March 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 Notes 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 Notes will be made to the beneficial owners thereof.** The Notes 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 Notes. See the Preliminary Official Statement (made a part hereof) for a more complete description of the Notes, including redemption provisions.

MATURITY SCHEDULE*

Year (September 1)	Principal Amount
2027	\$ 1,780,000
2028	1,705,000

NO OPTIONAL REDEMPTION PROVISIONS: The Notes are **not** subject to redemption prior to their stated maturities.

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 Notes”), each such Term Note shall be subject to mandatory sinking fund redemption commencing on September 1 of the first year which has been combined to form such Term Note and continuing on September 1 in each year thereafter until the stated maturity date of that Term Note. The amount redeemed in any year shall be equal to the principal amount for such year set forth above under the captioned “MATURITY SCHEDULE.” Notes 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 Notes to be mandatorily redeemed in each year shall be reduced by the principal amount of Term Notes 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 Notes and various covenants of the City are contained in the Ordinance, which is described in the Preliminary Official Statement, to which reference is made for all purposes.

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

SOURCE AND SECURITY OF PAYMENT: The Notes constitute direct obligations of the City, payable from a continuing ad valorem tax levied on all taxable property within the City, within the limits prescribed by law, as provided in the Ordinance.

BOOK-ENTRY-ONLY SYSTEM: The City intends to utilize the book-entry-only system of DTC. See “THE NOTES – 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 Notes) 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 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 commercial bank, a trust company organized under the laws of the State of Texas, or any other entity duly qualified and legally authorized to serve as and perform the duties and services of paying agent and registrar for the Note.

CONDITIONS OF THE SALE

TYPE OF BIDS AND INTEREST RATES: The Notes will be sold in one block on an “All or None” basis, and at a price of not less than 102.5% of their par value and not more than 114% of their par value. Bidders are invited to name the rate(s) of interest to be borne by the Notes, 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. 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 Notes 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 Notes 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 Notes on the basis of semiannual compounding, produces an amount equal to the sum of the par value of the Notes 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 Notes 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 Notes 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 Notes by more than 15% from the amount set forth herein. The dollar amount bid for the Notes by the winning bidder will be adjusted proportionately to reflect any increase or decrease in the aggregate principal amount of the Notes 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 Notes 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 Notes 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 Notes and/or the maturity schedule for the Notes made by the City or its Financial Advisor shall be subsequent to the award of the Notes 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 Notes 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 Notes, 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 \$69,700, 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 Notes, (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 Notes; or (b) will be retained by the City as liquidated damages if the Initial Purchaser defaults with respect to its purchase of the Notes in accordance with its bid; or (c) will be returned to the Initial Purchaser if the Notes 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 Notes 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 Notes 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-Notes”), and (c) item 3 — description of the goods or services assigned to this contract by the City (“Tax Notes, 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 and Financial Advisor at dan@spfmuni.com no later than 3:00 p.m. CDT 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 Notes 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 NOTE: Initial delivery ("Initial Delivery") will be accomplished by the issuance of one initial note payable in installments (collectively, the "Initial Note"), either in typed or printed form, in the aggregate principal amount of \$3,485,000*, 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 Acting Comptroller of Public Accounts of Texas or his authorized deputy. Upon delivery of the Initial Note, the Paying Agent/Registrar shall immediately cancel the Initial Note and one definitive Note 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 Notes 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 Notes. It is anticipated that Initial Delivery can be made on or about June 3, 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 Notes by 10:00 A.M., CDT, on June 3, 2026, or thereafter on the date the Notes are tendered for delivery, up to and including June 17, 2026 (the "Delivery Date"). If for any reason the City is unable to make delivery on or before June 17, 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 Notes, but neither the failure to print such number on any Note 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 Notes 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 Notes are awarded or as soon thereafter as practicable.

CONDITIONS TO DELIVERY: The obligation to take up and pay for the Notes is subject to the following conditions: issuance of an approving opinion of the Attorney General of Texas, the Initial Purchaser's receipt of typewritten notes, 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 Notes 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 Notes, 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 Notes are valid and binding obligations of the City, payable from a continuing direct annual ad valorem tax, within the limits prescribed by law, upon all taxable property in the City as described and provided in the Ordinance, 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 Notes 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."

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

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 Notes, the City will treat (i) the first price at which 10 percent of a maturity of the Notes 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 Notes 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 Notes, the Initial Purchaser agrees to promptly report to Specialized Public Finance Inc. the prices at which it sells Notes of that maturity to the public. This reporting obligation shall continue, whether or not the Notes 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 Notes, 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 Notes; restraining or enjoining the authorization, execution or delivery of the Notes; affecting the provision made for the payment of or security for the Notes; in any manner questioning the authority or proceedings for authorization, execution or delivery of the Notes; or affecting the validity of the Notes, 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 Notes and of the Initial Purchaser to accept delivery of and pay for the Notes are subject to the condition that to the time of delivery of and receipt of payment for the Notes, there shall have been no material adverse change in the financial 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 Notes 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 Notes.

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 Notes but is merely notice of sale of the Notes. The invitation for bids on the Notes 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 Notes, 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 “LEGAL MATTERS – Certification Regarding the Official Statement and No Litigation.”

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 Notes 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 Notes 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 Notes 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 Notes have been sold to ultimate customers. In the event the Initial Purchaser provides written notice to the City that less than all of the

Notes 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 Notes, 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 Notes 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 NOTES FOR SALE: The offer and sale of the Notes has not been registered or qualified under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder; and the Notes have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein, nor have the Notes been registered or qualified under the securities acts of any other jurisdiction. The City assumes no responsibility for registration or qualification of the Notes under the securities laws of any jurisdiction in which the Notes may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Notes 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 Notes 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 Notes in accordance with the securities laws of the state in which the Notes 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 Notes 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. For fiscal year ending September 30, 2024, the City did not post its annual disclosure report until April 2, 2025

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 APRIL 27, 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 April 27, 2026, relating to the City of Liberty Hill, Texas (the "City") \$3,485,000* Tax Notes, Series 2026 (the "Notes"), as made a part hereof. We realize that the Notes 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 Notes.

For your legally issued Notes, in the aggregate principal amount of \$3,485,000*, we will pay you a price of \$ _____, representing approximately _____% of the par value. Such Notes mature September 1, in each of the years and in the amounts and interest rates shown below:

Maturity (September 1)	Principal Amount*
2027	\$ 1,780,000
2028	1,705,000

Of the principal maturities set forth in the table above, we have created term notes as indicated in the following table (which may include multiple term Notes, one term note or no term note if none is indicated). For those years which have been combined into a term note, 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 note maturity date shall mature in such year. The term notes created are as follows:

Term Note 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 Notes 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.

A wire transfer or a cashiers or certified check to the City in the amount of \$69,700 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 Notes 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.

For purposes of contracting for the sale of the Notes, the entity signing the bid form as Initial Purchaser shall be solely responsible for the payment of the purchase price of the Notes. 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.

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

The undersigned agrees to complete, execute and deliver to the City, within 5 business days of the award of sale of the Notes, a certificate relating to the "issue price" of the Notes 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 Notes, that it will neither offer nor sell the Notes of any maturity to any person at a price that is higher than the initial offering price to the public for the Notes 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 Notes 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 Notes 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 Notes, 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 Notes has not been registered under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder; the Notes have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Notes been registered or qualified under the securities acts of any other jurisdiction. We hereby represent the sale of the Notes 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 Notes in accordance with the securities laws and regulations of the jurisdiction in which the Notes 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 Notes 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 13th day of May, 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 Tax Notes, 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 Notes (the “Expected Offering Price”) to as the Public is set forth in the pricing wire or equivalent communication for the Notes, as attached to this Issue Price Certificate as **Schedule A**. The Expected Offering Prices are the prices for the Notes used by the Initial Purchaser in formulating its bid to purchase the Notes.

(2) The Initial Purchaser had an equal opportunity to bid to purchase the Notes 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 Notes.

(4) The Initial Purchaser has made a bona fide offering of all the Notes 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 Notes, except for Notes 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 Notes, 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 Notes 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 Notes 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 Notes during the Holding Period.

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

(i) *Hold-the-Offering-Price Maturities* means those Maturities of the Notes 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 Notes with the same credit and payment terms. Notes with different maturity dates, or Notes 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 Notes. The Sale Date of the Notes is May 13, 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 Notes 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 Notes 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 Notes to the Public).

(8) Please choose the appropriate statement:

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

() 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 Notes 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 Notes 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 Notes. In determining present value for this purpose, the yield of the Notes (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 Notes. No portion of the Fee is refundable upon redemption of any of the Notes 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 Notes, and by Orrick, Herrington & Sutcliffe LLP in connection with rendering its opinion that the interest on the Notes 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 Notes. 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

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT

Dated April 27, 2026

Rating:
S&P: “AA+”
(See “OTHER INFORMATION -
– Rating” 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 Notes 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 Notes is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that interest on the Notes 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 Notes. See “TAX MATTERS” herein.

**THE NOTES WILL NOT BE DESIGNATED AS “QUALIFIED TAX-EXEMPT
OBLIGATIONS” FOR FINANCIAL INSTITUTIONS.**



\$3,485,000*
CITY OF LIBERTY HILL, TEXAS
(A political subdivision of the State of Texas located in Williamson County)
TAX NOTES, SERIES 2026

Dated Date: June 3, 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 \$3,485,000* City of Liberty Hill, Texas Tax Notes, Series 2026 (the “Notes”) will accrue from the Delivery Date, will be payable on March 1 and September 1 of each year, until maturity or prior redemption, commencing March 1, 2027, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Notes 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 Notes may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Notes will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Notes 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 Notes (see “THE NOTES – Book-Entry-Only System”). The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas (see “THE NOTES – Paying Agent/Registrar”).

AUTHORITY FOR ISSUANCE . . . The Notes are issued pursuant to the Constitution and general laws of the State of Texas (the “State”), particularly Chapter 1431, Texas Government Code, as amended, and an ordinance (the “Ordinance”) to be adopted by the City Council of the City of Liberty Hill (the “City”). The Notes constitute direct obligations of the City, payable from a continuing ad valorem tax levied on all taxable property within the City, within the limits prescribed by law as described and provided in the Ordinance (see “THE NOTES – Authority for Issuance” and “THE NOTES – Security and Source of Payment”).

PURPOSE . . . Proceeds from the sale of the Notes will be used for the purposes of (i) financing road improvements, including the acquisition of land, and (ii) paying the costs of issuance of the Notes.

CUSIP PREFIX: 530572
MATURITY SCHEDULE
See Inside Cover Page

NO OPTIONAL REDEMPTION . . . The Notes are **not** subject to redemption prior to their stated maturities (see “THE NOTES – No Optional Redemption”). The Notes may be subject to mandatory sinking fund redemption in the event the Initial Purchaser elect to aggregate two or more consecutive maturities as term Notes.

LEGALITY . . . The Notes 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 C – Form of Bond Counsel’s Opinion”).

DELIVERY . . . It is expected that the Notes will be available for initial delivery through DTC on June 3, 2026 (the “Delivery Date”).

BIDS DUE WEDNESDAY, MAY 13, 2026 BY 10:00 A.M. CDT

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

MATURITY SCHEDULE*

<u>September 1</u> <u>Maturity</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Initial</u> <u>Yield</u>	<u>CUSIP</u> <u>Numbers⁽¹⁾</u>
2027	\$ 1,780,000			
2028	1,705,000			

(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 Notes 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 Notes. CUSIP numbers are included herein solely for the convenience of the owners of the Notes. 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.

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

THE NOTES 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 NOTES 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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The cover page hereof, this page, the appendices and schedule included herein and any addenda, supplement or amendment hereto, are part of the Preliminary Official Statement.

OFFICIAL STATEMENT SUMMARY

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

THE CITY	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”).
THE NOTES	The Notes are issued as \$3,485,000* City of Liberty Hill, Texas Tax Notes, Series 2026. The Notes are issued as serial Notes maturing on September 1 in each of the years 2027 through 2028, 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 Notes.
PAYMENT OF INTEREST	Interest on the Notes accrues from the Delivery Date and is payable on March 1, 2027, and each September 1 and March 1 thereafter until maturity or prior redemption (see “THE NOTES – Description of the Notes” and “THE NOTES – No Optional Redemption”).
AUTHORITY FOR ISSUANCE	The Notes are issued pursuant to the Constitution and general laws of the State, particularly Chapter 1431, Texas Government Code, as amended, and an ordinance (the “Ordinance”) to be adopted by the City Council of the City (see “THE NOTES – Authority for Issuance”).
SECURITY	The Notes are direct obligations of the City payable from the levy and collection of a direct and continuing ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City as provided in the Ordinance (see “THE NOTES – Security and Source of Payment”).
NO OPTIONAL REDEMPTION	The Notes are not subject to redemption prior to their stated maturities (see “THE NOTES – No Optional Redemption”). The Notes may be subject to mandatory sinking fund redemption, in the event the Initial Purchaser elects to aggregate two or more consecutive maturities as term Notes.
TAX EXEMPTION	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 Notes 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 Notes is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that interest on the Notes 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 Notes. See “TAX MATTERS” herein.
USE OF PROCEEDS	Proceeds from the sale of the Notes will be used for the purposes of (i) financing road improvements, including the acquisition of land, and (ii) paying the costs of issuance of the Notes.
MUNICIPAL BOND RATING	The Notes have been rated “AA+” by S&P Global Ratings (“S&P”) without regard to credit enhancement (see “OTHER INFORMATION – Rating”).

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

BOOK-ENTRY-ONLY SYSTEM..... The definitive Notes 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 Notes may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Notes will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Notes 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 Notes (see “THE NOTES – Book-Entry-Only System”).

PAYMENT RECORD The City has never defaulted in the payment of its debt.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Taxable Assessed Valuation Per Capita	G.O. Tax Debt Outstanding at End Of Year ⁽³⁾	Per Capita G.O. Tax Debt	G.O. Tax Debt to Taxable Assessed Valuation	% of Total Tax Collections
2022	9,023	\$ 602,597,837	\$ 66,785	\$ 9,375,000	\$ 1,039	1.56%	100.97%
2023	10,422	920,819,851	88,353	8,280,000	794	0.90%	99.27%
2024	11,984	1,266,583,665	105,690	7,160,000	597	0.57%	99.03%
2025	11,984	1,315,410,517	109,764	6,385,000	533	0.49%	99.18%
2026	11,984	1,311,498,668	109,437	9,070,000 ⁽⁴⁾	757 ⁽⁴⁾	0.69% ⁽⁴⁾	95.54% ⁽⁵⁾

- (1) Source: The Municipal Advisory Council.
- (2) Valuations shown are certified taxable assessed values reported by the Williamson Central Appraisal District (the “Appraisal District”) to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.
- (3) Includes self-supporting debt.
- (4) Projected; includes the Notes. Preliminary, subject to change.
- (5) Partial collections as of February 28, 2026

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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 ⁽¹⁾	City Secretary

(1) On March 25, 2026, the City Council appointed Beatrice Canseco as the City Secretary of the City with a start date of May 4, 2026.

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**

\$3,485,000*
CITY OF LIBERTY HILL, TEXAS
TAX NOTES, SERIES 2026

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of \$3,485,000* City of Liberty Hill, Texas Tax Notes, Series 2026 (the “Notes”). The Notes are issued pursuant to the authority granted to the City by Chapter 1431, Texas Government Code, as amended and an ordinance (the “Ordinance”) authorizing the issuance of the Notes expected to be adopted by the City Council of the City (“City Council”) on May 13, 2026. Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance, except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Notes 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 Notes 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 NOTES

DESCRIPTION OF THE NOTES . . . The Notes are dated June 3, 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 March 1 and September 1 of each year until maturity or prior redemption, commencing March 1, 2027. The definitive Notes 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 Notes will be made to the owners thereof.** Principal of, premium, if any, and interest on the Notes 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 Notes. See “Book-Entry-Only System” herein.

AUTHORITY FOR ISSUANCE . . . The Notes are being issued pursuant to the Texas Constitution and general laws of the State, particularly Chapter 1431, Texas Government Code, as amended, the Home Rule Charter, and the Ordinance.

SECURITY AND SOURCE OF PAYMENT . . . The Notes constitute direct obligations of the City, payable from a continuing ad valorem tax levied on all taxable property within the City, within the limits prescribed by law as provided in the Ordinance.

TAX RATE LIMITATION . . . Article XI, Section 5 of the State Constitution is applicable to the City and limits its maximum ad valorem tax rate to \$2.50 per \$100 taxable assessed valuation for all City purposes. Administratively, the Attorney General of Texas will permit the allocation of \$1.50 of the \$2.50 maximum tax rate for ad valorem tax debt service.

NO OPTIONAL REDEMPTION . . . The Notes are **not** subject to redemption prior to their stated maturities.

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

DEFEASANCE . . . The City reserves the right to defease or discharge the Note in any manner now or hereinafter permitted by applicable law.

NOTEHOLDERS' REMEDIES . . . The Ordinance establishes specific events of default with respect to the Notes. Upon the occurrence of an Event of Default, any Owner or an authorized representative thereof, including but not limited to, a trustee or trustees therefor, may proceed against the City for the purpose of protecting and enforcing the rights of the Owners under the Ordinance, by mandamus or other suit, action or special proceeding in equity or at law, in any court of competent jurisdiction, for any relief permitted by law, including the specific performance of any covenant or agreement contained therein, or thereby to enjoin any act or thing that may be unlawful or in violation of any right of the Owners thereunder or any combination of such remedies. It is provided that all such proceedings shall be instituted and maintained for the equal benefit of all Owners of the Notes then outstanding. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power, or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power shall be exercised from time to time and as often as may be deemed expedient.

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 Notes 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 Notes. 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 Notes 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 Notes is to be transferred and how the principal of, premium, if any, and interest on the Notes are to be paid to and credited by The Depository Trust Company ("DTC"), New York, New York, while the Notes 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 Notes, 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 Notes), 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 Notes. The Notes will be issued as fully-registered Notes 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 Note will be issued for each maturity of the Notes, 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 Notes. 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 rating of "AA+" by S&P Global Rating. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("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 Notes 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 Notes representing their ownership interests in Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes 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 Notes 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 Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes 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 Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes 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 Notes 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 Notes 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 Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Notes 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 Notes 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 Notes 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 Notes 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 Notes, 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 Notes 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 Notes. Upon any change in the Paying Agent/Registrar for the Notes, the City agrees to promptly cause a written notice thereof to be sent by the new Paying Agent/Registrar to each Owner of the Notes by United States mail, first class, postage prepaid, at the address in the Register, stating the effective date of the change and the name and mailing address of the replacement Paying Agent/Registrar.

TRANSFER, EXCHANGE AND REGISTRATION . . . So long as any Note remains outstanding, the Paying Agent/Registrar will keep the Register at the Designated Payment/Transfer Office in which, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of the Note in accordance with the terms of the Ordinance.

The ownership of a Note may be transferred, only upon the presentation and surrender of the Note at the Designated Payment/Transfer Office of the Paying Agent/Registrar with such endorsement or other evidence of transfer as is acceptable to the Paying Agent/Registrar. No transfer of any Note shall be effective until entered in the Register. A new Note will be delivered by the Paying Agent/Registrar, in lieu of the Note being transferred or exchanged, at the Designated Payment/Transfer Office, or sent by United States mail, first class, posted prepaid, to the Owner or his designee.

The District or the Paying Agent/Registrar may require the Owner of any Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connections with the transfer or exchange of such Bond. Any fee or charge of the Paying Agent/Registrar for such transfer or exchange shall be paid by the District.

In the event the Book-Entry-Only System should be discontinued, the Notes 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. Notes may be assigned by the execution of an assignment form on the respective Notes or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Notes will be delivered by the Paying Agent/Registrar, in lieu of the Notes 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 Notes 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 Notes 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 Notes.

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 (15th) 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 Note 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 . . . In the Ordinance, the City has reserved the right to, without the consent of or notice to any Owners, from time to time and at any time, amend the Ordinance in any manner not detrimental to the interests of the Owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the City may, with the consent of the Owners holding a majority in aggregate principal amount of the Note then Outstanding, amend, add to, or rescind any of the provisions of the Ordinance; provided that, without the written consent of all Owners, no such amendment, addition, or rescission shall (a) extend the time or times of payment of the principal of and interest on the Note, reduce the principal amount thereof, the redemption price therefor, or the rate of interest thereon, or in any other way modify the terms of payment of the principal and interest thereon; (b) give any preference to any Note over any other Note; or (c) reduce the aggregate principal amount of the Note required to be held by Owners for consent to any such amendment, addition, or rescission.

PURPOSE . . . Proceeds from the sale of the Notes will be used for the purposes of (i) financing road improvements, including the acquisition of land, and (ii) paying the costs of issuance of the Notes.

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

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

AD VALOREM PROPERTY TAX INFORMATION

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

2025 LEGISLATIVE SESSION . . . The regular session of the 89th Texas Legislature convened on January 14, 2025, and concluded on June 2, 2025 (the "89th Regular Session"). The Texas Legislature (the "Legislature") meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. The Governor has called, and the Legislature has concluded two special sessions since the conclusion of the 89th Regular Session.

During the 89th Regular Session, the Legislature adopted a general appropriations act and legislation affecting ad valorem taxation procedures and the procedures of issuing debt affecting cities among other legislation affecting cities. Adopted legislation affecting ad valorem taxation procedures include legislation that (i) changes the procedure for the adoption of and imposes limits on the amount of an M&O tax increase that may be adopted in response to declared disasters, (ii) makes technical modifications to the tax rate setting process, and (iii) makes intangible personal property exempt from ad valorem taxation. The City is reviewing the impact of the legislation approved during the 89th Regular Session and the two called special sessions and cannot make any representations regarding the likelihood of future legislative sessions or the full impact of the legislation approved during the 89th Regular Session or the two called special sessions at this time.

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

and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

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

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

Through December 31, 2026, an appraisal district is prohibited from increasing the appraised value of real property during the 2025 tax year on certain non-homestead properties (the "Subjected Property") whose appraised values are not more than \$5,160,000 (the "maximum property value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property. After the 2025 tax year, through December 31, 2026 (unless extended by the Legislature), the maximum property value may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the maximum property value.

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the City, in establishing their tax rolls and tax rates.

STATE MANDATED HOMESTEAD EXEMPTIONS . . . State law grants, with respect to each taxing unit in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty.

LOCAL OPTION HOMESTEAD EXEMPTIONS . . . The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the market value of all homesteads (but not less than \$5,000) and (2) an additional exemption of the market value of the homesteads of persons 65 years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable.

LOCAL OPTION FREEZE FOR THE ELDERLY AND DISABLED . . . The governing body of a county, municipality or junior college district may, at its option, provide for a freeze on the total amount of ad valorem taxes levied on the homesteads of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon voter initiative, an election may be held to determine by majority vote whether to establish such a freeze on ad valorem taxes. Once the freeze is established, the total amount of taxes imposed on such homesteads cannot be increased except for certain improvements, and such freeze cannot be repealed or rescinded.

PERSONAL PROPERTY . . . Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property. Pursuant to voter approval at a Statewide election held on November 4, 2025, legislation passed by the Legislature and signed by the Governor during the 89th Regular Session will provide a person to an exemption from taxation by a taxing unit of \$125,000 of the appraised value of the tangible personal property the person owns that is held or used for the production of income and has taxable situs at the same location in the taxing unit. A person who leases tangible personal property is also entitled to a tax exemption of \$125,000, regardless of where the property is located in the taxing unit.

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

not include special inventories such as motor vehicles or boats in a dealer's retail inventory. A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

OTHER EXEMPT PROPERTY . . . Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property. Beginning with the 2026 tax year, all intangible personal property is exempt from State taxation.

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

TAX ABATEMENT AGREEMENTS . . . Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years. See "-- City Application of Tax Code" below for descriptions of any of the City's tax abatement agreements.

For a discussion of how the various exemptions described above are applied by the City, see "-- City Application of Tax Code" herein.

CHAPTER 380 AGREEMENTS . . . Cities are also authorized, pursuant to Chapter 380, Texas Local Government Code, as amended ("Chapter 380"), to establish programs to promote state or local economic development and to stimulate business and commercial activity in the city. In accordance with a program established pursuant to Chapter 380, a city may make loans or grants of public funds for economic development purposes, however no obligations secured by ad valorem taxes may be issued for such purposes unless approved by voters of the city.

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

"adjusted" means lost values are not included in the calculation of the prior year's taxes and new values are not included in the current year's taxable values.

"de minimis rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted), plus the rate that produces an additional \$500,000 in tax revenue when applied to the current year's taxable value, plus the debt service tax rate.

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

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

"unused increment rate" means the greater of (i) zero; or (ii) the sum of the foregone revenue amount for each of the tax years 2022 through 2024 divided by the current total value.

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

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

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

If a city fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the city for the preceding tax year. Furthermore, beginning for tax year 2026, if the Texas Attorney General determines that a city did not have its audited annual financial statements on file with its city secretary or clerk before the 180th day after the city's fiscal year end, the city may not adopt an ad valorem tax rate that exceeds the city's no-new-revenue tax rate.

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

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

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

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

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

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

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

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

DEBT TAX RATE LIMITATIONS . . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax-supported debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$2.50 per \$100 of Taxable Assessed Valuation. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.50 of the \$2.50 maximum tax rate for all debt service on ad valorem tax supported debt, as calculated at the time of issuance.

CITY AND TAXPAYER REMEDIES . . . Under certain circumstances, the City and its taxpayers may appeal the determinations of the Appraisal District by timely initiating a protest with the Appraisal Review Board. Additionally, taxing units such as the City may bring suit against the Appraisal District to compel compliance with the Property Tax Code. Owners of certain property (being (i) commercial real and personal property, (ii) real and personal property of utilities, (iii) industrial and manufacturing real and personal property, and (iv) multifamily residential real property) with a taxable value in excess of the current year "minimum eligibility amount," as determined by the State Comptroller, and situated in a county with a population of 1.2 million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at \$62,883,169 for the 2026 tax year and is adjusted annually by the State Comptroller to reflect the inflation rate. The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the City and provides for taxpayer referenda that could result in the repeal of certain tax increases (see "– Public Hearing and Maintenance and Operation Tax Rate Limitations"). The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

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

PROPERTY ASSESSMENT AND TAX PAYMENT . . . Property within the City is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of a valuation process that uses pricing information in either the standard edition of the Annual Energy Outlook or, if the most recently published edition of the Annual Energy Outlook was published before December 1 of the preceding calendar year, the Short-Term Energy Outlook report published in January of the current calendar year. Taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Certain taxpayers, including the disabled, persons 65 years or older and disabled veterans, who qualified for certain tax exemptions, are permitted by State law to pay taxes on homesteads in four installments with the first due before February 1 of each year and the final installment due before August 1.

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

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

After July, penalty remains at 12%, and interest increases at the rate of 1% each month. In addition, if an account is delinquent in July an attorney’s collection fee of up to 20% may be added to the total tax penalty and interest charge. Under certain circumstances, taxes which become delinquent on the homestead of a taxpayer 65 years old or older incur a penalty of 8% per annum with no additional penalties or interest assessed. In general, property subject to the City’s lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

CITY APPLICATION OF TAX CODE . . . The City grants a local option exemption to the market value of the residence homestead of persons 65 years of age or older and the disabled of \$3,000.

The City grants an additional local option exemption of 1% of the market value of residence homesteads; minimum exemption of \$5,000.

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

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

The City does not tax nonbusiness personal property and the Williamson Central Appraisal District collects taxes for the City.

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

The City has not taken action to tax freeport property. The City has not taken action to tax goods-in-transit.

The City does collect an additional half cent sales tax for economic development.

The City does collect an additional one-fourth cent sales tax for a street maintenance fund.

The City does not have a sales tax reduction of ad valorem taxes.

TAX INCREMENT FINANCING ZONES . . . The City has created “Reinvestment Zone Number Two, City of Liberty Hill, Texas” (“TIRZ No. 2”) to facilitate the development of certain public improvements within the Summerlyn West development.

The City has created “Reinvestment Zone Number Two, City of Liberty Hill, Texas” (“TIRZ No. 3”) to facilitate the development of certain public improvements within the Butler Farms development.

The City has created “Reinvestment Zone Number Four, City of Liberty Hill, Texas” (“TIRZ No. 4”) to facilitate the development of certain public improvements within the Downtown District.

TABLE 1 – VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2025/26 Market Valuation Established by Williamson Central Appraisal District (excluding totally exempt property and exempt agricultural use value)		\$ 1,412,173,348
Less Exemptions/Reductions		<u>100,674,680</u>
2025/26 Taxable Assessed Valuation		\$ 1,311,498,668
Debt Payable from Ad Valorem Taxes (as of 3/1/2026)		\$ 6,385,000
The Notes		<u>3,485,000</u> ⁽¹⁾
Debt Payable from Ad Valorem Taxes		\$ 9,870,000
Less: Self-Supporting Debt		<u>(2,910,000)</u>
Net Debt Payable from Ad Valorem Taxes		\$ 6,960,000
Interest and Sinking Fund (as of 3/1/2026)		\$ 2,168,006
Ratio Tax Supported Debt to Taxable Assessed Valuation		0.53%

2026 Estimated Population - 11,984
Per Capita Taxable Assessed Valuation - \$109,437
Per Capita Net Debt Payable from Ad Valorem Taxes - \$581

(1) Preliminary, subject to change.

TABLE 2 – VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Taxable Assessed Valuation Per Capita	Funded Debt Outstanding at End Of Year ⁽³⁾	Ratio of G.O. Tax Debt to Taxable Assessed Valuation	Funded Debt Per Capita
2022	9,023	\$ 602,597,837	\$ 66,785	\$ 9,375,000	1.56%	\$ 1,039
2023	10,422	920,819,851	88,353	8,280,000	0.90%	794
2024	11,984	1,266,583,665	105,690	7,160,000	0.57%	597
2025	11,984	1,315,410,517	109,764	6,385,000	0.49%	533
2026	11,984	1,311,498,668	109,437	9,070,000 ⁽⁴⁾	0.69%	757

(1) Source: The Municipal Advisory Council.

(2) Valuations shown are certified taxable assessed values reported by the Williamson Central Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

(3) Includes self-supporting debt.

(4) Projected; includes the Notes. Preliminary, subject to change.

TABLE 3 – TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2022	\$ 0.4545	\$ 0.2749	\$ 0.1796	\$ 2,739,163	100.93%	100.97%
2023	0.4546	0.2905	0.1641	4,379,543	99.17%	99.27%
2024	0.4545	0.2895	0.1650	5,723,722	98.90%	99.03%
2025	0.4830	0.3180	0.1650	6,353,433	98.96%	99.18%
2026	0.4694	0.3044	0.1650	6,156,267	94.78% (1)	95.54% (1)

(1) Partial collections as of February 28, 2026.

TABLE 4 – TEN LARGEST TAXPAYERS

Name of Taxpayer	2025/26 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
ELH Land Owner LLC	\$ 31,531,389	2.40%
Dilley Development LLC	15,422,606	1.18%
RT 29 Development LLC	13,250,000	1.01%
Merridell Achievement Center Inc	13,364,369	1.02%
GCK Real Estate LLC	12,352,344	0.94%
Oldcastle Materials Texas Production Assets	11,582,240	0.88%
AGAP Liberty Hills LLC	11,209,100	0.85%
Benmark Supply	9,040,164	0.69%
JSAK Holdings LP	9,000,000	0.69%
Liberty Trails LP	7,750,000	0.59%
	<u>\$ 134,502,212</u>	<u>10.26%</u>

TABLE 5 – ESTIMATED OVERLAPPING DEBT

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

Taxing Jurisdiction	Total G.O. Tax Debt	Estimated % Applicable	City's Overlapping G.O. Tax Debt as of 3/31/2026
City of Liberty Hill	\$ 6,960,000	100.00%	\$ 6,960,000 (1)
Liberty Hill ISD	958,847,702	10.97%	105,185,593
Williamson County	1,261,500,000	1.00%	<u>12,615,000</u>
Total Direct and Overlapping Net Funded Debt			\$ 124,760,593 (1)
Ratio of Direct and Overlapping Net Funded Debt to Taxable Assessed Valuation			9.51% (1)
Per Capita Direct and Overlapping Net Funded Debt			\$ 10,411 (1)

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

DEBT INFORMATION

TABLE 6 – PRO-FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 9/30	Outstanding Debt			The Notes ⁽¹⁾			Self- Supporting Debt	Total Tax- Supported Debt Service
	Principal	Interest	Total	Principal	Interest	Total		
	2026	\$ 800,000	\$ 230,750	\$ 1,030,750	\$ -	\$ -		
2027	815,000	211,075	1,026,075	1,780,000	216,844	1,996,844	332,800	2,690,119
2028	405,000	190,800	595,800	1,705,000	85,250	1,790,250	333,800	2,052,250
2029	420,000	174,600	594,600	-	-	-	334,400	260,200
2030	435,000	157,800	592,800	-	-	-	329,600	263,200
2031	450,000	140,400	590,400	-	-	-	329,600	260,800
2032	475,000	122,400	597,400	-	-	-	334,200	263,200
2033	495,000	103,400	598,400	-	-	-	333,200	265,200
2034	510,000	83,600	593,600	-	-	-	331,800	261,800
2035	530,000	63,200	593,200	-	-	-	330,000	263,200
2036	555,000	42,000	597,000	-	-	-	332,800	264,200
2037	245,000	19,800	264,800	-	-	-	-	264,800
2038	250,000	10,000	260,000	-	-	-	-	260,000
	<u>\$ 6,385,000</u>	<u>\$ 1,549,825</u>	<u>\$ 7,934,825</u>	<u>\$ 3,485,000</u>	<u>\$ 302,094</u>	<u>\$ 3,787,094</u>	<u>\$ 3,653,600</u>	<u>\$ 8,068,319</u>

(1) Interest on the Notes has been calculated at an assumed rate for purposes of illustration. Preliminary, subject to change.

AUTHORIZED BUT UNISSUED GENERAL OBLIGATION DEBT . . . None.

ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT . . . The City does not anticipate issuing any tax supported debt within the next 6 months.

OTHER OBLIGATIONS . . . For more information on other obligations, see Notes to Financial Statements, III.D. “Detailed Notes on All Funds, Long-Term Debt,” in the Excerpts from the City’s Annual Financial Report for Fiscal Year Ended September 30, 2025, attached hereto as APPENDIX B. The City does not have any additional outstanding leases as of March 1, 2026.

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 6.62% and 6.58% in calendar years 2025 and 2024, respectively. The City’s contributions to TMRS for the fiscal year ended September 30, 2025 were \$427,271, which were equal to the required contributions. (For more detailed information concerning the retirement plan, see Notes to Financial Statements, IV.D. “Other Information, Pension Plan” in the Excerpts from the City’s Annual Financial Report for Fiscal Year Ended September 30, 2025, attached hereto as APPENDIX B.)

OTHER POST-EMPLOYMENT BENEFITS . . . In addition to providing pension benefits through the TMRS, the City has opted to provide eligible retired employees with post-employment group term life insurance coverage.

The Governmental Accounting Standards Board (“GASB”) released the Statement of General Accounting Standards No. 45 (“GASB 45”), Accounting by Employers for Other Post-Employment Benefits (“OPEB”), in June 2004. The City was required to implement GASB 45, for the fiscal year beginning October 1, 2008. GASB 45 sets forth standards for the measurement, recognition, and display of post-employment benefits, other than pensions, such as health and life insurance for current and future retirees. Those subject to this pronouncement are required to: (i) measure the cost of benefits, and recognize other post-employment benefits expense, on the accrual basis of accounting over the working lifetime of the employees; (ii) provide information about the actuarial liabilities for promised benefits associated with past services and whether, or to what extent, the future costs of those benefits have been funded; and (iii) provide information useful in assessing potential demands on the employer’s future cash flows. The employer’s contributions to OPEB costs that are less than an actuarially determined annual require contribution will result in a net OPEB cost, which under GASB 45 will be required to be recorded as a liability in the employer’s financial statements.

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FINANCIAL INFORMATION

TABLE 7 – GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Year Ending September 30,				
	2025	2024	2023	2022	2021
<u>Revenues:</u>					
Taxes	\$ 8,698,912	\$ 7,549,149	\$ 5,999,697	\$ 4,873,593	\$ 3,042,219
Fines and Forfeitures	385,276	304,363	396,590	534,995	394,777
Licenses and Permits	1,391,196	1,484,103	1,419,278	2,507,377	3,316,740
Development Agreements	87,000	580,774	854,155	201,969	17,520
Investment Earnings	756,538	874,291	756,321	103,841	129,238
Intergovernmental	4,779	128,669	-	-	-
Other	220,154	196,868	687,249	1,149,243	1,535,586
Total Revenues	<u>\$ 11,543,855</u>	<u>\$ 11,118,217</u>	<u>\$ 10,113,290</u>	<u>\$ 9,371,018</u>	<u>\$ 8,436,080</u>
<u>Expenditures:</u>					
General Government	\$ 4,238,079	\$ 2,631,997	\$ 3,267,039	\$ 2,810,361	\$ 2,302,487
Municipal Court	340,396	318,807	282,829	259,854	225,537
Development Services	2,174,883	2,166,018	1,703,302	1,070,432	670,997
Police Department	3,147,619	2,868,735	2,484,256	2,071,120	1,905,136
Parks and Recreation	800,369	785,969	1,010,412	1,332,882	509,756
Streets	323,522	210,014	-	-	-
Community Engagement	487,180	423,762	-	-	-
Capital Outlay	470,789	434,952	144,180	281,391	329,905
Debt Service	313,869	176,852	216,384	-	-
Total Expenses	<u>\$ 12,296,706</u>	<u>\$ 10,017,106</u>	<u>\$ 9,108,402</u>	<u>\$ 7,826,040</u>	<u>\$ 5,943,818</u>
Excess (Deficiency) of Revenues over Expenditures	\$ (752,851)	\$ 1,101,111	\$ 1,004,888	\$ 1,544,978	\$ 2,492,262
Operating Transfers In	\$ 1,742,706	\$ 1,822,628	\$ -	\$ 5,040,752	\$ -
Proceeds from Capital Lease	217,117	-	-	-	129,845
Operating Transfers Out	(19,293)	(2,335,587)	(887,400)	(312,854)	-
Net Increase (Decrease)	\$ 1,187,679	\$ 588,152	\$ 117,488	\$ 6,272,876	\$ 2,622,107
Fund Balance at Beginning of Year	15,058,976	14,470,824	14,390,694	8,212,228	5,590,121
Adjustments to Fund Balance	(73,190)	-	(37,358)	(94,410)	-
Fund Balance at End of Year	<u>\$ 16,173,465</u>	<u>\$ 15,058,976</u>	<u>\$ 14,470,824</u>	<u>\$ 14,390,694</u>	<u>\$ 8,212,228</u>

Source: The City's audited financial statements.

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TABLE 8 – MUNICIPAL SALES TAX HISTORY

The City has adopted the Municipal Sales and Use Tax Act, Chapter 321, Texas Tax Code, which grants the City the power to impose and levy a 1.0% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the Obligations. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts of the State of Texas, which remits the proceeds of the tax after deduction of a 2% service fee to the City monthly.

Fiscal Year Ended 9/30	Total Collected ⁽¹⁾	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita
2022	\$ 2,975,726	108.64%	\$ 0.4938	\$ 286
2023	2,988,394	68.24%	0.3245	249
2024	3,660,161	63.95%	0.2890	305
2025	4,374,264	69.42%	0.3325	365
2026	1,031,826 ⁽²⁾	16.76%	0.0787	86

(1) Excludes 1/2% sales and use tax collected for economic development. Includes 1/4% sales and use tax collected for street maintenance fund.

(2) Partial collections as of March 1, 2026.

The Tax Code provides certain cities and counties the option of assessing a maximum one-half percent (1/2%) sales tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional tax is approved and levied, the ad valorem property tax levy must be reduced by the estimated amount of the sales tax revenues to be generated in the current year. Subject to the approval of a majority of the voters in a local option election, state law also provides certain cities the option of assessing a sales and use tax for a variety of other purposes, including economic and industrial development, municipal street maintenance and repair, and sports and community venues. The City has not adopted this local option.

State law limits the maximum aggregate sales and use tax rate in any area to 8¼%. Accordingly, the collection of local sales and use taxes in the area of the City (including sales and use taxes levied by the City) is limited to no more than 2% (when combined with the State sales and use tax rate of 6¼%).

The City collects a one-fourth percent (1/4%) sales and use tax for a street maintenance fund and an additional one-half percent (1/2%) sales and use tax for economic development. Levy of the additional sales and use tax began on October 1, 1995.

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 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.

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) 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 9 – CURRENT INVESTMENTS

As of February 28, 2026 (unaudited), the City’s investable funds were invested in the following categories:

<u>Investments</u>	<u>Market Value</u>	<u>% of Total</u>
TexPool	\$ 29,819,709	27.78%
Cash	39,314,157	36.62%
TexasCLASS	38,217,608	35.60%
	<u>\$107,351,474</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.

CYBERSECURITY

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.

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 Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”). In the further opinion of Bond Counsel, interest on the Notes is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that interest on the Notes 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 Notes. Complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX C hereto.

To the extent the issue price of any maturity of the Notes is less than the amount to be paid at maturity of such Notes (excluding amounts stated to be interest and payable at least annually over the term of such Notes), 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 Notes which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Notes is the first price at which a substantial amount of such maturity of the Notes 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 Notes accrues daily over the term to maturity of such Notes 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 Notes to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Notes. Beneficial Owners of the Notes should consult their own tax advisors with respect to the tax consequences of ownership of Notes with original issue discount, including the treatment of Beneficial Owners who do not purchase such Notes in the original offering to the public at the first price at which a substantial amount of such Notes is sold to the public.

Notes 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 Notes”) 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 Notes, 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 Note, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Notes 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 Notes. The City has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Notes 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 Notes being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Notes. 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 Notes may adversely affect the value of, or the tax status of interest on, the Notes. 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 Notes 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 Notes 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 Notes 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 Notes. Prospective purchasers of the Notes 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 Notes 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 Notes ends with the issuance of the Notes, and, unless separately engaged, Bond Counsel is not obligated to defend the City or the Beneficial Owners regarding the tax-exempt status of the Notes in the event of an audit examination by the IRS. Under current procedures, 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 Notes 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 Notes, and may cause the City or the Beneficial Owners to incur significant expense.

Payments on the Notes 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 Notes may be subject to backup withholding with respect to "reportable payments," which include interest paid on the Notes and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Notes. 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 Notes. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Notes. 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.

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 4 and 6 through 9 and in APPENDIX B. The City will update and provide this information within 6 months after the end of each fiscal year ending in or after 2026.

The City may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the City will provide unaudited financial statements by the required time and audited financial statements when and if such audited financial statements become 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's current fiscal year end is September 30. Accordingly, it must provide updated information by March 31 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB.

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 shall provide notice of any of the following events with respect to the Notes to the MSRB in a timely manner and not more than 10 business days after the occurrence of the event: (i) principal and interest payment delinquencies; (ii) nonpayment related defaults, if material; (iii) unscheduled draws on debt service reserves reflecting financial difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers, or their failure to perform; (vi) 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 Notes, or other material events affecting the tax status of the Notes; (vii) modifications to the rights of Owners, if material; (viii) bond calls, if material and tender offers; (ix) defeasance; (x) release, substitution or sale of property securing repayment of the Notes, if material; (xi) rating changes; (xii) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (xiii) the consummation of a merger, consolidation or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (xiv) appointment of a successor or additional paying agent/registrars or the change of name of a paying agent/registrars, if material.

For these purposes, any event described in the immediately preceding clause (xii) 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 or 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 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 of governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

The City shall notify the MSRB, in a timely manner, of any failure by the City to provide financial information or operating data in accordance with the foregoing provisions by the time required therein.

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 Notes in accordance with the Rule as amended.

LIMITATIONS AND AMENDMENTS . . . The City has agreed to update information and to provide notices of material 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, 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 Notes 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 Notes 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 Notes 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 Notes 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 Notes. 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 Notes in the primary offering of the Notes.

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. For fiscal year ending September 30, 2024, the City did not post its annual disclosure report until April 2, 2025.

OTHER INFORMATION

RATING . . . The Notes have been rated “AA+” by S&P Global Ratings (“S&P”) without regard to credit enhancement. 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 Notes.

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 Notes or the legal ability of the City to issue the same. With the delivery of the Notes, 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 Notes; restraining or enjoining the authorization, execution or delivery of the Notes; affecting the provision made for the payment of or security for the Notes; in any manner questioning the authority or proceedings for authorization, execution or delivery of the Notes; or affecting the validity of the Notes, 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 NOTES FOR SALE . . . The sale of the Notes 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 Notes have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Notes been qualified under the securities acts of any jurisdiction. The City assumes no responsibility for qualification of the Notes under the securities laws of any jurisdiction in which the Notes may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Notes 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 Notes 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 Notes by municipalities or other political subdivisions or public agencies of the State of Texas, the PFIA, Chapter 2256, Texas Government Code, requires that the Notes be assigned a rating of “A” or its equivalent as to investment quality by a national rating agency. See “OTHER INFORMATION – Rating” herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Notes are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Notes 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 Notes are legal investments for various institutions in those states.

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LEGAL MATTERS

LEGAL OPINION . . . Issuance of the Notes is subject to the approving legal opinion of the Attorney General of Texas to the effect that the Notes are valid and binding obligations of the City payable from a continuing direct annual ad valorem tax, within the limits prescribed by law, upon all taxable property in the City as provided in the Ordinance. Issuance of the Notes 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 Notes, to the effect that the Notes are valid and binding 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 NOTES," (except for the information under the subcaptions "Noteholders' 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 Notes for Sale" and "– Legal Investments and Eligibility to Secure Public Funds in Texas," "LEGAL MATTERS – Legal Opinion," and "APPENDIX C – 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 Notes. In connection with the issuance of the Notes, 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 Notes are based upon a percentage of Notes actually issued, sold and delivered, and therefore, such fees are contingent upon the sale and delivery of the Notes.

The legal opinion to be delivered concurrently with the delivery of the Notes 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 Notes. The Financial Advisor's fee for services rendered with respect to the sale of the Notes is contingent upon the issuance and delivery of the Notes. 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 Notes, 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 Notes, the City accepted the bid of _____ (the "Initial Purchaser") to purchase the Notes 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 Notes after their sale by the City to the Initial Purchaser. The City has no control over the price at which the Notes are subsequently sold and the initial yield at which the Notes 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 Notes, 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 Notes, 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 Notes or that affects the payment and security of the Notes or in any other manner questioning the issuance, sale or delivery of the Notes.

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 Notes 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 Notes by the Initial Purchaser.

Mayor
City of Liberty Hill, Texas

ATTEST:

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

	<u>Williamson County</u>	
	<u>February 2026</u>	<u>February 2025</u>
Total Civilian Labor Force	433,428	429,513
Total Employment	417,127	413,604
Total Unemployment	16,301	15,909
Percent Unemployed	3.8%	3.7%

	<u>State of Texas</u>	
	<u>February 2026</u>	<u>February 2025</u>
Total Civilian Labor Force	15,903,182	15,831,790
Total Employment	15,201,223	15,157,168
Total Unemployment	701,959	674,622
Percent Unemployed	4.4%	4.3%

APPENDIX B

**EXCERPTS FROM THE
CITY OF LIBERTY HILL, TEXAS
ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2025**

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, 2025, 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, 2025, 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, 2025, 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 activities, business-type activities, component unit activities, general fund, debt service fund, capital improvement fund, nonmajor governmental funds, water fund, and wastewater treatment fund due to prior year accounting errors and the New Acct. Standard–GASB 101, *Compensated Absences*. 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 March 25, 2026 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.



BrooksWatson & Co.
Certified Public Accountants
Houston, Texas
March 25, 2026

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

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City of Liberty Hill, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

September 30, 2025

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, 2025.

Financial Highlights

- The City's total combined net position is \$175,778,926 at September 30, 2025. Of this, \$44,731,510 (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 \$16,168,846, or 131% of total general fund expenditures.
- The City had an overall increase in net position of \$14,950,283.

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, 2025

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, 2025

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 \$175,778,926 as of September 30, 2025, in the primary government.

The largest portion of the City's net position, \$73,092,861, 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, \$57,954,555, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$44,731,510 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

Current and other assets of business-type activities as of September 30, 2025 and September 30, 2024 were \$47,911,769 and \$55,639,308, respectively. The decrease of \$7,727,539 was primarily due to cash outflows for capital improvements during the year.

City of Liberty Hill, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2025

Capital assets of business-type activities as of September 30, 2025 and September 30, 2024 were \$113,134,972 and \$95,347,811, respectively. The increase of \$17,787,161 was due to capital improvements during the year.

Total deferred inflows of the primary government increased \$107,224. This increase is strictly due to actuarial changes in the City's pension inputs over the course of the year.

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	2025			2024		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 74,219,538	\$ 47,911,769	\$ 122,131,307	\$ 73,542,971	\$ 55,639,308	\$ 129,182,279
Internal balances	-	-	-	(1,034,235)	1,034,235	-
Capital assets, net	55,536,413	113,134,972	168,671,385	56,098,988	95,347,811	151,446,799
Total Assets	129,755,951	161,046,741	290,802,692	128,607,724	152,021,354	280,629,078
Deferred Outflows of Resources	243,476	84,096	327,572	231,321	83,506	314,827
Other liabilities	2,166,808	4,270,555	6,437,363	2,068,075	4,485,087	6,553,162
Long-term liabilities	50,829,225	57,906,065	108,735,290	52,672,232	60,596,293	113,268,525
Total Liabilities	52,996,033	62,176,620	115,172,653	54,740,307	65,081,380	119,821,687
Deferred Inflows of Resources	132,814	45,871	178,685	52,507	18,954	71,461
Net Position:						
Net investment						
in capital assets	5,110,593	67,982,268	73,092,861	3,991,151	50,613,152	54,604,303
Restricted	56,072,135	1,882,420	57,954,555	54,003,181	2,879,740	56,882,921
Unrestricted	15,687,852	29,043,658	44,731,510	16,051,899	33,511,634	49,563,533
Total Net Position	\$ 76,870,580	\$ 98,908,346	\$ 175,778,926	\$ 74,046,231	\$ 87,004,526	\$ 161,050,757

City of Liberty Hill, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2025

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

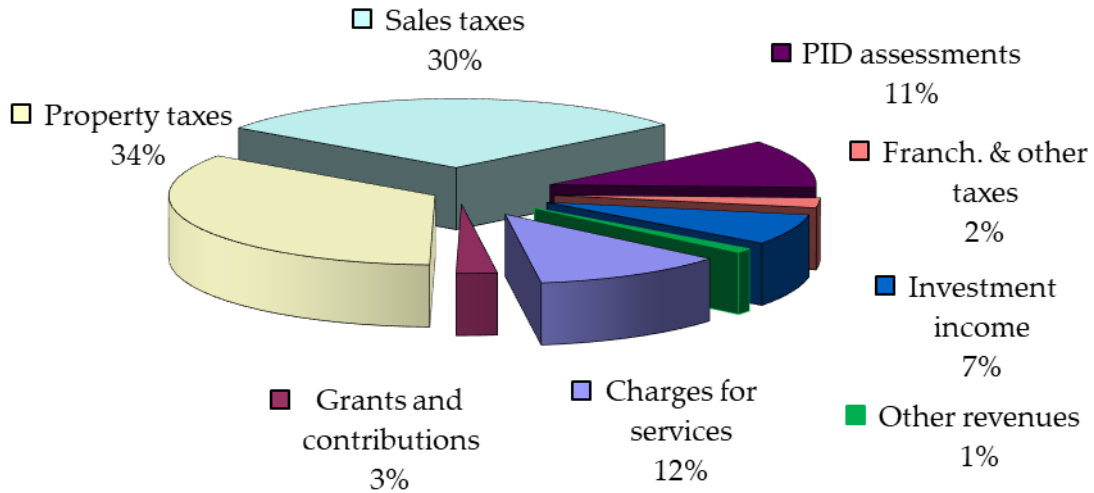
	For the Year Ended September 30, 2025			For the Year Ended September 30, 2024		
	Governmental Activities	Business Type Activities	Total Primary Government	Governmental Activities (restated)	Business Type Activities (restated)	Total Primary Government (restated)
Revenues						
Program revenues:						
Charges for services	\$ 2,165,152	\$ 16,467,649	\$ 18,632,801	\$ 3,157,091	\$ 15,043,873	\$ 18,200,964
Grants and contributions	457,370	4,555,451	5,012,821	3,078,399	7,516,488	10,594,887
General revenues:						
Property taxes	6,357,145	-	6,357,145	5,794,610	-	5,794,610
Sales taxes	5,454,502	-	5,454,502	4,560,988	-	4,560,988
PID property assessments	2,084,648	-	2,084,648	2,087,082	-	2,087,082
Franch. & other taxes	427,128	-	427,128	274,517	-	274,517
Investment income	1,326,001	2,523,171	3,849,172	1,524,074	3,493,707	5,017,781
Other revenues	189,655	1,943,217	2,132,872	278,203	618,197	896,400
Total Revenues	18,461,601	25,489,488	43,951,089	20,754,964	26,672,265	47,427,229
Expenses						
General government	5,653,623	-	5,653,623	3,156,355	-	3,156,355
Municipal court	340,652	-	340,652	319,106	-	319,106
Development services	2,706,933	-	2,706,933	2,592,912	-	2,592,912
Police department	3,367,725	-	3,367,725	3,048,345	-	3,048,345
Parks & recreation and street maintenance	2,142,322	-	2,142,322	1,791,948	-	1,791,948
Interest & fiscal chrgs.	1,964,899	2,131,099	4,095,998	2,035,398	2,276,901	4,312,299
Utilities	-	10,693,553	10,693,553	-	12,223,128	12,223,128
Total Expenses	16,176,154	12,824,652	29,000,806	12,944,064	14,500,029	27,444,093
Change						
Before Transfers & Other	2,285,447	12,664,836	14,950,283	7,810,900	12,172,236	19,983,136
Transfers	718,466	(718,466)	-	1,822,628	(1,822,628)	-
Total	718,466	(718,466)	-	1,822,628	(1,822,628)	-
Change in Net Pos.	3,003,913	11,946,370	14,950,283	9,633,528	10,349,608	19,983,136
Beginning Net Position (restated) *	73,866,667	86,961,976	160,828,643	64,412,703	76,654,918	141,067,621
Ending Net Position	\$ 76,870,580	\$ 98,908,346	\$ 175,778,926	\$ 74,046,231	\$ 87,004,526	\$ 161,050,757

* Includes restatement for New Acct. Standard GASB 101

City of Liberty Hill, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2025

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

Governmental Activities - Revenues

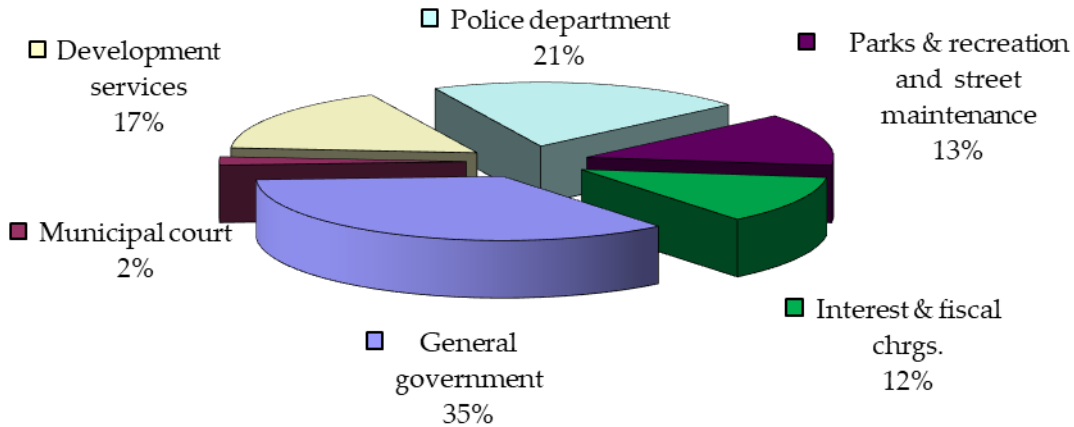


For the year ended September 30, 2025, revenues from governmental activities totaled \$18,461,601. Property tax, sales tax, PID property assessments, and charges for services are the City's largest revenue sources. Charges for services decreased by \$991,939, or 31%, due to in part to nonrecurring park fees, nonrecurring development agreement fees, and permit fees in the prior year. Grants and contributions decreased by \$2,621,029, or 85%, due to nonrecurring capital grants received in the prior year. Property tax increased by \$562,535, or 10%, due to higher property values and property tax rates. Sales taxes and franchise taxes increased by \$893,514 and \$152,611, respectively, which is primarily attributable to an increase in economic activity during the current year. Investment income decreased by \$198,073, or 13%, primarily due to a decrease in interest bearing cash balances during the year. Other revenue decreased \$88,548, or 32%, primarily due to greater nonrecurring traffic fees received in the prior year. All other revenue remained consistent with prior year.

City of Liberty Hill, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2025

This graph shows the governmental function expenses of the City:

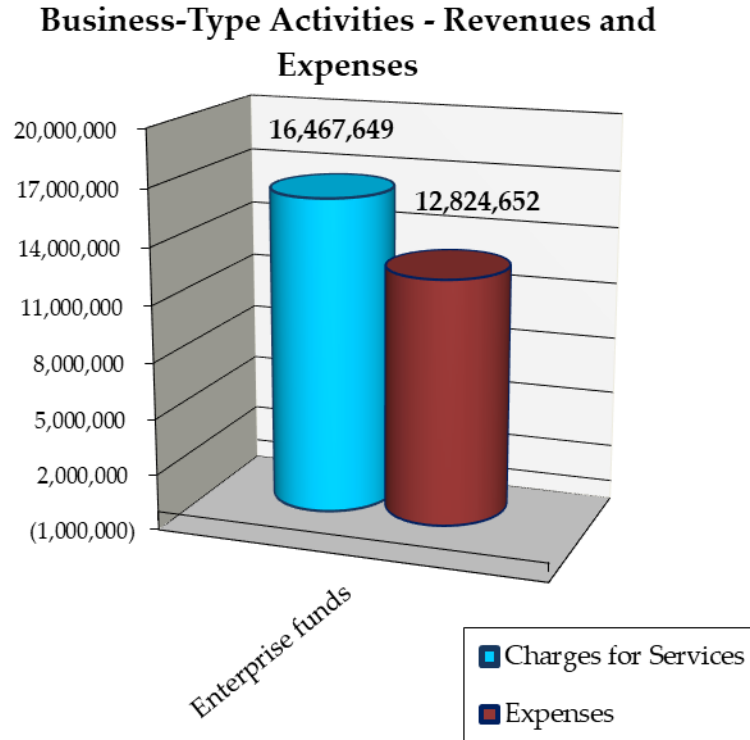
Governmental Activities - Expenses



For the year ended September 30, 2025, expenses for governmental activities totaled \$16,176,154. This represents an increase of \$3,232,090, or 25%, from the prior year. The City's largest functional expense is general government of \$5,653,623, which includes salaries and vendor expenses not affiliated with other functions. General government expenses increased by \$2,497,268, or 79%, primarily due to new building depreciation expense, staffing changes resulting from turnover, Gracie Lane Rd 380 agreement reimbursements, IT services, and software maintenance fees during the current year. Police department expenses increased \$319,380, or 10%, primarily due to greater personnel costs, resulting from annual pay increases and employee turnover, WILCO dispatch services, and depreciation expense. In addition, there was an increase in compensated absences, resulting from the implementation of New Acct. Standard GASB 101, Compensated Absences during the current year. Park & recreation, and street maintenance increased by \$350,374, or 20%, primarily due to nonrecurring street repair and maintenance projects in the current year. All other expenses remained consistent with the prior year.

City of Liberty Hill, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2025

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



For the year ended September 30, 2025, charges for services by business-type activities totaled \$16,467,649. This is an increase of \$1,423,776, or 9%, from the previous year. The increase was primarily due to an increase in the wastewater volume price and consumption in the current year. Grants and contributions decreased \$2,961,037, or 39%, primarily due to nonrecurring developer impact fees received in the prior year. Investment income decreased \$970,536, or 28%, primarily due to a decrease in interest bearing cash balances during the year. Other revenues increased \$1,325,020, or over 100%, due to nonrecurring development fees received in the current year.

For the year ended September 30, 2025, total expenses decreased by \$1,675,377, or 12%. Utilities expenses decreased \$1,529,575, or 13%, which was primarily due to nonrecurring design/planning related engineering fees in the prior year. The related projects are now officially under full construction in the current year. Interest expense decreased \$145,802, or 6%, primarily due to long-term debt approaching maturity and no new issuances 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.

City of Liberty Hill, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*
September 30, 2025

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 \$16,173,465. Unassigned fund balance totaled \$16,168,846 as of year-end. The general fund increased by \$1,187,679 primarily due to transfers in from the other funds.

The Debt Service fund reflected an ending fund balance of \$2,068,355 as of September 30, 2025. This was an increase of \$1,082,576 when compared to the fund balance as of September 30, 2024. 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 \$3,675,833, an increase of \$293,883. This increase is due to property assessments revenue exceeding debt service expenditures.

The capital projects fund reflected an ending fund balance of \$58,150, a decrease of \$1,305,371. This decrease is due to transfers to other funds in the current year.

The Summerlyn PID fund reflected an ending fund balance of \$1,264,282, an increase of \$101,628. This increase is due to assessments revenue exceeding expenditures 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.

GENERAL FUND BUDGETARY HIGHLIGHTS

There was a total positive budget variance of \$1,535,881 in the general fund. This is primarily a combination of a positive revenue variance of \$817,104, and a positive expenditure variance of \$430,266. The most significant revenue variance was for sales tax. The most significant expense variances were for development services and streets. General government, debt principal, debt interest, and capital outlay exceeded appropriations at the legal level of control by \$50,616, \$148,213, \$19,123, and \$217,117, respectively.

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$55,536,413 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 \$113,134,972 in a variety of capital assets and infrastructure, net of accumulated depreciation.

City of Liberty Hill, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2025

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

- Began Liberty Hill Park Phase 1 project improvements \$110,800.
- Streetscape Phase 1 improvements totaling \$380,378.
- City hall remodel and other equipment totaling \$82,904.
- Finance/lobby remodel and furniture totaling \$37,645
- Council chamber AV installation & computers totaling \$150,856.
- Two 2024 Ford Explorers totaling \$167,720.
- One 2024 Chevrolet Silverado for \$77,603.
- Sharp Copier for \$98,191, funded through a lease agreement.
- Three Axon fleet software agreements totaling \$137,769, funded through lease financing.
- Acquisition of 73.0142 acres of land at CR 259 and CR 266 for \$8,900,000.
- Acquisition of right of way easement at 501 CR 279 for \$30,000.
- Continued downtown water project improvements totaling \$629,033.
- Continued wastewater construction project improvements totaling \$3,899,514.
- Continued advanced water purification facility phase 1 improvements totaling \$605,028.
- Began advanced water purification facility phase 2 improvements totaling \$759,785.
- Continued sewer construction project improvements totaling \$2,305,989.
- Completion of MUD 12 lift station project totaling \$105,033.
- Completion of wastewater ancillary equipment project totaling \$98,026.
- Began SCADA system upgrades project totaling \$335,579.
- Water meters totaling \$64,037.
- Two 2025 Ford F350 totaling \$153,462.
- One 2025 Ford F250 for \$63,900.
- One 2025 Ford F150 for \$45,591.
- One 2025 Ford F550 jet truck for \$169,541
- Huber fine screen for \$392,164.
- 2025 Pioneer diesel pump for \$81,930.
- Stonewall Ranch wastewater infrastructure for sections 11,13, & 14 totaling \$1,271,906.

City of Liberty Hill, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2025

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

LONG-TERM DEBT

At the end of the current year, the City had total debt outstanding (including premiums) of \$108,593,159. 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, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 29,778,267	\$ 44,443,201	\$ 74,221,468
Special assessment receivables, current	965,000	-	965,000
Receivables, net	1,254,301	526,981	1,781,282
Due from other governments	-	2,662,437	2,662,437
Prepays	4,619	249,782	254,401
Total Current Assets	32,002,187	47,882,401	79,884,588
Special assessment receivables, noncurrent	42,132,323	-	42,132,323
Net pension asset	85,028	29,368	114,396
Capital assets:			
Non-depreciable	3,681,801	50,233,174	53,914,975
Net depreciable capital assets	51,854,612	62,901,798	114,756,410
Total Noncurrent Assets	97,753,764	113,164,340	210,918,104
Total Assets	129,755,951	161,046,741	290,802,692
<u>Deferred Outflows of Resources</u>			
Pension outflows	242,743	83,842	326,585
OPEB outflows	733	254	987
Total Deferred Outflows of Resources	243,476	84,096	327,572

**Component
Unit**

EDC

\$ 4,843,298

-

394,676

-

-

5,237,974

-

-

-

724,256

724,256

5,962,230

-

-

-

City of Liberty Hill, Texas
STATEMENT OF NET POSITION (Page 2 of 2)
September 30, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 1,392,995	\$ 3,691,445	\$ 5,084,440
Accrued interest payable	161,792	193,418	355,210
Unearned revenue	166,273	-	166,273
Customer deposits	-	251,864	251,864
Compensated absences, current	445,748	133,828	579,576
Long term debt due within one year	1,939,016	2,594,863	4,533,879
Total Current Liabilities	4,105,824	6,865,418	10,971,242
Noncurrent liabilities:			
OPEB liability	57,778	19,956	77,734
Debt due in more than one year	48,782,904	55,276,376	104,059,280
Compensated absences, noncurrent	49,527	14,870	64,397
Total Noncurrent Liabilities	48,890,209	55,311,202	104,201,411
Total Liabilities	52,996,033	62,176,620	115,172,653
Deferred Inflows of Resources			
Pension inflows	117,881	40,714	158,595
OPEB inflows	14,933	5,157	20,090
Total Deferred Outflows of Resources	132,814	45,871	178,685
Net Position			
Net investment in capital assets	5,110,593	67,982,268	73,092,861
Restricted for:			
Court	495,330	-	495,330
Net pension asset	85,028	29,368	114,396
Tourism	3,596	-	3,596
PEG	175,758	-	175,758
Grants	81,696	-	81,696
Street maintenance	2,290,200	-	2,290,200
Economic development	19,293	-	19,293
Parkland dedication	1,512,460	-	1,512,460
Debt service	45,165,678	1,853,052	47,018,730
Capital projects	6,243,096	-	6,243,096
Unrestricted	15,687,852	29,043,658	44,731,510
Total Net Position	\$ 76,870,580	\$ 98,908,346	\$ 175,778,926

See Notes to Financial Statements.

**Component
Unit**

EDC

\$ 116,871

-

-

-

-

-

116,871

-

-

-

116,871

-

-

724,256

-

-

-

-

-

-

5,121,103

-

-

-

-

\$ 5,845,359

City of Liberty Hill, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2025

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Capital Grants and Contributions
Primary Government			
Governmental Activities			
General government	\$ 5,653,623	\$ 270,902	\$ 457,370
Municipal court	340,652	416,054	-
Development services	2,706,933	1,478,196	-
Police	3,367,725	-	-
Parks and recreation and streets	2,142,322	-	-
Interest and fiscal charges	1,964,899	-	-
Total Governmental Activities	16,176,154	2,165,152	457,370
Business-Type Activities			
Water	3,804,345	2,430,872	10,556
Sewer	784,642	1,454,704	108,857
Wastewater	8,235,665	12,582,073	4,436,038
Total Business-Type Activities	12,824,652	16,467,649	4,555,451
Total Primary Government	\$ 29,000,806	\$ 18,632,801	\$ 5,012,821
Component Unit			
Economic development corp.	569,147	-	-
	\$ 569,147	\$ -	\$ -

General Revenues:

- Taxes
 - Property taxes
 - Sales taxes
 - Franchise and local taxes
- PID assessment revenue
- Investment income
- Other revenues
- Gain on sale of assets

Transfers

Total General Revenues and Transfers

Change in Net Position

Beginning Net Position (as previously presented)

Prior period adjustments

New Acct. Standard - GASB 101

Beginning Net Position (as adjusted)

Ending Net Position

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	EDC
\$ (4,925,351)	\$ -	\$ (4,925,351)	\$ -
75,402	-	75,402	-
(1,228,737)	-	(1,228,737)	-
(3,367,725)	-	(3,367,725)	-
(2,142,322)	-	(2,142,322)	-
(1,964,899)	-	(1,964,899)	-
<u>(13,553,632)</u>	<u>-</u>	<u>(13,553,632)</u>	<u>-</u>
-	(1,362,917)	(1,362,917)	-
-	778,919	778,919	-
-	8,782,446	8,782,446	-
-	8,198,448	8,198,448	-
<u>(13,553,632)</u>	<u>8,198,448</u>	<u>(5,355,184)</u>	<u>-</u>
			<u>(569,147)</u>
			<u>(569,147)</u>
6,357,145	-	6,357,145	-
5,454,502	-	5,454,502	2,159,720
427,128	-	427,128	-
2,084,648	-	2,084,648	-
1,326,001	2,523,171	3,849,172	125,710
189,655	1,931,433	2,121,088	8,150
-	11,784	11,784	-
718,466	(718,466)	-	-
<u>16,557,545</u>	<u>3,747,922</u>	<u>20,305,467</u>	<u>2,293,580</u>
3,003,913	11,946,370	14,950,283	1,724,433
73,776,640	85,112,166	158,888,806	4,057,926
269,591	1,892,359	2,161,950	63,000
(179,564)	(42,549)	(222,113)	-
73,866,667	86,961,976	160,828,643	4,120,926
<u>\$ 76,870,580</u>	<u>\$ 98,908,346</u>	<u>\$ 175,778,926</u>	<u>\$ 5,845,359</u>

City of Liberty Hill, Texas

BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2025

	General	Debt Service	Butler Farms PID
<u>Assets</u>			
Cash and cash equivalents	\$ 16,349,219	\$ 2,070,046	\$ 3,685,527
Receivables, net	1,010,799	37,398	31,939,413
Prepays	4,619	-	-
Total Assets	\$ 17,364,637	\$ 2,107,444	\$ 35,624,940
<u>Liabilities</u>			
Accounts payable and accrued liabilities	\$ 1,110,190	\$ 1,500	\$ 10,107
Unearned revenue	-	-	-
Total Liabilities	1,110,190	1,500	10,107
<u>Deferred Inflows of Resources</u>			
Unavailable revenue			
Property taxes	80,982	37,589	-
PID property assessments	-	-	31,939,000
Total Deferred Inflows of Resources	80,982	37,589	31,939,000
<u>Fund Balances</u>			
Nonspendable:			
Prepays	4,619	-	-
Restricted for:			
Court	-	-	-
Tourism	-	-	-
PEG	-	-	-
Grants	-	-	-
Street maintenance	-	-	-
Economic development	-	-	-
Parkland dedication	-	-	-
Debt service	-	2,068,355	-
Capital projects	-	-	3,675,833
Unassigned reported in:			
General fund	16,168,846	-	-
Total Fund Balances	16,173,465	2,068,355	3,675,833
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 17,364,637	\$ 2,107,444	\$ 35,624,940

See Notes to Financial Statements.

Capital Improvement	Summerlyn West PID	Nonmajor Governmental Funds	Total Governmental Funds
\$ 296,099	\$ 1,270,514	\$ 6,106,862	\$ 29,778,267
-	6,111,197	5,252,817	44,351,624
-	-	-	4,619
<u>\$ 296,099</u>	<u>\$ 7,381,711</u>	<u>\$ 11,359,679</u>	<u>\$ 74,134,510</u>
\$ 237,949	\$ 7,129	\$ 26,120	\$ 1,392,995
-	-	166,273	166,273
<u>237,949</u>	<u>7,129</u>	<u>192,393</u>	<u>1,559,268</u>
-	-	-	118,571
-	6,110,300	5,048,023	43,097,323
<u>-</u>	<u>6,110,300</u>	<u>5,048,023</u>	<u>43,215,894</u>
-	-	-	4,619
-	-	495,330	495,330
-	-	3,596	3,596
-	-	175,758	175,758
-	-	81,696	81,696
-	-	2,290,200	2,290,200
-	-	19,293	19,293
-	-	1,512,460	1,512,460
-	-	-	2,068,355
58,150	1,264,282	1,540,930	6,539,195
-	-	-	16,168,846
<u>58,150</u>	<u>1,264,282</u>	<u>6,119,263</u>	<u>29,359,348</u>
<u>\$ 296,099</u>	<u>\$ 7,381,711</u>	<u>\$ 11,359,679</u>	<u>\$ 74,134,510</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, 2025

Fund Balances - Total Governmental Funds	\$ 29,359,348
Adjustments for the Statement of Net Position:	
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.	
Capital assets - non-depreciable	3,681,801
Capital assets - net depreciable	51,854,612
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.	
Property tax receivable	118,571
Assessments receivable	43,097,323
Net pension asset	85,028
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	242,743
OPEB outflows	733
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	(14,933)
Pension inflows	(117,881)
Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.	
Accrued interest	(161,792)
Compensated absences	(495,275)
Bond premium	(729,551)
OPEB liability	(57,778)
Non-current liabilities due in one year	(1,939,016)
Non-current liabilities due in more than one year	(48,053,353)
	<u>\$ 76,870,580</u>

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, 2025

	General	Debt Service	Butler Farms PID
<u>Revenues</u>			
Property tax	\$ 3,908,627	\$ 2,025,600	\$ -
Sales tax	4,374,264	-	-
Franchise and local taxes	416,021	-	-
Fines and forfeitures	385,276	-	-
Development agreements	87,000	-	-
Charges for services	109,168	-	-
Licenses and permits	1,391,196	-	-
Intergovernmental revenue	4,779	-	-
PID property assessments	-		2,076,753
Investment income	756,538	84,246	178,849
Other revenue	110,986	-	-
Total Revenues	11,543,855	2,109,846	2,255,602
<u>Expenditures</u>			
Current:			
General administration	4,238,079	2,700	62,571
Municipal court	340,396	-	-
Development services	2,174,883	-	-
Police	3,147,619	-	-
Parks and recreation	800,369	-	-
Streets	323,522	-	-
Community engagement	487,180	-	-
Debt service:			
Principal	288,935	775,000	674,000
Interest	24,934	249,570	1,225,148
Capital outlay	470,789	-	-
Total Expenditures	12,296,706	1,027,270	1,961,719
Excess of Revenues Over (Under) Expenditures	(752,851)	1,082,576	293,883

Capital Improvement	Summerlyn West PID	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 366,835	\$ 6,301,062
-	-	1,080,238	5,454,502
-	-	11,107	427,128
-	-	30,778	416,054
-	-	-	87,000
-	-	161,734	270,902
-	-	-	1,391,196
-	-	452,591	457,370
-	436,464	504,678	3,017,895
38,587	64,433	203,348	1,326,001
-	-	78,669	189,655
<u>38,587</u>	<u>500,897</u>	<u>2,889,978</u>	<u>19,338,765</u>
-	-	20,706	4,324,056
-	-	-	340,396
-	-	-	2,174,883
-	-	-	3,147,619
-	37,000	186,381	1,023,750
-	-	-	323,522
-	-	-	487,180
-	120,000	140,000	1,997,935
-	242,269	271,069	2,012,990
319,718	-	904,191	1,694,698
<u>319,718</u>	<u>399,269</u>	<u>1,522,347</u>	<u>17,527,029</u>
(281,131)	101,628	1,367,631	1,811,736

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, 2025

	General	Debt Service	Butler Farms PID
<u>Other Financing Sources (Uses)</u>			
Transfers in	\$ 1,742,706	\$ -	\$ -
Transfers (out)	(19,293)	-	-
Lease issuance	79,348	-	-
SBITA issuance	137,769	-	-
Total Other Financing Sources (Uses)	1,940,530	-	-
Net Change in Fund Balances	1,187,679	1,082,576	293,883
Beginning fund balances (as previously presented)	15,058,976	1,051,001	3,381,950
Prior period adjustments	(73,190)	(65,222)	-
Beginning fund balances (as adjusted)	14,985,786	985,779	3,381,950
Ending Fund Balances	\$ 16,173,465	\$ 2,068,355	\$ 3,675,833

See Notes to Financial Statements.

<u>Capital Improvement</u>	<u>Summerlyn West PID</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 19,293	\$ 1,761,999
(1,024,240)	-	-	(1,043,533)
-	-	-	79,348
-	-	-	137,769
<u>(1,024,240)</u>	<u>-</u>	<u>19,293</u>	<u>935,583</u>
(1,305,371)	101,628	1,386,924	2,747,319
1,135,144	1,162,654	4,552,713	26,342,438
228,377	-	179,626	269,591
<u>1,363,521</u>	<u>1,162,654</u>	<u>4,732,339</u>	<u>26,612,029</u>
<u>\$ 58,150</u>	<u>\$ 1,264,282</u>	<u>\$ 6,119,263</u>	<u>\$ 29,359,348</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, 2025

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

Net changes in fund balances - total governmental funds	\$ 2,747,319
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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	1,354,612
Depreciation expense	(1,892,918)

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	56,083
PID property assessments receivable	(933,247)

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	(207,852)
Accrued interest	5,561
Net pension liability	59,142
OPEB liability	(8,135)

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.

Lease issuance	(79,348)
SBITA issuance	(137,769)
Amortization of premium on debt	42,530
Principal payments	1,997,935

Change in Net Position of Governmental Activities	\$ 3,003,913
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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, 2025

	Water	Sewer	Wastewater Treatment
<u>Assets</u>			
<u>Current Assets</u>			
Cash and cash equivalents	\$ 9,755,325	\$ 13,301,285	\$ 20,846,815
Receivables, net	314,842	153,462	58,677
Due from other governments	-	-	2,188,665
Prepays	249,782	-	-
Due from other funds	-	-	-
Total Current Assets	10,319,949	13,454,747	23,094,157
<u>Noncurrent Assets</u>			
Net pension asset	6,828	184	22,356
Capital assets:			
Non-depreciable	847,964	6,428,502	42,956,708
Net depreciable capital assets	13,929,969	10,700,134	38,271,695
Total Noncurrent Assets	14,784,761	17,128,820	81,250,759
Total Assets	25,104,710	30,583,567	104,344,916
<u>Deferred Outflows of Resources</u>			
Pension outflows	19,494	525	63,823
OPEB outflows	59	2	193
Total Deferred Outflows of Resources	19,553	527	64,016

See Notes to Financial Statements.

<u>Utility Capital Projects</u>	<u>Total</u>
\$ 539,776	\$ 44,443,201
-	526,981
473,772	2,662,437
-	249,782
537,630	537,630
<u>1,551,178</u>	<u>48,420,031</u>
-	29,368
-	50,233,174
-	62,901,798
<u>-</u>	<u>113,164,340</u>
<u>1,551,178</u>	<u>161,584,371</u>
-	83,842
-	254
<u>-</u>	<u>84,096</u>

City of Liberty Hill, Texas

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

September 30, 2025

	Water	Sewer	Wastewater Treatment
<u>Liabilities</u>			
<u>Current Liabilities</u>			
Accounts payable and accrued liabilities	\$ 409,300	\$ 95,739	\$ 1,635,228
Accrued interest	38,859	-	154,559
Customer deposits	178,664	100	73,100
Compensated absences, current	33,289	-	100,539
Long-term debt due within a year	423,996	-	2,170,867
Due to other funds	-	170,356	367,274
Total Current Liabilities	1,084,108	266,195	4,501,567
<u>Noncurrent Liabilities</u>			
OPEB liability	4,640	125	15,191
Compensated absences, noncurrent	3,699	-	11,171
Long-term debt due in more than a year	8,777,769	-	46,498,607
Total Liabilities	9,870,216	266,320	51,026,536
<u>Deferred Inflows of Resources</u>			
Pension inflows	9,466	255	30,993
OPEB inflows	1,199	32	3,926
Total Deferred Inflows of Resources	10,665	287	34,919
<u>Net Position</u>			
Net investment in capital assets	6,117,281	21,611,261	40,958,036
Restricted for debt service	605,060	-	1,247,992
Restricted for net pension	6,828	184	22,356
Unrestricted	8,514,213	8,706,042	11,119,093
Total Net Position	\$ 15,243,382	\$ 30,317,487	\$ 53,347,477

See Notes to Financial Statements.

<u>Utility</u>		<u>Total</u>
<u>Capital Projects</u>		
\$ 1,551,178	\$	3,691,445
-		193,418
-		251,864
-		133,828
-		2,594,863
-		537,630
1,551,178		7,403,048
-		19,956
-		14,870
-		55,276,376
1,551,178		62,714,250
-		40,714
-		5,157
-		45,871
(704,310)		67,982,268
-		1,853,052
-		29,368
704,310		29,043,658
\$ -	\$	98,908,346

City of Liberty Hill, Texas

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

For the Year Ended September 30, 2025

	Water	Sewer	Wastewater Treatment
<u>Operating Revenues</u>			
Charges for services	\$ 2,430,872	\$ 1,454,704	\$ 12,582,073
Other revenue	105,995	2,901	1,822,537
Total Operating Revenues	2,536,867	1,457,605	14,404,610
<u>Operating Expenses</u>			
Administration	707,337	414,272	1,652,110
Water production	1,870,833	-	-
Repairs and maintenance	327,762	4,269	1,038,736
Wastewater treatment	-	-	1,784,018
Utilities	-	-	572,954
Engineering fees	-	-	-
Depreciation	515,585	366,101	1,364,209
Total Operating Expenses	3,421,517	784,642	6,412,027
Operating Income (Loss)	(884,650)	672,963	7,992,583
<u>Nonoperating Revenues (Expenses)</u>			
Investment income	370,421	354,668	1,479,221
Gain on disposal of capital asset	11,784	-	-
Interest expense	(382,828)	-	(1,748,271)
Total Nonoperating Revenues (Expenses)	(623)	354,668	(269,050)
Income (Loss) Before Transfers Before Contributions	(885,273)	1,027,631	7,723,533
Grants and contributions - impact fees	10,556	108,857	3,790,245
Grants and contributions	-	-	-
Transfers in	878,990	5,061,350	1,211,277
Transfers (out)	-	(298,509)	(861,566)
Change in Net Position	4,273	5,899,329	11,863,489
Beginning net position, as previously presented	15,225,938	24,474,388	39,591,119
Prior period adjustments	18,130	(56,230)	1,930,459
New Acct. Standard - GASB 101	(4,959)	-	(37,590)
Beginning net position, as adjusted	15,239,109	24,418,158	41,483,988
Ending Net Position	\$ 15,243,382	\$ 30,317,487	\$ 53,347,477

See Notes to Financial Statements.

<u>Utility Capital Projects</u>	<u>Total</u>
\$ -	\$ 16,467,649
-	1,931,433
<u>-</u>	<u>18,399,082</u>
-	2,773,719
-	1,870,833
-	1,370,767
-	1,784,018
-	572,954
75,367	75,367
-	2,245,895
<u>75,367</u>	<u>10,693,553</u>
<u>(75,367)</u>	<u>7,705,529</u>
318,861	2,523,171
-	11,784
-	(2,131,099)
<u>318,861</u>	<u>403,856</u>
<u>243,494</u>	<u>8,109,385</u>
-	3,909,658
645,793	645,793
-	7,151,617
<u>(6,710,008)</u>	<u>(7,870,083)</u>
(5,820,721)	11,946,370
5,820,721	85,112,166
-	1,892,359
-	(42,549)
<u>5,820,721</u>	<u>86,961,976</u>
<u>\$ -</u>	<u>\$ 98,908,346</u>

City of Liberty Hill, Texas

STATEMENT OF CASH FLOWS PROPRIETARY FUND (Page 1 of 2) For the Year Ended September 30, 2025

	Water	Sewer	Wastewater Treatment
<u>Cash Flows from Operating Activities</u>			
Receipts from customers	\$ 2,729,398	\$ 1,462,696	\$ 14,460,250
Receipts from intergovernmental revenues	-	-	-
Payments to suppliers	(2,053,630)	(4,269)	(4,603,697)
Unpaid vendor payables at year end	-	-	-
Payments to employees	(687,812)	(410,218)	(1,616,255)
Net Cash Provided (Used) by Operating Activities	(12,044)	1,048,209	8,240,298
<u>Cash Flows from Noncapital Financing Activities</u>			
Operating transfers (out)	-	(298,509)	(6,312,335)
Operating transfers in	6,267,175	5,061,350	4,236,991
Net Cash Provided (Used) by Noncapital Financing Activities	6,267,175	4,762,841	(2,075,344)
<u>Cash Flows from Capital and Related Financing Activities</u>			
Capital purchases	(832,439)	(1,867,674)	(17,333,441)
Proceeds from sale of capital assets	31,125	-	-
Grants and contributions	10,556	108,857	3,790,245
Principal paid on debt	(405,806)	-	(2,090,133)
Interest paid on debt	(419,809)	-	(3,083,322)
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,616,373)	(1,758,817)	(18,716,651)
<u>Cash Flows from Investing Activities</u>			
Interest on investments	370,421	354,668	1,479,221
Net Cash Provided by Investing Activities	370,421	354,668	1,479,221
Net Increase (Decrease) in Cash and Cash Equivalents	5,009,179	4,406,901	(11,072,476)
Beginning cash and cash equivalents	4,746,146	8,828,653	31,919,291
Ending Cash and Cash Equivalents	\$ 9,755,325	\$ 13,235,554	\$ 20,846,815
		(65,731)	

See Notes to Financial Statements.

Utility	
Capital Projects	Total
\$ -	\$ 18,652,344
135,713	135,713
-	(6,661,596)
683,353	683,353
-	(2,714,285)
<u>819,066</u>	<u>10,095,529</u>
(6,710,008)	(13,320,852)
-	15,565,516
<u>(6,710,008)</u>	<u>2,244,664</u>
-	(20,033,554)
-	31,125
645,793	4,555,451
-	(2,495,939)
-	(3,503,131)
<u>645,793</u>	<u>(21,446,048)</u>
<u>318,861</u>	<u>2,523,171</u>
<u>318,861</u>	<u>2,523,171</u>
(4,926,288)	(6,582,684)
<u>7,460,690</u>	<u>52,954,780</u>
\$ <u>2,534,402</u>	\$ <u>46,372,096</u>
1,994,626	1,928,895

City of Liberty Hill, Texas

STATEMENT OF CASH FLOWS PROPRIETARY FUND (Page 2 of 2) For the Year Ended September 30, 2025

	Water	Sewer	Wastewater Treatment
<u>Reconciliation of Operating Income</u>			
<u>to Net Cash Provided by Operating Activities</u>			
Operating income (loss)	\$ (884,650)	\$ 672,963	\$ 7,992,583
Adjustments to reconcile operating income to net cash provided:			
Depreciation	515,585	366,101	1,364,209
Changes in Operating Assets and Liabilities:			
(Increase) Decrease in:			
Accounts receivable	192,541	5,091	48,240
Prepays	(9,687)	920	11,460
Net pension and deferrals	(3,250)	(454)	(14,372)
OPEB liability and deferrals	1,546	155	111
Increase (Decrease) in:			
Accounts payable and accrued liabilities	154,652	3,433	(1,219,449)
Compensated absences	21,229	-	50,116
Customer deposits	(10)	-	7,400
Net Cash Provided (Used) by Operating Activities	\$ (12,044)	\$ 1,048,209	\$ 8,240,298

See Notes to Financial Statements.

Schedule of Non-Cash Capital & Related Financing Activities

SBITA lease issuance	\$ 9,421	\$ -	\$ 9,422
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<u>Utility Capital Projects</u>	<u>Total</u>
\$ (75,367)	\$ 7,705,529
-	2,245,895
135,713	381,585
10,931	13,624
-	(18,076)
-	1,812
747,789	(313,575)
-	71,345
-	7,390
<u>\$ 819,066</u>	<u>\$ 10,095,529</u>

\$ - \$ 18,843

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City of Liberty Hill, Texas

NOTES TO FINANCIAL STATEMENTS

September 30, 2025

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 “Home Rule” 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, 2025

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, Stonewall 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, 2025

Tax Increment Reinvestment Zones (TIRZ)

Reinvestment Zone Number Three Butler Farms TIRZ, Reinvestment Zone Number Two Summerlyn West TIRZ, and downtown 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, 2025

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

City of Liberty Hill, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

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, PEG Fees, Parkland Dedication, Tree Mitigation, Hotel Tax, American Rescue Plan (ARP), Liberty Parke PID, Stonewall PID, Butler Farms TIRZ, Police Forfeiture, and Summerlyn West TIRZ #2. 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 so that only the net amount is included as internal balances in the business-type activities column.

City of Liberty Hill, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

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

City of Liberty Hill, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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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 reported at amortized cost. Investments in nonparticipating interest earning contracts, such as certificates of deposits are reported at cost.

City of Liberty Hill, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

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, 2025

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, 2025

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

Asset Description	Estimated Useful Life
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
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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.

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, 2025

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 services provided that is expected to be liquidated with expendable, available financial resources is reported as an expenditure and a fund liability of the

City of Liberty Hill, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

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.

The City accounts for vacation and sick leave in accordance with the provisions of GASB Statement No. 101, Compensated Absences.

Under GASB Statement No. 101, the City recognizes a liability for compensated absences for vacation leave that is attributable to services already rendered and for which the City has a present obligation to provide compensation through paid time off or cash settlement. Vacation leave is reported as a liability regardless of whether it is expected to be paid within one year.

Sick leave is considered a non-separation benefit and is recognized as a liability only to the extent it is probable that the leave will be used for qualifying absences and the amount can be reasonably estimated. Because unused sick leave is not paid upon separation from employment, the City does not record a liability for sick leave beyond amounts expected to be taken as paid absences in the future.

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

City of Liberty Hill, Texas
NOTES TO FINANCIAL STATEMENTS, *Continued*
September 30, 2025

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.

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

City of Liberty Hill, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

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 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

City of Liberty Hill, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

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.

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

City of Liberty Hill, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. 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, 2025.

City of Liberty Hill, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

A. Expenditures in Excess of Appropriations

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

General Fund:

General administration	\$ 50,616
Debt principal	148,213
Debt interest	19,123
Capital outlay	217,117

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2025, the primary government had the following investments:

<u>Investment Type</u>	<u>Value</u>	<u>Average Maturity (Years)</u>
External investment pools	\$ 41,456,529	0.12
Total value	<u>\$ 41,456,529</u>	
Portfolio weighted average maturity		0.12

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 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.

City of Liberty Hill, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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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, 2025, 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.

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.

City of Liberty Hill, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

B. Receivables

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

	<u>General</u>	<u>Debt Service</u>	<u>Butler Farms PID</u>	<u>Summerlyn West PID</u>	<u>Nonmajor Government</u>	<u>Total</u>
Property taxes	\$ 80,982	\$ 37,589	\$ -	\$ -	\$ -	\$ 118,571
Sales tax	783,152	-	-	-	196,710	979,862
Other taxes	139,849	-	-	-	2,679	142,528
Assessments	-	-	31,939,000	6,110,300	5,048,023	43,097,323
Intergovt.	-	-	-	-	5,000	5,000
Other	-	-	413	897	405	1,715
Accounts	7,915	-	-	-	-	7,915
Allowance	(1,099)	(191)	-	-	-	(1,290)
	<u>\$ 1,010,799</u>	<u>\$ 37,398</u>	<u>\$ 31,939,413</u>	<u>\$ 6,111,197</u>	<u>\$ 5,252,817</u>	<u>\$ 44,351,624</u>

	<u>Water</u>	<u>Sewer</u>	<u>Wastewater Treatment</u>	<u>Utility Capital Projects</u>	<u>Total</u>
Accounts	479,664	395,272	168,040	-	1,042,976
Allowance	(164,822)	(241,810)	(109,363)	-	(515,995)
Intergovt.	-	-	2,188,665	473,772	2,662,437
	<u>\$ 314,842</u>	<u>\$ 153,462</u>	<u>\$ 2,247,342</u>	<u>\$ 473,772</u>	<u>\$ 3,189,418</u>

City of Liberty Hill, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

C. Capital Assets

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Disposals / Reclassifications</u>	<u>Ending Balances</u>
Capital assets, not being depreciated:				
Land and intangibles	\$ 3,561,047	\$ -	\$ -	\$ 3,561,047
Construction in progress	38,148,344	110,800	(38,138,390)	120,754
Total capital assets not being depreciated	<u>41,709,391</u>	<u>110,800</u>	<u>(38,138,390)</u>	<u>3,681,801</u>
Capital assets, being depreciated:				
Buildings and improvements	15,160,715	581,438	38,138,390	53,880,543
Machinery and equipment	659,536	199,934	-	859,470
Police equipment	1,655,479	245,323	-	1,900,802
RTU assets(office equip.)-lease	-	79,348	-	79,348
RTU assets (software equip.)-SBITA	419,114	137,769	-	556,883
Total capital assets being depreciated	<u>17,894,844</u>	<u>1,243,812</u>	<u>38,138,390</u>	<u>57,277,046</u>
Less accumulated depreciation				
Buildings and improvements	(2,143,299)	(1,517,375)	-	(3,660,674)
Machinery and equipment	(217,889)	(113,113)	-	(331,002)
Police equipment	(1,121,526)	(140,776)	-	(1,262,302)
RTU assets(office equip.)-lease	-	(19,638)	-	(19,638)
RTU assets (software equip.)-SBITA	(46,802)	(102,016)	-	(148,818)
Total accumulated depreciation	<u>(3,529,516)</u>	<u>(1,892,918)</u>	<u>-</u>	<u>(5,422,434)</u>
Net capital assets being depreciated	<u>14,365,328</u>	<u>(649,106)</u>	<u>38,138,390</u>	<u>51,854,612</u>
Total Capital Assets	<u>\$ 56,074,719</u>	<u>\$ (538,306)</u>	<u>\$ -</u>	<u>\$ 55,536,413</u>

Depreciation was charged to governmental functions as follows:

General administration	\$ 1,552,057
Police	262,430
Streets	78,431
Total Governmental Activities Depreciation Expense	<u>\$ 1,892,918</u>

City of Liberty Hill, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases/ Reclassifications</u>	<u>Ending Balances</u>
Capital assets, not being depreciated:				
Land	\$ 2,557,803	\$ 8,930,000	\$ -	\$ 11,487,803
Construction in progress	36,879,024	8,737,987	(6,871,640)	38,745,371
Total capital assets not being depreciated	<u>39,436,827</u>	<u>17,667,987</u>	<u>(6,871,640)</u>	<u>50,233,174</u>
Capital assets, being depreciated:				
Infrastructure	14,586,825	203,411	1,560,297	16,350,533
Buildings and improvements	37,315,592	2,089,540	5,272,661	44,677,793
Machinery and equipment	13,965,067	72,616	-	14,037,683
RTU asset (office equip.)-lease	-	18,843	-	18,843
Total capital assets being depreciated	<u>65,867,484</u>	<u>2,384,410</u>	<u>6,832,958</u>	<u>75,084,852</u>
Less accumulated depreciation				
Infrastructure	(1,933,743)	(512,536)	19,341	(2,426,938)
Buildings and improvements	(5,051,310)	(1,361,159)	-	(6,412,469)
Machinery and equipment	(2,971,447)	(366,101)	-	(3,337,548)
RTU asset (office equip.)-lease	-	(6,099)	-	(6,099)
Total accumulated depreciation	<u>(9,956,500)</u>	<u>(2,245,895)</u>	<u>19,341</u>	<u>(12,183,054)</u>
Net capital assets being depreciated	55,910,984	138,515	6,852,299	62,901,798
Total capital assets	<u>\$ 95,347,811</u>	<u>\$ 17,806,502</u>	<u>\$ (19,341)</u>	<u>\$ 113,134,972</u>

Depreciation was charged to business-type activities as follows:

Water	\$ 515,585
Sewer	366,101
Wastewater Treatment	1,364,209
Total Business-type Activities Depreciation Expense	<u><u>\$ 2,245,895</u></u>

City of Liberty Hill, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

The City has active construction projects as of September 30, 2025. The estimated construction commitments with contractors were as follows:

	Remaining Commitment
Governmental Activities	
Butler Farms-Hwy 29 imp and Butler Farms - 366 TX 29	\$ 14,154,946
Summerlyn PID	10,085,584
Streetscape Design (façade)	5,271
Total	24,245,801
 Business-Type Activities	
Waste Water	1,323,654
Sewer System	597,224
Water System	1,352,400
Total	3,273,278

City of Liberty Hill, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

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.

Bonds, Notes and Other Payables:	Beginning Balance	Additions	Decreases	Ending Balance	Amounts Due within One Year
Governmental Activities:					
Tax Notes	\$ 1,270,000	\$ -	\$ (420,000)	\$ 850,000	\$ 425,000
Certificates of Obligation	2,775,000	-	(150,000)	2,625,000	160,000
General Obligation Bonds	3,115,000	-	(205,000)	2,910,000	215,000
Special Assessment Revenue Bonds	44,063,000	-	(934,000)	43,129,000	965,000
Notes payable	177,875	-	(146,818)	31,057	31,057
Less deferred amounts:					
For issuance premiums	772,081	-	(42,530)	729,551	-
Leases	-	79,348	(25,685)	53,663	26,361
SBITA	372,312	137,769	(116,432)	393,649	116,598
Total Governmental Activities	\$ 52,545,268	\$ 217,117	\$ (2,040,465)	\$ 50,721,920	\$ 1,939,016
Long-term liabilities due in more than one year				\$ 48,782,904	
Business-Type Activities:					
Revenue & Refunding Bonds	\$ 56,390,000	\$ -	\$ (2,370,000)	\$ 54,020,000	\$ 2,465,000
Notes Payable	360,932	-	(119,838)	241,094	123,603
Less deferred amounts:					
For issuance premiums	3,808,702	-	(211,299)	3,597,403	-
Leases	-	18,843	(6,101)	12,742	6,260
Total Business-Type Activities	\$ 60,559,634	\$ 18,843	\$ (2,707,238)	\$ 57,871,239	\$ 2,594,863
Long-term liabilities due in more than one year				\$ 55,276,376	

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, 2025

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

	<u>September 30, 2025</u> <u>Balance</u>
Certificates of Obligation:	
\$2,875,000 Certificates of Obligation, Series 2018, due in annual installments through 2038, interest at 3-4%	\$ 2,625,000
Total Certificates of Obligation	2,625,000
PID Assessment Revenue Bonds:	
\$24,750,000 PID Special Assessment Bond, Series 2022, due in annual installments through 2052, interest at 2.625 - 4%	23,287,000
\$9,150,000 PID Special Assessment Bond, Series 2022A, due in annual installments through 2052, interest at 3.5 - 4.375%	8,652,000
\$1,825,000 PID Special Assessment Bond, Series 2017 MIA, due in annual installments through 2047, interest at 5.125 - 6%	2,390,000
\$1,150,000 PID Special Assessment Bond, Series 2017 NIA, due in annual installments through 2047, interest at 5.38%	975,000
\$1,965,000 PID Special Assessment Bond, Series 2019 MIA, due in annual installments through 2047, interest at 3.375 - 4.125%	1,700,000
\$6,725,000 PID Special Assessment Bond, Series 2020 Summerlyn, due in annual installments through 2055, interest at 2.5 - 4%	6,125,000
Total PID Assessment Revenue Bonds	43,129,000
Tax Note:	
\$2,500,000 Tax Note, Series 2021, due in annual installments through 2027, interest at 1.1%	850,000
Total Tax Note	850,000
Notes, SBITA, and Lease Payables:	
\$799,762 equipment financed with 6 note payable agreements, due in annual installments through 2024 - 2026, interest at 2.9 - 3.69%	31,057
\$79,348 lease payable to Sharp Electronics due in annual installments through 2026, interest at 3.51%	53,663
\$420,051 SBITA payable to Axon due in annual installments through 2029, interest at 4.60%	271,848
\$17,699 SBITA payable to Axon due in annual installments through 2029, interest at 3.80%	13,519
\$137,769 SBITA payable to Axon due in annual installments through 2029, interest at 3.51%	108,282
Total Notes, SBITA, and Leases Payable	478,369
General Obligation Bonds:	
\$4,225,000 Tax Note, Series 2018, Refunding due in annual installments through 2036, interest at 3 - 4%	2,910,000
Total General Obligation Bonds	2,910,000
Plus deferred amounts:	
Issuance premium	729,551
Total Governmental Activities Debt	\$ 50,721,920

City of Liberty Hill, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

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:

	<u>September 30, 2025</u> <u>Balance</u>
Revenue & Refunding Bonds:	
\$3,750,000 Revenue Bond, Series 2012, Wastewater Treatment Facility due in annual installments through 2032, interest at 3.85%	\$ 1,665,000
\$10,000,000 Revenue Bond, Series 2015, Wastewater Treatment Facility due in annual installments through 2030, interest at 2.52%	3,770,000
\$7,170,000 Revenue Bond, Series 2019, Wastewater Treatment Facility due in annual installments through 2034, interest at 2.75%	6,070,000
\$9,330,000 Revenue Bond, Series 2022, Wastewater Treatment Facility due in annual installments through 2042, interest at 3 - 5%	8,520,000
\$9,305,000 Revenue Bond, Series 2023, Water and Sewer System Refunding Bonds due in annual installments through 2043, interest at 4 - 5%	8,285,000
\$27,960,000 Revenue Bond, Series 2023, Wastewater Treatment Facility due in annual installments through 2043, interest at 4 - 5%	25,710,000
Total Revenue Bonds	54,020,000
Notes payable:	
\$793,688 equipment financed with 3 note payable agreements, due in annual installments through 2026 - 2027, interest at 2.58 - 3.24%	241,094
Total Notes Payable	241,094
Lease payable:	
\$18,843 payable to Sharp Electronics due in annual installments through 2026, interest at 3.51%	12,742
Total Lease Payable	12,742
Plus deferred amounts:	
Issuance premium	3,597,403
Total Business-Type Activities Debt	\$ 57,871,239

City of Liberty Hill, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

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
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>\$ 43,129,000</u>	<u>\$ 28,224,567</u>	<u>\$ 2,625,000</u>	<u>\$ 792,200</u>	<u>\$ 2,910,000</u>	<u>\$ 743,600</u>

City of Liberty Hill, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

<u>Year ending September 30,</u>	<u>Governmental Activities</u>			
	<u>Tax Note</u>		<u>Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 425,000	\$ 9,350	\$ 31,057	\$ 931
2027	425,000	4,675	-	-
	<u>\$ 850,000</u>	<u>\$ 14,025</u>	<u>\$ 31,057</u>	<u>\$ 931</u>

The annual requirements to amortize SBITAs outstanding at year ending were as follows:

<u>Year ending September 30,</u>	<u>Governmental Activities</u>	
	<u>SBITA Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2026	\$ 116,598	\$ 16,819
2027	121,647	11,771
2028	126,917	6,501
2029	28,487	1,000
	<u>\$ 393,649</u>	<u>\$ 36,091</u>

The City currently has three agreements with Axon for police camera software.

The annual requirements to amortize leases outstanding at year ending were as follows:

<u>Year ending September 30,</u>	<u>Leases Payable</u>			
	<u>Governmental Activities</u>		<u>Business Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 26,361	\$ 1,462	\$ 6,260	\$ 347
2027	27,302	124	6,482	124
	<u>\$ 53,663</u>	<u>\$ 1,586</u>	<u>\$ 12,742</u>	<u>\$ 471</u>

The City currently has an agreement with Sharp Electronics for copier rental.

City of Liberty Hill, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

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

<u>Year ending September 30,</u>	<u>Business-Type Activities</u>			
	<u>Revenue/Refunded Bonds</u>		<u>Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 2,465,000	\$ 2,247,245	\$ 123,603	\$ 7,625
2026	2,565,000	2,148,620	117,491	3,745
2027	2,670,000	2,045,606	-	-
2028	2,775,000	1,938,065	-	-
2029	2,885,000	1,825,884	-	-
2030	3,005,000	1,708,970	-	-
2031	3,140,000	1,572,903	-	-
2032	3,005,000	1,435,288	-	-
2033	3,130,000	1,306,763	-	-
2034	3,265,000	1,172,625	-	-
2035	3,410,000	1,032,375	-	-
2036	3,555,000	885,613	-	-
2037	3,705,000	732,238	-	-
2038	3,865,000	572,000	-	-
2039	3,395,000	404,500	-	-
2040	3,525,000	274,750	-	-
2041	3,660,000	140,000	-	-
	<u>\$ 54,020,000</u>	<u>\$ 21,443,443</u>	<u>\$ 241,094</u>	<u>\$ 11,370</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, 2025

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.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Compensated Absences	\$ 287,423	\$ 466,532	\$ (258,680)	\$ 495,275	\$ 445,748
Total Governmental Activities	<u>\$ 287,423</u>	<u>\$ 466,532</u>	<u>\$ (258,680)</u>	<u>\$ 495,275</u>	<u>\$ 445,748</u>
Other Long-term Liabilities Due in More than One Year				<u>\$ 49,527</u>	
Business-Type Activities:					
Compensated Absences	\$ 77,353	\$ 140,963	\$ (69,618)	\$ 148,698	\$ 133,828
Total Business-Type Activities	<u>\$ 77,353</u>	<u>\$ 140,963</u>	<u>\$ (69,618)</u>	<u>\$ 148,698</u>	<u>\$ 133,828</u>
Other Long-term Liabilities Due in More than One Year				<u>\$ 14,870</u>	

F. Interfund Transactions

Transfers between the primary government funds during the 2025 year were as follows:

	<u>Transfer out:</u>					
	<u>General</u>	<u>Capital Improvement</u>	<u>Sewer</u>	<u>Wastewater</u>	<u>Utility Capital Projects</u>	
Transfer in:						
General	\$ -	\$ 1,024,240	\$ 298,509	\$ 419,957	\$ -	\$ 1,742,706
Nonmajor govt.	19,293	-	-	-	-	19,293
Water	-	-	-	-	878,990	878,990
Sewer	-	-	-	441,609	4,619,741	5,061,350
Wastewater	-	-	-	-	1,211,277	1,211,277
Total	<u>\$ 19,293</u>	<u>\$ 1,024,240</u>	<u>\$ 298,509</u>	<u>\$ 861,566</u>	<u>\$ 6,710,008</u>	<u>\$ 8,913,616</u>

City of Liberty Hill, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

The compositions of interfund due to/from balances as of the year ended September 30, 2025 were as follows:

Due to: (Payable Fund)	Due from: (Receivable Fund)
	Utility Capital Projects
Sewer	\$ 170,356
Wastewater	367,274
Total	\$ 537,630

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	\$ 495,330 *	\$ 495,330	\$ -
Tourism	3,596	3,596	-
PEG	175,758	175,758	-
Grants	81,696	81,696	-
Street maintenance	2,290,200	2,290,200	-
Economic development	19,293	19,293	-
Parkland dedication	1,512,460	1,512,460	-
Debt service	2,068,355	45,165,678	1,853,052
Capital projects	6,539,195	6,243,096	-
Net pension	-	85,028	29,368
	\$ 13,185,883	\$ 56,072,135	\$ 1,882,420

* Restricted by enabling legislation

City of Liberty Hill, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

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 2,700 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, 2025

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

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

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 three payment 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, 2025

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 2023</u>	<u>Plan Year 2024</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	0%	0%
Annuity increase (to retirees)	0% of CPI	0% 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, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	16
Inactive employees entitled to but not yet receiving benefits	61
Active employees	<u>66</u>
Total	143

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 6.62% and 6.58% for the calendar years 2025 and 2024, respectively. The City's contributions to TMRS for the year ended September 30, 2025, were \$427,271 and were equal to the required contributions.

City of Liberty Hill, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

4. Net Pension Liability (Asset)

The City's Net Pension Liability (Asset) was measured as of December 31, 2024, 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 (Asset) in the December 31, 2024 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 are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with 110% of the Public Safety table used for males and 100% of 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 the most recent Scale MP-2021 (with immediate convergence) 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 will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the 3.5% and 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS as of December 31, 2022. They were adopted in 2023 and first used in the December 31, 2023 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.

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

City of Liberty Hill, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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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).

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.

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

The following presents the net pension liability(asset) 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 6.75%	1% Increase 7.75%
\$ 668,980	\$ (114,397)	\$ (746,717)

City of Liberty Hill, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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Changes in the Net Pension Liability (Asset):

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)
Balance at 12/31/23	\$ 3,887,492	\$ 3,832,562	\$ 54,930
Changes for the year:			
Service Cost	750,377	-	750,377
Interest (on the Total Pension Liab.)	283,072	-	283,072
Difference between expected and actual experience	(55,110)	-	(55,110)
Contributions – employer	-	362,251	(362,251)
Contributions – employee	-	385,373	(385,373)
Net investment income (loss)	-	402,656	(402,656)
Benefit payments, including refunds of emp. contributions	(138,044)	(138,044)	-
Administrative expense	-	(2,554)	2,554
Other changes	-	(60)	60
Net changes	840,295	1,009,622	(169,327)
Balance at 12/31/24	\$ 4,727,787	\$ 4,842,184	\$ (114,397)

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2025, the City recognized pension expense of \$350,054. The general fund and wastewater fund are used to liquidate pension liabilities.

City of Liberty Hill, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between expected and actual economic experience	\$ -	\$ (80,326)
Changes in assumptions	-	(12,410)
Investment gains (inflows) or losses outflows	-	(65,859)
Contributions subsequent to the measurement date	326,585	-
Total	\$ 326,585	\$ (158,595)

The City reported \$326,585 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, 2026.

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

Year ended December 31:	
2025	\$ (40,655)
2026	(14,572)
2027	(70,264)
2028	(33,104)
2029	-
Thereafter	-
	\$ (158,595)

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

City of Liberty Hill, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

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, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	12
Inactive employees entitled to but not yet receiving benefits	8
Active employees	66
Total	86

The City’s contributions to the TMRS SDBF for the year ended September 30, 2025 and 2024 were \$1,140 and \$930, respectively.

Total OPEB Liability

The City’s Postemployment Benefits Other Than Pensions Liability (OPEB) was measured as of December 31, 2024, and the Total OPEB Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total OPEB Liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	3.60% to 11.85%, including inflation per year
Discount rate	4.08%
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

City of Liberty Hill, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements. For disabled annuitants, the 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% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females. The rates are projected on a fully generational basis by the most recent Scale MP=2021 (with immediate convergence) to account for future mortality improvements subject to the 3.5% and 3% floor.

Discount Rate:

The discount rate used to measure the Total OPEB Liability was 4.08%. The discount rate was based on the Fidelity Index’s “20-Year Municipal GO AA Index” rate as of December 31, 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 4.08%, as well as what the City’s total OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (3.08%) or 1-percentage-point higher (5.08%) than the current rate:

1% Decrease	Current Single Rate	1% Increase
3.08%	4.08%	5.08%
\$ 95,790	\$ 77,734	\$ 64,010

City of Liberty Hill, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at 12/31/23	\$ 70,158
Changes for the year:	
Service Cost	11,011
Interest	2,832
Difference between expected and actual experience	(220)
Changes of assumptions	(4,946)
Benefit payments	(1,101)
Net changes	7,576
Balance at 12/31/24	\$ 77,734

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

For the year ended September 30, 2024, the City recognized OPEB expense of \$11,247.

At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to the OPEB liability from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Difference between expected and actual experience	\$ -	\$ (6,424)
Changes in assumptions	-	(13,666)
Contributions subsequent to yearend	987	-
Total	\$ 987	\$ (20,090)

The City reported \$987 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, 2026.

City of Liberty Hill, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

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

Year ended December 31:	
2025	\$ (2,904)
2026	(6,163)
2027	(4,059)
2028	(4,010)
2029	(2,848)
Thereafter	(106)
	<u>\$ (20,090)</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

Due to prior year accounting errors and the New Acct. Standard-GASB 101, *Compensated Absences*, the City restated beginning net position/fund balance for governmental activities, business-type activities, component unit activities, general fund, debt service fund, capital improvement fund, nonmajor governmental funds, water fund, and wastewater treatment fund. The summary of restatements is as follows:

	Governmental Activities	General Fund	Debt Service	Capital Improvements	Nonmajor Governmental
Prior year ending fund balance/net position as reported	\$ 73,776,640	\$ 15,058,976	\$ 1,051,001	\$ 1,135,144	\$ 4,552,713
Correction to SBITA assets	372,312	-	-	-	-
Correction to AP/accrued expenses	269,591	41,214	-	228,377	-
New Acct. Standard - GASB 101	(179,564)	-	-	-	-
Correction to SBITA lease	(372,312)	-	-	-	-
Correction of TIRZ property tax allocation	-	(114,404)	(65,222)	-	179,626
Restated beginning fund balance/net position	<u>\$ 73,866,667</u>	<u>\$ 14,985,786</u>	<u>\$ 985,779</u>	<u>\$ 1,363,521</u>	<u>\$ 4,732,339</u>

City of Liberty Hill, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

	Component	Business-Type			Wastewater
	Unit - EDC	Activities	Water	Sewer	Treatment
Prior year ending net position as reported	\$ 4,057,926	\$ 85,112,166	\$ 15,225,938	\$ 24,474,388	\$ 39,591,119
Correction to CIP capital assets	63,000	(339,514)	-	-	(339,514)
Correction to AP/accrued expenses	-	128,139	18,130	(56,230)	166,239
New Acct. Standard - GASB 101	-	(42,549)	(4,959)	-	(37,590)
Correction to developer contributions	-	2,103,734	-	-	2,103,734
Restated beginning net position	<u>\$ 4,120,926</u>	<u>\$ 86,961,976</u>	<u>\$ 15,239,109</u>	<u>\$ 24,418,158</u>	<u>\$ 41,483,988</u>

F. New Accounting Pronouncements

The City adopted GASB 101, *Compensated Absences* during the year. The goal of the standard is to create a more consistent model for accounting for compensated absences that can be applied to all types of compensated absence arrangements. The new guidance introduces three criteria for recording a liability in financial statements prepared using the economic resources measurement focus (often referred to as a “full accrual” basis). A liability should be recognized for leave that has not been used if all of the following are true:

- The leave is attributable to services already rendered.
- The leave accumulates.
- The leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means (likelihood of more than 50 percent).

This standard was applied retroactively and resulted in a sick leave liability of \$327,002 as of September 30, 2025.

G. Subsequent Events

Subsequent events were evaluated through March 25, 2026, the date the financial statements were available to be issued.

APPENDIX C

FORM OF BOND COUNSEL'S OPINION



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FORM OF OPINION

_____, 2026

City of Liberty Hill, Texas Tax Notes, Series 2026

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 tax notes designated as “City of Liberty Hill, Texas Tax Notes, Series 2026” (the “Notes”), dated June 3, 2026. The Notes are authorized by an ordinance adopted by the City Council of the Issuer on May 13, 2026 (the “Ordinance”) authorizing the issuance of the Notes. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Ordinance.

In such connection, we have reviewed a transcript of certain certified proceedings pertaining to the issuance of the Notes, including the 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.

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 original delivery of the Notes 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 original delivery of the Notes 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 Notes has concluded with its 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 second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the 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 Notes to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Notes, the 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 any offering material relating to the Notes 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 Notes in full compliance with the Constitution and laws of the State of Texas presently in effect; the Notes constitute the valid and legally binding obligation of the Issuer.

(2) The Notes are payable, both as to principal and interest, from, and secured by, the proceeds of a continuing, direct annual ad valorem tax, levied within the limits prescribed by law, against all taxable property within the Issuer, which taxes have been pledged irrevocably to pay the principal of and interest on the Notes.

(3) Interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Notes 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 Notes.

This letter may be relied upon only by the addressee(s) hereof.

Very truly yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP