

CITY OF LIBERTY HILL, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2020



CITY OF LIBERTY HILL, TEXAS, TEXAS
ANNUAL FINANCIAL REPORT
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Liberty Hill, Texas (the "City"), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2020, 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.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis, budgetary comparison information, pension information, and other post-employment benefits information, as listed in the table of contents, 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 the City’s basic financial statements. The combining statements and schedules are presented for purposes of additional analysis and are not required parts of the basic financial statements.

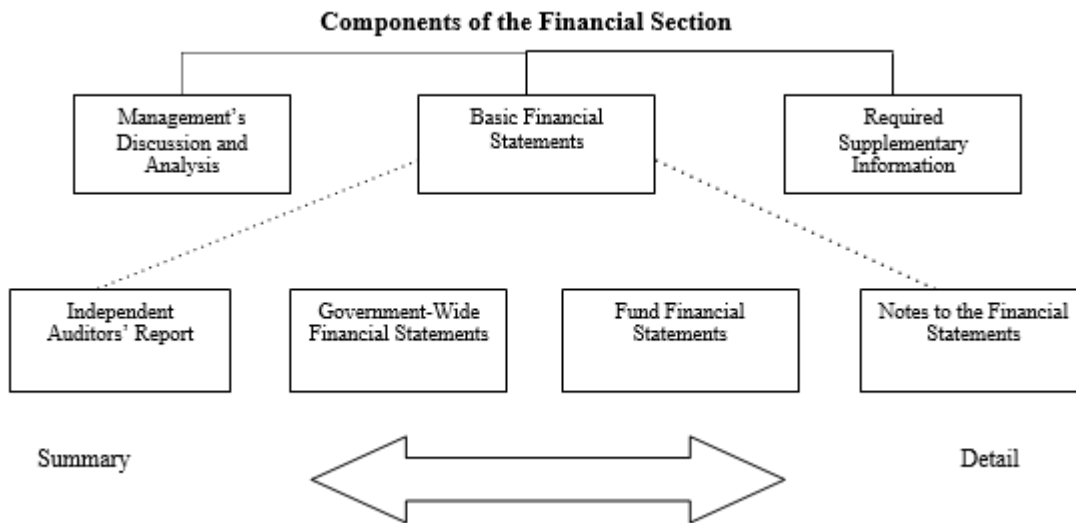
The combining statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.



January 5, 2022
Austin, Texas

CITY OF LIBERTY HILL, TEXAS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the financial activities of City of Liberty Hill, Texas, Texas (the "City") for the year ended September 30, 2020. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the City's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Please read the MD&A in conjunction with the City's financial statements, which follow this section.



The City's basic financial statements include (1) government-wide financial statements, (2) individual fund financial statements, and (3) notes to the 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 statements report information for the City as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of the City as an economic entity. The Statement of Net Position and the Statement of Activities report information on the City's activities that enable the reader to understand the financial condition of the City. These statements are prepared using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, even if cash has not yet changed hands.

The Statement of Net Position presents information on all of the City's assets, liabilities, and deferred outflows/inflows of resources, 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 nonfinancial 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 – the accrual method rather than modified accrual that is used in the fund level statements.

CITY OF LIBERTY HILL, TEXAS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The Statement of Net Position and the Statement of Activities divide the City's financials into two classes of activities:

1. *Governmental Activities* – Most of the City's basic services are reported here, which include general government, public safety, municipal court, and public works. Interest payments on the City's governmental debt are also reported here. Property taxes, sales taxes, franchise fees, and other revenue finance most of these activities.
2. *Business-Type Activities* – Services involving a fee for those services are reported here. These services include the City's water, sewer, and wastewater operations. Interest payments on the City's business-type activities debt are also reported here.

The government-wide financial statements can be found after the MD&A.

Fund Financial Statements

Funds may be considered as operating companies of the parent corporation, which is the City. They are usually segregated for specific activities or objectives. The City 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 fiscal 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 ten 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, Liberty Parke Public Improvement District (PID) fund, and capital improvement fund, which are considered to be major funds for reporting purposes.

The City adopts an annual appropriated budget for two of its ten governmental funds. Budgetary comparison schedules have been provided for each fund to demonstrate compliance with these budgets.

Proprietary Funds

The City maintains one type of proprietary fund, enterprise funds. Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, and wastewater treatment operations. The proprietary fund financial statements provide separate information for the water, sewer, and wastewater operations. The basic proprietary fund financial statements can be found in the basic financial statements of this report.

CITY OF LIBERTY HILL, TEXAS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

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 basic financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The RSI includes a budgetary comparison schedule for the general fund, as well as the schedules of changes in net pension and total OPEB liability and related ratios and a schedule of contributions for the Texas Municipal Retirement System. RSI can be found after the notes to the financial statements.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$37,159,035 as of September 30, 2020. A portion of the City's net position, 50 percent, reflects its investment in capital assets (e.g., land and City hall, as well as the public works facilities). 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.

The following schedules summarize the financial position of the City as of September 30, 2020 and 2019.

Condensed Schedule of Net Position

	September 30, 2020			
	Governmental Activities	Business-type Activities	Reconciliation	Total
Current and other assets	\$ 8,975,317	\$ 16,360,539	\$ -	\$ 25,335,856
Capital assets	11,209,794	39,325,508	-	50,535,302
Total Assets	20,185,111	55,686,047	-	75,871,158
Deferred outflow - pensions	136,739	67,476	-	204,215
Deferred outflow - OPEB	4,330	2,438	-	6,768
Total Deferred Outflows of Resources	141,069	69,914	-	210,983
Current liabilities	800,955	1,982,670	-	2,783,625
Long-term liabilities	15,660,832	20,416,121	-	36,076,953
Total Liabilities	16,461,787	22,398,791	-	38,860,578
Deferred inflows - pensions	41,721	13,992	-	55,713
Deferred inflows - OPEB	4,360	2,455	-	6,815
Total Deferred Inflows of Resources	46,081	16,447	-	62,528
Net investment in capital assets	384,934	22,989,311	(4,742,000)	18,632,245
Restricted	2,643,278	-	-	2,643,278
Unrestricted	790,100	10,351,412	4,742,000	15,883,512
Total Net Position	\$ 3,818,312	\$ 33,340,723	\$ -	\$ 37,159,035

CITY OF LIBERTY HILL, TEXAS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

	September 30, 2019			
	Governmental	Business-type		Total
	Activities	Activities	Reconciliation	
Current and other assets	\$ 10,899,521	\$ 8,041,429	\$ -	\$ 18,940,950
Capital assets	6,522,880	33,964,305	-	40,487,185
Total Assets	17,422,401	42,005,734	-	59,428,135
Deferred charge on refunding				-
Deferred outflow - pensions	195,205	-	-	195,205
Deferred outflow - OPEB	26,689	-	-	26,689
Total Deferred Outflows of Resources	221,894	-	-	221,894
Current liabilities	870,025	1,192,084	-	2,062,109
Long-term liabilities	15,886,140	14,441,995	-	30,328,135
Total Liabilities	16,756,165	15,634,079	-	32,390,244
Deferred inflows - pensions	24,629	-	-	24,629
Deferred inflows - OPEB	1,839	-	-	1,839
Total Deferred Inflows of Resources	26,468	-	-	26,468
Net investment in capital assets	6,522,880	19,522,310	(5,131,000)	20,914,190
Restricted	4,855,100	-	-	4,855,100
Unrestricted	(10,512,466)	6,845,493	5,131,000	1,464,027
Total Net Position	\$ 865,514	\$ 26,367,803	\$ -	\$ 27,233,317

A portion of the City's net position, \$2,643,278, represents resources restricted to a specific purpose. The City's total net position increased by \$7,810,416 during the current fiscal year, an increase of 29 percent over the prior year. The overall condition of the City improved during the year primarily due to increases in business-type charges for services as a result of increased growth and development within the City.

The City has issued and repaid debt in its governmental activities for which the proceeds were used to construct capital assets for business-type activities. With one activity carrying the capital asset and another carrying the debt, the result is an unusual net position presentation. The City has included a reconciliation column in the Statement of Net Position adjusting the net investment in capital assets. Outstanding debt associated with governmental activities, in the amount of \$4,742,000, is being used to finance capital assets reported in business-type activities. Accordingly, this amount has been added back to unrestricted net position and deducted from net investment in capital assets in total for the primary government.

CITY OF LIBERTY HILL, TEXAS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Condensed Schedule of Changes in Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 2,368,016	\$ 1,908,185	\$ 14,371,034	\$ 10,239,068	\$ 16,739,050	\$ 12,147,253
Operating grants and contributions	116,133	-	-	-	116,133	-
General revenues:						
Property taxes	2,683,260	1,922,353	-	-	2,683,260	1,922,353
Sales and use taxes	1,971,244	1,474,357	-	-	1,971,244	1,474,357
Franchise fees and other taxes	141,816	134,765	-	-	141,816	134,765
Investment income	256,416	438,887	57,107	-	313,523	438,887
Other	1,223,918	1,347,741	-	69,934	1,223,918	1,417,675
Total Revenues	8,760,803	7,226,288	14,428,141	10,309,002	23,188,944	17,535,290
Expenses:						
General government	4,598,640	6,636,894	-	-	4,598,640	6,636,894
Municipal court	308,914	265,923	-	-	-	265,923
Police department	1,653,833	1,087,235	-	-	1,653,833	1,087,235
Parks and recreation and street maintenance	1,171,848	561,607	-	-	1,171,848	561,607
Water, sewer, and wastewater	-	-	7,199,302	5,919,988	7,199,302	5,919,988
Interest and fiscal agent fees on long-term debt	445,991	1,194,648	-	-	445,991	1,194,648
Total Expenses	8,179,226	9,746,307	7,199,302	5,919,988	15,378,528	15,666,295
Change in net position before transfers	581,577	(2,520,019)	7,228,839	4,389,014	7,810,416	1,868,995
Transfers in (out)	282,919	(866,692)	(282,919)	866,692	-	-
Change in net position	864,496	(3,386,711)	6,945,920	5,255,706	7,810,416	1,868,995
Total Net Position - Beginning	865,514	4,252,225	26,367,803	21,112,097	27,233,317	25,364,322
Prior period adjustment	2,088,302	-	27,000	-	2,115,302	-
Total Net Position - Ending	\$ 3,818,312	\$ 865,514	\$ 33,340,723	\$ 26,367,803	\$ 37,159,035	\$ 27,233,317

Overall, governmental activities revenues increased. Charges for services, property taxes, and sales and use taxes increased by \$459,831 or 24 percent, \$760,907 or 40 percent, and \$496,887 or 34 percent, respectively, due to an increase in activity in the City and growth.

Revenue for business-type activities increased by \$4,119,139 or 40 percent from the prior year mainly due to increases in contracts for wastewater services. Business-type expenses increased by \$1,279,314 or 22 percent as a result of the increases in new connections related to all of the addition residential growth within the City.

Financial Analysis Of The City's Funds

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

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

The City's governmental funds reflect a combined fund balance of \$8,206,425. At the end of the current year, \$5,523,411 was unassigned. Total restricted fund balance for various purposes is \$2,683,014.

CITY OF LIBERTY HILL, TEXAS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The general fund is the chief operating fund of the City. At the end of the current year, unassigned fund balance of the general fund was \$5,523,411 , while total fund balance reached \$5,590,121. Of this amount, \$66,710 is restricted for communication equipment that is related to Public Education Government fees collected from cable companies. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 114 percent of total general fund expenditures, while total fund balance represents 116 percent of the same amount.

The debt service fund balance of \$298,605 is restricted for future debt payments of principal and interest. Fund balance in the debt service fund increased by \$71,448.

The Liberty Parke PID reported an ending fund balance of \$323,198. This balance reflected a decrease of \$1,893,218 primarily due to debt service payments, as well as payments made to the developer.

The capital improvement fund reported no fund balance as of September 30, 2020. The decrease in fund balance of \$1,594,519 was due to the use of bond proceeds for ongoing capital projects within the City.

The combined nonmajor governmental funds ended the year with a fund balance of \$1,994,501. This represents an increase of \$867,913 over the prior year.

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

General Fund Budgetary Highlights

Budgeted general fund revenues exceeded actual revenues by \$2,060,585 during the year. The net positive variance is primarily due to more revenue from permit fee than anticipated due to several subdivisions starting within the City. General fund expenditures were over the final budget by \$620,887 mainly due to capital outlay costs that were not budgeted. These costs will be reimbursed by the wastewater treatment fund after the issuance of debt in the future.

Capital Assets

At the end of the year, the City's governmental and business-type activities had invested \$50,535,302 in capital assets and infrastructure (net of accumulated depreciation). This represents an increase of \$10,048,117 or 25 percent from the prior year. More detailed information about the City's capital assets is presented in Note III. C. to the financial statements.

Long-Term Debt

At the end of the current year, the City had total certificates of obligation, tax notes, special assessment revenue bonds, and revenue bonds outstanding of \$34,057,000.

S&P Global Ratings assigned its 'AA+' long-term rating to Liberty Hill, Texas' series 2018 general obligation (GO) refunding bonds, and series 2018 tax and water system surplus revenue certificates of obligation.

More detailed information about the City's long-term liabilities is presented in Note III. D. to the financial statements.

Contacting The City's Financial Management

This financial report is designed to provide a general overview of the City's finances. Questions concerning this report or requests for additional financial information should be directed to Finance Director, City Hall, 1120 Loop 332, Liberty Hill, Texas, 78642; telephone (512) 778-5449.

BASIC FINANCIAL STATEMENTS



CITY OF LIBERTY HILL, TEXAS, TEXAS

STATEMENT OF NET POSITION

September 30, 2020

	Governmental Activities	Business-type Activities	Reconciliation	Total
Assets				
Cash and cash equivalents	\$ 8,526,857	\$ 15,593,916	\$ -	\$ 24,120,773
Receivables, net of allowance	448,460	766,623		1,215,083
Capital Assets:				
Nondepreciable capital assets	3,856,236	10,494,993	-	14,351,229
Depreciable capital assets, net of depreciation	7,353,558	28,830,515	-	36,184,073
Total Capital Assets	11,209,794	39,325,508	-	50,535,302
Total Assets	20,185,111	55,686,047	-	75,871,158
Deferred Outflows of Resources				
Deferred outflows - pension	136,739	67,476	-	204,215
Deferred outflows - OPEB	4,330	2,438	-	6,768
Total Deferred Outflows of Resources	141,069	69,914	-	210,983
Liabilities				
Current Liabilities:				
Accounts payable and accrued expenses	754,085	1,780,842	-	2,534,927
Customer deposits	-	155,070	-	155,070
Accrued interest	46,870	46,758	-	93,628
Long-term liabilities:				
Due within one year	986,456	1,365,710	-	2,352,166
Due in more than one year	14,618,051	19,018,706	-	33,636,757
Net pension liability	30,239	17,021	-	47,260
Total OPEB liability	26,086	14,684	-	40,770
Total Liabilities	16,461,787	22,398,791	-	38,860,578
Deferred Inflows of Resources				
Deferred inflows - pension	41,721	13,992	-	55,713
Deferred inflows - OPEB	4,360	2,455	-	6,815
Total Deferred Inflows of Resources	46,081	16,447	-	62,528
Net Position				
Net investment in capital assets	384,934	22,989,311	(4,742,000)	18,632,245
Restricted:				
Capital projects	844,732	-	-	844,732
Communication equipment	66,710	-	-	66,710
Debt service	258,869	-	-	258,869
Economic development	1,335,965	-	-	1,335,965
Municipal court	59,277	-	-	59,277
Street maintenance	77,725	-	-	77,725
Unrestricted	790,100	10,351,412	4,742,000	15,883,512
Total Net Position	\$ 3,818,312	\$ 33,340,723	\$ -	\$ 37,159,035

CITY OF LIBERTY HILL, TEXAS, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2020

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Primary Government			
Governmental Activities:			
General government	\$ 4,598,640	\$ 2,180,824	\$ -
Municipal court	308,914	-	-
Police department	1,653,833	187,192	116,133
Parks and recreation and street maintenance	1,171,848	-	-
Interest and other charges	445,991	-	-
Total Governmental Activities	<u>8,179,226</u>	<u>2,368,016</u>	<u>116,133</u>
Business-type Activities:			
Water, sewer, and wastewater collections	<u>7,199,302</u>	<u>14,371,034</u>	<u>-</u>
Total Business-type Activities	<u>7,199,302</u>	<u>14,371,034</u>	<u>-</u>
Total Primary Government	<u>\$ 15,378,528</u>	<u>\$ 16,739,050</u>	<u>\$ 116,133</u>

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-type Activities	Total
Primary Government			
Governmental Activities:			
General government	\$ (2,417,816)	\$ -	\$ (2,417,816)
Municipal court	(308,914)	-	(308,914)
Police department	(1,350,508)	-	(1,350,508)
Parks and recreation and street maintenance	(1,171,848)	-	(1,171,848)
Interest and other charges	(445,991)	-	(445,991)
Total Governmental Activities	(5,695,077)	-	(5,695,077)
Business-type Activities:			
Water, sewer, and wastewater collections	-	7,171,732	7,171,732
Total Business-type Activities	-	7,171,732	7,171,732
Total Primary Government	(5,695,077)	7,171,732	1,476,655
General Revenues			
Taxes:			
Property taxes	2,683,260	-	2,683,260
Sales and use taxes	1,971,244	-	1,971,244
Franchise fees and other taxes	141,816	-	141,816
Investment income	256,416	57,107	313,523
Other	1,223,918	-	1,223,918
Transfers	282,919	(282,919)	-
Total General Revenues and Transfers	6,559,573	(225,812)	6,333,761
Change in net position	864,496	6,945,920	7,810,416
Net Position - Beginning	865,514	26,367,803	27,233,317
Prior period adjustment	2,088,302	27,000	2,115,302
Net Position - Ending	\$ 3,818,312	\$ 33,340,723	\$ 37,159,035

CITY OF LIBERTY HILL, TEXAS, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2020

	<u>General</u>	<u>Debt Service</u>	<u>Liberty Parke PID</u>	<u>Capital Improvement</u>
Assets				
Cash and cash equivalents	\$ 4,182,555	\$ 324,844	\$ 375,673	\$ 1,715,702
Receivables, net of allowance	274,471	6,943	-	-
Due from other funds	1,408,703	-	-	-
Total Assets	<u>5,865,729</u>	<u>331,787</u>	<u>375,673</u>	<u>1,715,702</u>
Liabilities				
Accounts payable and accrued liabilities	225,585	-	-	428,186
Due to other funds	42,350	26,048	52,475	1,287,516
Total Liabilities	<u>267,935</u>	<u>26,048</u>	<u>52,475</u>	<u>1,715,702</u>
Deferred Inflows of Resources				
Unavailable revenues - property taxes	7,673	7,134	-	-
Total Deferred Inflows of Resources	<u>7,673</u>	<u>7,134</u>	<u>-</u>	<u>-</u>
Fund Balances				
Restricted:				
Capital projects	-	-	323,198	
Communication equipment	66,710	-	-	-
Debt service	-	298,605	-	-
Economic development	-	-	-	-
Municipal court	-	-	-	-
Street maintenance	-	-	-	-
Unassigned	5,523,411	-	-	-
Total Fund Balances	<u>5,590,121</u>	<u>298,605</u>	<u>323,198</u>	<u>-</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 5,865,729</u>	<u>\$ 331,787</u>	<u>\$ 375,673</u>	<u>\$ 1,715,702</u>

CITY OF LIBERTY HILL, TEXAS, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2020

	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets		
Cash and cash equivalents	\$ 1,928,083	\$ 8,526,857
Receivables, net of allowance	167,046	448,460
Due from other funds	<u>42,350</u>	<u>1,451,053</u>
Total Assets	<u>2,137,479</u>	<u>10,426,370</u>
Liabilities		
Accounts payable and accrued liabilities	100,314	754,085
Due to other funds	<u>42,664</u>	<u>1,451,053</u>
Total Liabilities	<u>142,978</u>	<u>2,205,138</u>
Deferred Inflows of Resources		
Unavailable revenues - property taxes	-	14,807
Total Deferred Inflows of Resources	<u>-</u>	<u>14,807</u>
Fund Balances		
Restricted:		
Capital projects	521,534	844,732
Communication equipment	-	66,710
Debt service	-	298,605
Economic development	1,335,965	1,335,965
Municipal court	59,277	59,277
Street maintenance	77,725	77,725
Unassigned	<u>-</u>	<u>5,523,411</u>
Total Fund Balances	<u>1,994,501</u>	<u>8,206,425</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 2,137,479</u>	<u>\$ 10,426,370</u>



CITY OF LIBERTY HILL, TEXAS, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
September 30, 2020

Total fund balance of governmental funds in the Governmental Funds Balance Sheet \$ 8,206,425

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position. 11,209,794

Certain other unavailable assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.
 Unavailable revenue 14,807

Long-term liabilities are not due in the current period and, therefore, are not reported as liabilities in the fund financial statements, but are included in the governmental activities of the Statement of Net Position.

Bonds payable, at maturity	(14,357,000)
Premium/discount on bonds payable	(428,311)
Capital lease obligation	(781,549)
Total OPEB liability	(26,086)
Accrued long-term interest	(46,870)
Compensated absences	(37,647)
Net pension liability	(30,239)
Deferred outflows of resources relating to pension activities	136,739
Deferred inflows of resources relating to pension activities	(41,721)
Deferred inflows of resources relating to OPEB activities	4,330
Deferred outflows of resources relating to OPEB activities	<u>(4,360)</u>

Net position of governmental activities in the Statement of Net Position \$ 3,818,312

CITY OF LIBERTY HILL, TEXAS, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended September 30, 2020

	<u>General</u>	<u>Debt Service</u>	<u>Liberty Parke PID</u>	<u>Capital Improvement</u>
Revenues				
Taxes:				
Property taxes	\$ 1,130,041	\$ 554,168	\$ 509,502	\$ -
Sales taxes	1,135,724	-	-	-
Franchise taxes	141,816	-	-	-
Fines and forfeitures	206,664	-	-	-
Licenses and permits	2,159,677	-	-	-
Development agreements	60,030	-	9,039	-
Investment income	338,757	-	9,869	27,941
Other	1,124,993	1,570	-	-
Total Revenues	<u>6,297,702</u>	<u>555,738</u>	<u>528,410</u>	<u>27,941</u>
Expenditures				
Current:				
General administration	1,942,360	-	2,242,713	222,849
Municipal court	310,432	-	-	-
Police department	1,556,406	-	-	-
Parks and recreation and street maintenance	327,662	-	-	-
Capital outlay	691,644	-	-	3,211,520
Debt service:				
Principal	-	564,000	115,000	-
Interest and other charges	-	203,209	310,973	-
Total Expenditures	<u>4,828,504</u>	<u>767,209</u>	<u>2,668,686</u>	<u>3,434,369</u>
Revenues over (under) expenditures	<u>1,469,198</u>	<u>(211,471)</u>	<u>(2,140,276)</u>	<u>(3,406,428)</u>
Other Financing Sources (Uses)				
Proceeds from capital lease	636,697	-	-	-
Transfers in	-	282,919	-	1,811,909
Transfers out	(1,819,182)	-	-	-
Total Other Financing Sources (Uses)	<u>(1,182,485)</u>	<u>282,919</u>	<u>-</u>	<u>1,811,909</u>
Net changes in fund balances	286,713	71,448	(2,140,276)	(1,594,519)
Fund Balances - Beginning	5,227,231	227,157	1,893,218	1,594,519
Prior period adjustment	76,177	-	570,256	-
Fund Balances - Ending	<u>\$ 5,590,121</u>	<u>\$ 298,605</u>	<u>\$ 323,198</u>	<u>\$ -</u>

CITY OF LIBERTY HILL, TEXAS, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended September 30, 2020

	Non-Major Governmental Funds	Total Governmental Funds
Revenues		
Taxes:		
Property taxes	496,400	\$ 2,690,111
Sales taxes	835,520	1,971,244
Franchise taxes	-	141,816
Fines and forfeitures	-	206,664
Licenses and permits	-	2,159,677
Development agreements	-	69,069
Investment income	15,559	392,126
Other	10,384	1,136,947
Total Revenues	1,357,863	8,767,654
Expenditures		
Current:		
General administration	311,780	4,719,702
Municipal court	444	310,876
Police department	-	1,556,406
Parks and recreation and street maintenance	46,281	373,943
Capital outlay	138,718	4,041,882
Debt service:		
Principal	-	679,000
Interest and other charges	-	514,182
Total Expenditures	497,223	12,195,991
Revenues over (under) expenditures	860,640	(3,428,337)
Other Financing Sources (Uses)		
Proceeds from capital lease	-	636,697
Transfers in	7,273	2,102,101
Transfers out	-	(1,819,182)
Total Other Financing Sources (Uses)	7,273	919,616
Net changes in fund balances	867,913	(2,508,721)
Fund Balances - Beginning	1,126,588	10,068,713
Prior period adjustment	-	646,433
Fund Balances - Ending	\$ 1,994,501	\$ 8,206,425

CITY OF LIBERTY HILL, TEXAS, 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, 2020

Net changes in governmental fund balances in the Statement of Revenues, Expenditures and Changes in Fund Balances \$ (2,508,721)

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

This is the amount by which depreciation (\$457,262) is exceeded by capital outlays (\$3,702,307) in the current period. 3,245,045

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. (6,851)

Governmental funds report the proceeds from capital leases as another financial source or an increase to fund balance. In contrast, the Statement of Activities treats such proceeds as an increase in long-term liabilities. (636,697)

Governmental funds report repayment of bond principal and capital leases as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount of payments made on long-term debt: bond principal and capital lease principal of \$679,000 and \$32,507, respectively. 711,509

Deferred charges on bond refunding, and other debt charges which are treated as expenditures or other sources/uses in the fund basis financial statements are set up as assets and amortized in the Statement of Net Position. The net change for each represents an increase/(decrease) in net position.

Bond premiums/discounts 25,529

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

Changes in accrued interest 10,153

Changes in accrued compensated absences 22,640

Changes in net pension liabilities and related deferred outflows and inflows of resources (4,438)

Changes in total OPEB liabilities and related deferred outflows and inflows of resources 6,327

Change in net position of governmental activities in the Statement of Activities \$ 864,496

CITY OF LIBERTY HILL, TEXAS, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2020

	<u>Sewer</u>	<u>Wastewater Treatment</u>	<u>Water</u>	<u>Total Business-Type Activities</u>
Assets				
Current assets:				
Cash and cash equivalents	\$ 4,844,030	\$ 7,915,443	\$ 2,834,443	\$ 15,593,916
Accounts receivable, net	155,309	200,284	411,030	766,623
Total Current Assets	<u>4,999,339</u>	<u>8,115,727</u>	<u>3,245,473</u>	<u>16,360,539</u>
Non-current assets:				
Capital assets:				
Land	521,486	393,700	129,483	1,044,669
Construction in progress	-	7,873,664	1,576,660	9,450,324
Wastewater treatment facility	-	19,301,511	-	19,301,511
Water system	-	-	5,511,515	5,511,515
Sewer system	9,057,298	-	-	9,057,298
Less: accumulated depreciation	(1,915,406)	(2,354,351)	(770,052)	(5,039,809)
Total Non-current Assets	<u>7,663,378</u>	<u>25,214,524</u>	<u>6,447,606</u>	<u>39,325,508</u>
Total Assets	<u>12,662,717</u>	<u>33,330,251</u>	<u>9,693,079</u>	<u>55,686,047</u>
Deferred Outflows of Resources				
Deferred outflows related to pension activities	5,025	51,644	10,807	67,476
Deferred outflows relating to OPEB activities	182	1,866	390	2,438
Total Deferred Outflows of Resources	<u>5,207</u>	<u>53,510</u>	<u>11,197</u>	<u>69,914</u>
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	7,142	1,491,881	281,819	1,780,842
Customer deposits	100	26,000	128,970	155,070
Accrued interest	-	37,766	8,992	46,758
Total Current Liabilities	<u>7,242</u>	<u>1,555,647</u>	<u>419,781</u>	<u>1,982,670</u>
Non-current liabilities:				
Long-term liabilities due within one year	1,510	1,006,952	357,248	1,365,710
Long-term liabilities due in more than one year	-	15,779,442	3,239,264	19,018,706
Net pension liability	1,268	13,027	2,726	17,021
Total OPEB liability	1,093	11,239	2,352	14,684
Total Non-current Liabilities	<u>3,871</u>	<u>16,810,660</u>	<u>3,601,590</u>	<u>20,416,121</u>
Total Liabilities	<u>11,113</u>	<u>18,366,307</u>	<u>4,021,371</u>	<u>22,398,791</u>
Deferred Inflows of Resources				
Deferred inflows related to pension activities	1,042	10,709	2,241	13,992
Deferred inflows relating to OPEB activities	183	1,879	393	2,455
Total Deferred Inflows of Resources	<u>1,225</u>	<u>12,588</u>	<u>2,634</u>	<u>16,447</u>
Net Position				
Net investment in capital assets	7,663,378	12,471,585	2,854,348	22,989,311
Unrestricted	4,992,208	2,533,281	2,825,923	10,351,412
Total Net Position	<u>\$ 12,655,586</u>	<u>\$ 15,004,866</u>	<u>\$ 5,680,271</u>	<u>\$ 33,340,723</u>

CITY OF LIBERTY HILL, TEXAS, TEXAS
STATEMENT REVENUES, EXPENSES AND CHANGE IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended September 30, 2020

	Sewer	Wastewater Treatment	Water	Total Business-Type Activities
Operating Revenues				
Charges for services	\$ 2,989,348	\$ 9,015,117	\$ 2,366,569	\$ 14,371,034
Total Operating Revenues	<u>2,989,348</u>	<u>9,015,117</u>	<u>2,366,569</u>	<u>14,371,034</u>
Operating Expenses				
Water operations	-	-	1,136,951	1,136,951
Sewer operations	415,314	-	-	415,314
Wastewater collection operations	-	3,779,200	-	3,779,200
Depreciation	236,809	611,978	200,328	1,049,115
Total Operating Expenses	<u>652,123</u>	<u>4,391,178</u>	<u>1,337,279</u>	<u>6,380,580</u>
Operating Income	<u>2,337,225</u>	<u>4,623,939</u>	<u>1,029,290</u>	<u>7,990,454</u>
Non-operating Revenues (Expenses)				
Interest expense and fiscal agent fees	-	(716,929)	(101,793)	(818,722)
Investment income	5	49,356	7,746	57,107
Total Non-operating Revenues (Expenses)	<u>5</u>	<u>(667,573)</u>	<u>(94,047)</u>	<u>(761,615)</u>
Income Before Transfers	<u>2,337,230</u>	<u>3,956,366</u>	<u>935,243</u>	<u>7,228,839</u>
Transfers out	(282,919)	-	-	(282,919)
Change in net position	2,054,311	3,956,366	935,243	6,945,920
Total Net Position - Beginning	<u>10,601,275</u>	<u>11,048,500</u>	<u>4,718,028</u>	<u>26,367,803</u>
Prior period adjustment	-	-	27,000	27,000
Total Net Position - Ending	<u>\$ 12,655,586</u>	<u>\$ 15,004,866</u>	<u>\$ 5,680,271</u>	<u>\$ 33,340,723</u>

CITY OF LIBERTY HILL, TEXAS, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended September 30, 2020

	Sewer	Wastewater Treatment	Water	Total Business-Type Activities
Cash Flows From Operating Activities				
Receipts from customers	\$ 2,960,651	\$ 8,970,693	\$ 2,335,913	\$ 14,267,257
Payments to suppliers	(332,976)	(2,089,784)	(742,414)	(3,165,174)
Payments to employees	(102,358)	(1,082,383)	(220,586)	(1,405,327)
Net Cash Provided By Operating Activities	<u>2,525,317</u>	<u>5,798,526</u>	<u>1,372,913</u>	<u>9,696,756</u>
Cash Flows From Noncapital Financing Activities				
Transfers to other funds	(282,919)	-	-	(282,919)
Net Cash Used By Noncapital Financing Activities	<u>(282,919)</u>	<u>-</u>	<u>-</u>	<u>(282,919)</u>
Cash Flows From Capital and Related Financing Activities				
Capital purchases	-	(6,061,168)	(322,150)	(6,383,318)
Lease proceeds	-	85,421	-	85,421
Proceeds from issuance of debt	-	7,170,000	-	7,170,000
Principal paid on capital debt	-	(985,000)	(348,737)	(1,333,737)
Interest and fiscal agent fees paid	-	(716,929)	(101,793)	(818,722)
Net Cash Used By Capital and Related Financing Activities	<u>-</u>	<u>(507,676)</u>	<u>(772,680)</u>	<u>(1,280,356)</u>
Cash Flows From Investing Activities				
Interest income	5	49,356	7,746	57,107
Net Cash Provided By Investing Activities	<u>5</u>	<u>49,356</u>	<u>7,746</u>	<u>57,107</u>
Net increase in cash and cash equivalents	2,242,403	5,340,206	607,979	8,190,588
Cash and Cash Equivalents - Beginning	<u>2,601,627</u>	<u>2,575,237</u>	<u>2,226,464</u>	<u>7,403,328</u>
Cash and Cash Equivalents - Ending	<u>\$ 4,844,030</u>	<u>\$ 7,915,443</u>	<u>\$ 2,834,443</u>	<u>\$ 15,593,916</u>
Reconciliation of Operating Income to Net Cash Provided By Operating Activities				
Operating income	\$ 2,337,225	\$ 4,623,939	\$ 1,029,290	\$ 7,990,454
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	236,809	611,978	200,328	1,049,115
(Increase) decrease in accounts receivable	(28,697)	(47,524)	(52,301)	(128,522)
(Increase) decrease in deferred outflows relating to pension activities	(5,025)	(51,644)	(10,807)	(67,476)
(Increase) decrease in deferred outflows relating to OPEB activities	(182)	(1,866)	(390)	(2,438)
Increase (decrease) in interfund payables	-	(3,852)	-	(3,852)
Increase (decrease) in accounts payable	(19,909)	597,847	174,182	752,120
Increase (decrease) in accrued interest	-	13,721	-	13,721
Increase (decrease) in customer deposits	-	3,100	21,645	24,745
Increase (decrease) in compensated absences	1,510	15,973	3,254	20,737
Increase (decrease) in net pension liability	1,268	13,027	2,726	17,021
Increase (decrease) in total OPEB liability	1,093	11,239	2,352	14,684
Increase (decrease) in deferred inflows relating to pension activities	1,042	10,709	2,241	13,992
Increase (decrease) in deferred inflows relating to relating to OPEB activities	183	1,879	393	2,455
Net Cash Provided By Operating Activities	<u>\$ 2,525,317</u>	<u>\$ 5,798,526</u>	<u>\$ 1,372,913</u>	<u>\$ 9,696,756</u>



CITY OF LIBERTY HILL, TEXAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

A. Financial Reporting Entity

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

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

The City is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity. The component units, as listed below, although legally separate, are considered part of the reporting entity. No other entities have been included in the City's 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 it is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles 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.

Blended Component Units

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.

Public Improvement Districts (PID)

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

CITY OF LIBERTY HILL, TEXAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

B. 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 activities of the primary government and its component units. *Governmental activities*, which are normally supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

C. Basis of Presentation - Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the City'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 City's water, wastewater, and sewer operation functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the City's funds, including the blended component units. 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.

The City reports the following governmental funds:

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.

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.

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.

The *special revenue funds* are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The special revenue funds include street and maintenance, Liberty Hill EDC, court fees restricted, Summerlyn West PID, Stonewall, and Butler PID. The Liberty Parke PID is considered a major fund for reporting purposes. Street and maintenance, Liberty Hill EDC, court fees restricted, Summerlyn West PID, Stonewall, and Butler PID are considered nonmajor funds for reporting purposes.

CITY OF LIBERTY HILL, TEXAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

D. Basis of Presentation - Fund Financial Statements (continued)

The City reports the following enterprise funds:

The *enterprise funds* are used to account for the operations that provide water, sewer operations, and wastewater treatment. The services are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis will be financed or recovered primarily through user charges. The sewer, wastewater treatment, and water funds are considered major funds for reporting purposes.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds 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 funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

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

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

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

CITY OF LIBERTY HILL, TEXAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

E. Measurement Focus and Basis of Accounting

Property taxes, sales taxes, franchise fees, 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 City.

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

1. Cash and Cash Equivalents

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

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.

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. 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). Certain payments to vendors reflect costs applicable to the future accounting period (prepaid expenditures) and are recognized as expenditures when utilized.

CITY OF LIBERTY HILL, TEXAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

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

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities 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. Donated capital assets are recorded at acquisition value at the date of donation.

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.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

<u>Asset</u>	<u>Estimated Useful Lives</u>
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	10 to 40 years

5. Deferred Outflows/Inflows of Resources

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

CITY OF LIBERTY HILL, TEXAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

5. Deferred Outflows/Inflows of Resources (continued)

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/OPEB liability during the measurement period in which the contributions were made.

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

6. Compensated Employee 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 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.

7. Long-Term Obligations

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

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

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

CITY OF LIBERTY HILL, TEXAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

8. Net Position Flow Assumption

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

9. Fund Balance Flow Assumptions

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

10. Fund Balance Policies

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

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

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

11. 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.

CITY OF LIBERTY HILL, TEXAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

12. Pensions

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, 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.

13. Other Post-Employment Benefits

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

G. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. Property Taxes

Property taxes are 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.

3. Proprietary Funds Operating and Non-operating Revenues and Expenses

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

CITY OF LIBERTY HILL, TEXAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

H. Stewardship, Compliance, and Accountability

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and 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, 2020.

For the year ended September 30, 2020, expenditures exceeded appropriations at the legal level of control in the following departments:

General Fund	
General administration	\$54,445
Municipal court	\$8,451
Parks and recreation and street maintenance	\$34,579
Capital outlay	\$608,644
Debt Service Fund	
Principal	\$175,000
Interest and other charges	\$53,069

CITY OF LIBERTY HILL, TEXAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

I. Implementation of New Accounting Standards

The following GASB pronouncements have been implemented by the City in the current fiscal year:

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This Statement was issued in March 2020. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The requirements of this Statement are effective immediately.

The effective dates of the following pronouncements are postponed by 12 months:

- Statement No. 84, *Fiduciary Activities*
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*
- Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*
- Implementation Guide No. 2018-1, *Implementation Guidance Update—2018*
- Implementation Guide No. 2019-1, *Implementation Guidance Update—2019*
- Implementation Guide No. 2019-2, *Fiduciary Activities*.

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, *Leases*
- Implementation Guide No. 2019-3, *Leases*.

The following GASB pronouncements have been issued but not yet implemented by the City:

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. It was issued in June 2020, but the requirements in (1) paragraph 4 of this Statement as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans and (2) paragraph 5 of this Statement are effective immediately.

The requirements in paragraphs 6–9 of this Statement are effective for fiscal years beginning after June 15, 2021. Implementation of this Statement is planned for fiscal year 2022.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement was issued in May 2020 and provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. This statement is effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Implementation of this Statement is planned for fiscal year 2023.

CITY OF LIBERTY HILL, TEXAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 2 - Deposits (Cash) and Investments

As of September 30, 2020, the City reported the following cash and cash equivalents:

		Weighted Average Maturity (Days)	Credit Rating
Cash	\$ 16,361,247	1	n/a
Certificate of deposit	238,798	27	n/a
TexPool	6,460,687	38	AAAm
Texas CLASS	1,060,041	56	AAAm
Total	<u>\$ 24,120,773</u>		

Portfolio weighted average maturity (days) 13.58

Interest rate risk. In accordance with its investment policy, the City manages its exposure to declines in fair values by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations and invest operating funds primarily in short-term securities.

Credit risk. The City’s policy requires that investment pools must be rated no lower than ‘AAA’ or ‘AAA-m’. Bankers’ acceptances must be issued in the United States and carry a rating of ‘A1’/‘P1’ as provided by two of the top nationally recognized rating agencies. As of September 30, 2020, the City’s investments in TexPool and Texas CLASS were rated ‘AAAm’ by Standard & Poor’s.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City’s investment policy requires funds on deposit at the depository bank to be collateralized by securities. At September 30, 2020, bank balances exceeded the fair value of pledged securities and FDIC insurance by \$464,150.

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.

Local Government Investment Pools

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 rates 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.

CITY OF LIBERTY HILL, TEXAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 2 - Deposits (Cash) and Investments (continued)

TexPool (continued)

TexPool is an external investment pool measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, Texpool must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity, and diversification per share, weighted average maturities of 60 days or less, and weighted average lives of 120 days or less. Investments held are highly rated by nationally recognized statistical rating organizations, have no more than five percent of portfolio with one issuer (excluding U.S. government securities), and can meet reasonably foreseeable redemptions. TexPool has a redemption notice period of one day and may redeem daily. Texpool’s authority may only impose restrictions on redemptions in the event of general suspension of trading on major securities markets, general banking moratorium, or national state of emergency that affects the pool’s liquidity.

The Texas Cooperative Liquid Assets Securities System Trust (Texas CLASS) was created as a local government investment pool (LGIP) pursuant to Section 2256.016 of the Public Funds Investment Act (PFIA), Texas Government Code. Per state code, entities may pool any of their funds, or funds under their control, to preserve principal, maintain the liquidity of the funds, and maximize yield. The Texas CLASS Trust Agreement is an agreement of indefinite term regarding the investment, reinvestment, and withdrawal of local government funds.

Texas CLASS is overseen by the Texas CLASS Board of Trustees, comprised of active members of the pool and elected by the Participants, guided by the Advisory Board. The Board is responsible for selecting the Administrator and Investment Advisor. The Board retains the services of Public Trust Advisors, LLC (Public Trust).

In accordance with GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, the local government investment pools do not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. These pools do not impose any liquidity fees or redemption gates.

Note 3 - Receivables

The following comprise receivable balances at year-end:

	<u>General</u>	<u>Debt Service</u>	<u>Non-Major Governmental Funds</u>	<u>Sewer</u>	<u>Wastewater</u>	<u>Water</u>	<u>Total</u>
Property taxes	\$ 9,471	\$ 7,134	\$ -	\$ -	\$ -	\$ -	\$ 16,605
Sales and use taxes	222,793	-	167,046	-	-	-	389,839
Other taxes	42,458	-	-	-	-	-	42,458
Accounts	-	-	-	159,144	216,869	449,965	825,978
Less allowance	(251)	(191)	-	(3,835)	(16,585)	(38,935)	(59,797)
	<u>\$ 274,471</u>	<u>\$ 6,943</u>	<u>\$ 167,046</u>	<u>\$ 155,309</u>	<u>\$ 200,284</u>	<u>\$ 411,030</u>	<u>\$ 1,215,083</u>

CITY OF LIBERTY HILL, TEXAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 4 - Capital Assets

The following is a summary of changes in capital assets for governmental activities at fiscal year-end:

	Restated Balance 9/30/2019	Additions	Deletions	Balance 9/30/2020
Governmental Activities				
Capital assets, not being depreciated:				
Land and intangibles	\$ 1,037,588	\$ 482,730	\$ -	\$ 1,520,318
Construction in progress	2,933,475	1,809,045	(2,406,602)	2,335,918
Total capital assets, not being depreciated	3,971,063	2,291,775	(2,406,602)	3,856,236
Capital assets being depreciated:				
Building and improvements	4,159,042	3,186,381	-	7,345,423
Machinery and equipment	127,327	24,359	-	151,686
Police equipment	662,807	606,394	-	1,269,201
Total capital assets being depreciated	4,949,176	3,817,134	-	8,766,310
Less accumulated depreciation for:				
Building and improvements	(327,915)	(250,520)	-	(578,435)
Machinery and equipment	(48,948)	(27,512)	-	(76,460)
Police equipment	(578,627)	(179,230)	-	(757,857)
Total accumulated depreciation	(955,490)	(457,262)	-	(1,412,752)
Total capital assets being depreciated, net	3,993,686	3,359,872	-	7,353,558
Governmental Activities				
Capital Assets, Net	\$ 7,964,749	\$ 5,651,647	\$ (2,406,602)	11,209,794

Depreciation was charged to governmental functions as follows:

Governmental Activities	
General Government	\$ 185,738
Public safety	107,365
Public works	164,159
Total governmental activities	<u>457,262</u>
Depreciation expense	<u>\$ 457,262</u>

CITY OF LIBERTY HILL, TEXAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 4 - Capital Assets (continued)

The following is a summary of changes in capital assets for business-type activities at fiscal year-end:

	Restated Balance 9/30/2019	Additions	Deletions	Balance 9/30/2020
Business-type Activities				
Capital assets, not being depreciated:				
Land	\$ 1,044,669	\$ -	\$ -	\$ 1,044,669
Construction in progress	3,269,221	6,207,571	(26,468)	9,450,324
Total capital assets, not being depreciated	4,313,890	6,207,571	(26,468)	10,494,993
Capital assets being depreciated:				
Water system	5,485,047	26,468	-	5,511,515
Wastewater treatment facility	19,125,764	175,747	-	19,301,511
Sewer system	9,057,298	-	-	9,057,298
Total capital assets being depreciated	33,668,109	202,215	-	33,870,324
Less accumulated depreciation for:				
Water system	(1,742,373)	(200,328)	-	(1,942,701)
Wastewater treatment facility	(569,724)	(611,978)	-	(1,181,702)
Sewer system	(1,678,597)	(236,809)	-	(1,915,406)
Total accumulated depreciation	(3,990,694)	(1,049,115)	-	(5,039,809)
Total capital assets being depreciated, net	29,677,415	(846,900)	-	28,830,515
Business-Type Activities Capital Assets, Net	\$ 33,991,305	\$ 5,360,671	\$ (26,468)	39,325,508
		Plus unspent bond proceeds		4,027,482
		Less associated debt		(20,363,679)
		Net Investment in Capital Assets		\$ 22,989,311

Depreciation was charged to business-type functions as follows:

Business-type Activities	
Water operations	\$ 200,328
Sewer operations	236,809
Wastewater collection operations	611,978
Total business-type activities	<u>1,049,115</u>
Depreciation expense	<u>\$ 1,049,115</u>

CITY OF LIBERTY HILL, TEXAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 5 - Long-term Liabilities

The following is a summary of changes in the City’s total governmental activities long-term liabilities for the year. In general, the City uses the general and debt service funds to liquidate governmental long-term liabilities.

	Beginning Balance	Issued and Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities					
2016 Tax Notes	\$ 655,000	\$ -	\$ (160,000)	\$ 495,000 *	\$ 163,000
2017 Special Assessment Revenue Bonds - MIA	2,770,000	-	(55,000)	2,715,000	60,000
2017 Special Assessment Revenue Bonds - NIA	1,125,000	-	(20,000)	1,105,000	25,000
2018 Tax Notes	1,601,000	-	(129,000)	1,472,000 *	317,000
2018 Certificates of Obligation	2,875,000	-	(100,000)	2,775,000 *	-
2018 General Obligation Refunding Bonds	4,045,000	-	(175,000)	3,870,000	180,000
2019 Special Assessment Revenue Bonds - MIA	1,965,000	-	(40,000)	1,925,000	35,000
	<u>15,036,000</u>	<u>-</u>	<u>(679,000)</u>	<u>14,357,000</u>	<u>780,000</u>
Unamortized bond premiums	453,840	-	(25,529)	428,311	-
Capital leases	177,361	636,697	(32,509)	781,549	168,809
Net pension liability	101,359	-	(71,120)	30,239	-
Total OPEB liability	57,293	-	(31,207)	26,086	-
Compensated absences	60,287	34,099	(56,739)	37,647	37,647
Total Governmental Activities	<u>\$ 15,886,140</u>	<u>\$ 670,796</u>	<u>\$ (896,104)</u>	<u>\$ 15,660,832</u>	<u>\$ 986,456</u>
				<u>\$ 14,674,376</u>	
				<u>\$ 4,742,000</u>	

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.

The following is a summary of changes in the City’s total business-type long-term liabilities for the year. The City uses the water and wastewater service revenues to liquidate business-type long-term liabilities.

	Beginning Balance	Issued and Additions	Reductions	Ending Balance	Amounts Due Within One Year
Business-type Activities					
2012 Water System Revenue Bonds	\$ 1,505,000	\$ -	\$ (110,000)	\$ 1,395,000	\$ 105,000
2012 Wastewater Treatment Facility Revenue Bonds	2,780,000	-	(170,000)	2,610,000	175,000
2014 Water System Revenue Bonds	1,775,000	-	(155,000)	1,620,000	160,000
2015 Wastewater Treatment Facility Revenue Bonds	7,720,000	-	(620,000)	7,100,000	635,000
2019 Wastewater Treatment Facility Revenue Bonds	-	7,170,000	(195,000)	6,975,000	170,000
	<u>13,780,000</u>	<u>7,170,000</u>	<u>(1,250,000)</u>	<u>19,700,000</u>	<u>1,245,000</u>
Capital lease	661,995	85,421	(83,737)	663,679	99,973
Net pension liability	-	17,021	-	17,021	-
Total OPEB liability	-	14,684	-	14,684	-
Compensated absences	-	24,315	(3,578)	20,737	20,737
Total Business-type Activities	<u>\$ 14,441,995</u>	<u>\$ 7,311,441</u>	<u>\$ (1,337,315)</u>	<u>\$ 20,416,121</u>	<u>\$ 1,365,710</u>
				<u>\$ 19,050,411</u>	

CITY OF LIBERTY HILL, TEXAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 5 - Long-term Liabilities (continued)

In November 2019, the City issued \$7,170,000 of Wastewater Treatment Facility Revenue Bonds, Series 2019. The City used the proceeds to finance capital additions to the wastewater treatment facilities and to pay for the costs of issuance. The bonds mature on September 1, 2039 and bear interest at 2.75% per annum. Annual principal payments range from \$170,000 to \$620,000 over the life of the bonds.

Governmental activities long-term debt payable at year end was comprised of the following debt issues:

Description	Interest Rates	Balance
Certificates of Obligation		
Series 2018	3.00-3.65%	\$ 2,775,000
Tax Notes		
Series 2016	1.56-1.65%	495,000
Series 2017	2.25-3.50%	1,472,000
Special Assessment Revenue Bonds		
Series 2017 MIA	5.13-6.00%	2,715,000
Series 2017 NIA	5.38%	1,105,000
Series 2019 MIA	3.38-4.13%	1,925,000
General Obligation		
Series 2018 Refunding	2.25-4.20%	3,870,000
Total Governmental Activities Long-term Debt		<u>\$ 14,357,000</u>

Business-type activities long-term debt at year end was comprised of the following debt issues:

Description	Interest Rates	Balance
Revenue Bonds		
2012 Water Revenue Bond	1.00-4.85%	\$ 1,395,000
2012 Wastewater Treatment Facility	3.85%	2,610,000
2014 Water System Revenue Bond	3.01%	1,620,000
2015 Wastewater Treatment Facility	2.52%	7,100,000
2019 Wastewater Treatment Facility	2.75%	6,975,000
Total Business-Type Activities Long-term Debt		<u>\$ 19,700,000</u>

The annual requirements to amortize debt issues outstanding at year end were as follows:

Year Ending	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
Sept. 30				
2021	\$ 780,000	\$ 588,942	\$ 1,245,000	\$ 576,586
2022	797,000	570,323	1,280,000	541,082
2023	815,000	550,561	1,315,000	504,398
2024	840,000	527,519	1,355,000	466,444
2025	495,000	508,250	1,395,000	427,146
2026-2030	2,820,000	2,206,982	7,395,000	1,495,109
2031-2035	3,465,000	1,541,938	3,325,000	589,116
2036-2040	2,325,000	809,557	2,390,000	166,375
2041-2045	1,640,000	366,351	-	-
2046-2050	380,000	19,926	-	-
Total	<u>\$ 14,357,000</u>	<u>\$ 7,690,349</u>	<u>\$ 19,700,000</u>	<u>\$ 4,766,256</u>

CITY OF LIBERTY HILL, TEXAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 5 - Long-term Liabilities (continued)

Capital Leases

The City has entered into lease agreements as a lessee for financing the acquisition of equipment, principally consisting of vehicles and equipment. These leases qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. Capital leases bear interest rates between 2 and 5 percent and have maturity dates ranging from 2021 to 2030.

During 2020, the City entered into the following lease agreements:

	<u>Amount</u>	<u>Interest Rate</u>	<u>Maturity</u>
Governmental Activities			
Vehicles	\$ 273,120	3.688%	March 12, 2025
Radios	102,240	3.770%	April 14, 2023
Vehicles and equipment	210,643	3.194%	September 1, 2025
Vehicles and equipment	50,694	3.194%	September 1, 2025
	<u>\$ 636,697</u>		
Business-type Activities			
Vehicle and equipment	\$ 85,421	3.244%	September 1, 2027

Annual requirements to satisfy these obligations are as follows:

<u>Year Ending</u> <u>Sept. 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 168,809	\$ 24,840
2022	171,664	21,986
2023	177,904	15,746
2024	148,853	9,316
2025	114,319	3,941
Total	<u>\$ 781,549</u>	<u>\$ 75,829</u>

<u>Year Ending</u> <u>Sept. 30</u>	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 99,973	\$ 21,263
2022	103,262	17,974
2023	106,553	14,682
2024	109,949	11,286
2025	113,454	7,782
2025-2029	130,488	4,602
Total	<u>\$ 663,679</u>	<u>\$ 77,589</u>

CITY OF LIBERTY HILL, TEXAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 5 - Long-term Liabilities (continued)

Federal Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions 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 (IRS) at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed, or not performed correctly, a substantial liability to the City could result. The City periodically engages an arbitrage consultant to perform the calculations in accordance with the IRS rules and regulations.

Note 6 - Interfund Transactions

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

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>	<u>Purpose</u>
Debt Service	Sewer	\$ 282,919	Debt service
Capital Improvement	General	1,811,909	Capital outlay
Stonewall	General	7,273	Closing of the fund
		<u>\$ 2,102,101</u>	

The composition of interfund balances as of year-end was as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Debt Service	\$ 26,048
	Liberty Parke PID	52,475
	Capital Improvement	1,287,516
	Street Maintenance	39,270
	Stonewall	3,206
	Butler Farms PID	188
Court Fees	General	42,350
		<u>\$ 1,451,053</u>

Amounts recorded as due to/from are considered to be temporary loans and will be repaid during the following year.

Note 7 - Fund Equity

Funds restricted by enabling legislation are \$66,710, which are related to municipal court security and technology fees and Public Education Government fees.

Note 8 - 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 2,617 other entities in the Texas Municipal League’s Intergovernmental Risk Pool (the “Pool”). The Pool purchases commercial insurance at a group rate 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.

CITY OF LIBERTY HILL, TEXAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 9 - 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 amount of expenditures that 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. No claim liabilities are reported at year end.

Note 10 - Employee Retirement System

Texas Municipal Retirement System

Plan Description

The City participates as one of 888 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by 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 TMRS with a six-member Board of Trustees (the "Board"). 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 comprehensive annual financial report that can be obtained at www.tMrs.com.

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

Benefits Provided

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

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

CITY OF LIBERTY HILL, TEXAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 10 - Employee Retirement System (continued)

Benefits Provided (continued)

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:

Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required for vesting:	5
Service retirement eligibility (expressed as age/yrs of service)	60/5, 0/20
Updated service credit	0% repeating, Transfers
Annuity increase to retirees	0% of CPI repeating
Supplemental death benefit – active employees and retirees	Yes

Employees Covered by Benefit Terms

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Retirees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not receiving benefits	16
Active employees	<u>42</u>
	<u>60</u>

Contributions

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

Employees for the City were required to contribute seven percent of their annual gross earnings during the fiscal year. The contribution rates for the City were 7.28 percent and 7.08 percent in calendar years 2020 and 2019, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2020 and 2019 were \$206,573 and \$151,005 respectively, which were equal to the required contributions.

CITY OF LIBERTY HILL, TEXAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 10 - Employee Retirement System (continued)

Net Pension Liability

The City's net pension liability (NPL) was measured as of December 31, 2019, and the total pension liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The TPL in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation:	2.5%
Overall payroll growth	3.50% to 11.50% including inflation
Investment rate of return	6.75%

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

These actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS. No additional changes were made for the 2019 valuation.

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS board of trustees. 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 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. The target allocation for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>
Global Equities	35.0%
Core fixed income	10.0%
Non-core fixed income	20.0%
Real estate	10.0%
Real return	10.0%
Absolute return	10.0%
Private equity	5.0%
Total	<u>100.0%</u>

CITY OF LIBERTY HILL, TEXAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 10 - Employee Retirement System (continued)

Discount Rate

The discount rate used to measure the TPL was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will remain at the current 7% 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 plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Changes in the NPL

	Increase (Decrease)		
	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Changes for the plan year:			
Service cost	\$ 323,524	\$ -	\$ 323,524
Interest (on the Total Pension Liability)	78,671	-	78,671
Difference between expected and actual experience	6,002	-	6,002
Changes in assumptions	5,165	-	5,165
Contributions - employer	-	159,994	(159,994)
Contributions - employee	-	163,043	(163,043)
Net investment income	-	145,264	(145,264)
Benefit payments, including refunds of employee contributions	(62,475)	(62,475)	-
Administrative expense	-	(816)	816
Other changes	-	(24)	24
Net Changes	350,887	404,986	(54,099)
Balance at December 31, 2018	1,034,967	933,608	101,359
Balance at December 31, 2019	\$ 1,385,854	\$ 1,338,594	\$ 47,260

CITY OF LIBERTY HILL, TEXAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 10 - Employee Retirement System (continued)

Sensitivity of the NPL to Changes in the Discount Rate

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
Net Pension Liability (Asset)	\$ 260,600	\$ 47,260	\$ (128,543)

Pension Plan Fiduciary Net Position

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

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

For the fiscal year ended September 30, 2020, the City recognized pension expense of \$174,221.

At September 30, 2020, 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
Difference in expected and actual experience	\$ 32,101	\$ 16,865
Changes in actuarial assumptions	5,769	-
Difference in projected and actual earnings on pension plan investments	-	38,848
Contributions subsequent to the measurement date	166,345	-
Total	\$ 204,215	\$ 55,713

Deferred outflows of resources resulting from contributions subsequent to the measurement date of \$166,345 will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2020 (i.e. recognized in the City's fiscal year 2021 financial statements). Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year	Net Deferred Outflows (Inflows) of Resources
2021	\$ (6,860)
2022	(6,901)
2023	3,096
2024	(9,580)
2025	1,753
Thereafter	649
	\$ (17,843)

CITY OF LIBERTY HILL, TEXAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 11 - Other Post-Employment Benefits

B. TMRS Supplemental Death Benefit Fund

Plan Description

The City participates in a defined benefit other post-employment benefit (OPEB) plan administered by TMRS. TMRS administers the defined benefit group-term life insurance plan known as the SDBF. This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. Employers may terminate coverage under, and discontinue participation in, the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death); retired employees are insured for \$7,500 each; this coverage is an OPEB. The obligations of this plan are payable only from the SDBF and are not an obligation of, or a claim against, the TMRS Pension Trust Fund.

The member city contributes to the SDBF at a contractually required rate (based on the covered payroll of employee members) as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees' entire careers. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). As such, the SDBF is considered to be a single-employer unfunded OPEB defined benefit plan with benefit payments treated as being equal to the employer's yearly contributions for retirees.

The contributions to the SDBF are pooled for investment purposes with those of the Pension Trust Fund (PTF). The TMRS Act requires the PTF to allocate a five percent interest credit from investment income to the SDBF on an annual basis each December 31 based on the mean balance in the SDBF during the year.

Benefits

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an OPEB and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e., no assets are accumulated). Participation in the SDBF as of December 31, 2019 is summarized below:

Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	2
Active employees	42
Total	<u>47</u>

Total OPEB Liability

The City's total OPEB liability of \$40,770 was measured as of December 31, 2019 and was determined by an actuarial valuation as of that date.

CITY OF LIBERTY HILL, TEXAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 11 - Other Post-Employment Benefits (continued)

B. TMRS Supplemental Death Benefit Fund (continued)

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Discount rate	2.75%*
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.
Mortality rates-service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates-disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

* The discount rate is based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2019.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

Total OPEB Liability	
Service cost	\$ 5,823
Interest on total OPEB liability	2,229
Difference between expected and actual experience of the total OPEB liability	(32,180)
Changes in assumptions or other inputs	7,838
Benefit payments	<u>(233)</u>
Net change in total OPEB liability	(16,523)
Total OPEB liability - beginning	<u>57,293</u>
Total OPEB liability - ending	<u>\$ 40,770</u>

* Benefit payments are treated as being equal to the employer's yearly contributions for retirees due to the SDBF being considered an unfunded OPEB plan under GASB 75.

There were no changes of benefit terms that affected measurement of the total OPEB liability during the measurement period.

CITY OF LIBERTY HILL, TEXAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 11 - Other Post-Employment Benefits (continued)

B. TMRS Supplemental Death Benefit Fund (continued)

Sensitivity Analysis

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

1% Decrease in Discount Rate (1.75%)	Discount Rate (2.75%)	1% Increase in Discount Rate (3.75%)
\$ 49,772	\$ 40,770	\$ 33,797

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

For the year ended September 30, 2020, the City recognized OPEB expense of \$8,668. The City reported deferred outflows/inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 6,815
Changes assumptions	6,533	-
Contributions subsequent to the measurement date	235	-
Total	<u>\$ 6,768</u>	<u>\$ 6,815</u>

Deferred outflows of resources resulting from contributions subsequent to the measurement date of \$235 will be recognized as a reduction of the total OPEB liability for the measurement year ending December 31, 2020 (i.e. recognized in the City's fiscal year 2021 financial statements). Other amounts reported as deferred outflows and inflows of resources will be recognized in OPEB expense as follows:

Fiscal Year	Net Deferred Outflows (Inflows) of resources
2021	\$ 616
2022	616
2023	616
2024	616
2025	613
Thereafter	(3,359)
Total	<u>\$ (282)</u>

CITY OF LIBERTY HILL, TEXAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 12 - Prior Period Adjustments

In the current year, the following corrections came to the attention of management that necessitated adjusting beginning net position/fund balances for the following activities and funds. The effect of these corrections is summarized as follows:

	Statement of Activities		Statement of Revenues, Expenditures and Changes in Fund Balances		Statement of Revenues, Expenses and Changes in Fund Net Position
	Governmental	Business-type	Liberty Parke		Water
	Activities	Activities	General	PID	
Fund Balance/Net position at September 30, 2019, as previously reported	\$ 865,514	\$ 26,367,803	\$ 5,227,231	\$ 1,893,218	\$ 4,718,028
Prior period adjustment:					
Capital assets	1,441,869	27,000	-	-	27,000
Pooled cash	570,256	-	-	570,256	-
Interfund balances	76,177	-	76,177	-	-
Total prior period adjustment	<u>2,088,302</u>	<u>27,000</u>	<u>76,177</u>	<u>570,256</u>	<u>27,000</u>
Fund Balance/Net position at October 1, 2019, as restated	<u>\$ 2,953,816</u>	<u>\$ 26,394,803</u>	<u>\$ 5,303,408</u>	<u>\$ 2,463,474</u>	<u>\$ 4,745,028</u>

Note 13 - Subsequent Events

In October 2020, the City issued \$6,725,000 of Special Assessment Revenue Bonds, Series 2020 (Summerlyn West Public Improvement District). Proceeds of the bonds will be used primarily to provide funds for paying or reimbursing a portion of the costs of the public improvements that benefit the entire Summerlyn West Public Improvement District, funding a reserve fund for the payment of principal of and interest on the bonds, and paying the cost of issuance of the bonds. The bonds mature on September 1, 2054 and bear interest at 2.5% - 3.9% per annum. Annual principal payments range from \$115,000 to \$345,000 over the life of the bonds.

In January 2021, the City issued Tax Note, Series 2021 in the amount of \$2,500,000. Proceeds from the sale of the Notes will be used for the purpose of paying contractual obligations incurred for designing, constructing, renovating, improving, and equipping a City Civic Center/Activity Center and a City Swimming Pool, including parking; renovating, improving, and equipping the City Hall; and paying professional services related to the design, engineering, construction, project management, and financing of the projects, including paying costs of issuance. The notes will mature in September 2027. The interest rate of the notes is 1.10%.



REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LIBERTY HILL, TEXAS, TEXAS

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

For the Year Ended September 30, 2020

with comparative actual totals for the year ended September 30, 2019

	2020			2019	
	Original Budget	Final Budget	Actual	Variance from Final Budget	Actual
Revenues					
Taxes:					
Property taxes	\$ 1,014,117	\$ 1,014,117	\$ 1,130,041	\$ 115,924	\$ 864,648
Sales taxes	869,500	869,500	1,135,724	266,224	850,076
Franchise taxes and local taxes	152,250	152,250	141,816	(10,434)	134,765
Fines and forfeitures	225,000	225,000	206,664	(18,336)	241,074
Licenses and permits	1,392,450	1,392,450	2,159,677	767,227	1,643,205
Development agreements	50,000	50,000	60,030	10,030	40,920
Investment income	134,500	134,500	338,757	204,257	308,000
Other	369,300	399,300	1,124,993	725,693	1,268,419
Total Revenues	4,207,117	4,237,117	6,297,702	2,060,585	5,351,107
Expenditures					
Current:					
General administration	1,757,915	1,887,915	1,942,360	(54,445)	2,331,806
Municipal court	291,581	301,981	310,432	(8,451)	262,479
Police department	1,636,188	1,641,638	1,556,406	85,232	1,360,309
Parks and recreation and street maintenance	270,978	293,083	327,662	(34,579)	57,592
Capital outlay	83,000	83,000	691,644	(608,644)	1,060,696
Total Expenditures	4,039,662	4,207,617	4,828,504	(620,887)	5,072,882
Excess of Revenues Over Expenditures	167,455	29,500	1,469,198	1,439,698	278,225
Other Financing Sources (Uses)					
Proceeds from capital lease	-	-	636,697	636,697	177,361
Transfers out	-	(30,000)	(1,819,182)	(1,789,182)	-
Total Other Financing Sources (Uses)	-	(30,000)	(1,182,485)	(1,152,485)	177,361
Changes in fund balance	167,455	(500)	286,713	287,213	455,586
Fund Balances - Beginning	5,227,231	5,227,231	5,227,231	-	4,771,645
Prior period adjustment	76,177	76,177	76,177	-	-
Fund Balances - Ending	\$ 5,470,863	\$ 5,302,908	\$ 5,590,121	\$ 287,213	\$ 5,227,231

CITY OF LIBERTY HILL, TEXAS, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY BUDGET INFORMATION
For the Year Ended September 30, 2020

Budgetary Compliance

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and 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, 2020.

For the year ended September 30, 2020, expenditures exceeded appropriations at the legal level of control in the following departments:

General Fund	
General administration	\$54,445
Municipal court	\$8,451
Parks and recreation and street maintenance	\$34,579
Capital outlay	\$608,644
Debt Service Fund	
Principal	\$175,000
Interest and other charges	\$53,069

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM (UNAUDITED)
LAST SIX MEASUREMENT YEARS**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total Pension Liability:				
Service cost	\$ 323,524	\$ 255,759	\$ 160,122	\$ 131,717
Interest	78,671	54,920	40,642	31,221
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	6,002	41,657	(20,255)	(16,343)
Change in assumptions	5,165	-	-	-
Benefit payments, including refunds of employee contributions	<u>(62,475)</u>	<u>(6,230)</u>	<u>(27,369)</u>	<u>(15,090)</u>
Net change in total pension liability	350,887	346,106	153,140	131,505
Total pension liability - beginning	<u>1,034,967</u>	<u>688,861</u>	<u>535,721</u>	<u>404,216</u>
Total pension liability - ending (a)	<u>\$ 1,385,854</u>	<u>\$ 1,034,967</u>	<u>\$ 688,861</u>	<u>\$ 535,721</u>
Plan Fiduciary Net Position:				
Contributions - employer	\$ 159,994	\$ 131,520	\$ 87,582	\$ 69,655
Contributions - employee	163,043	129,921	81,398	68,385
Net investment income (loss)	145,264	(21,056)	68,151	23,326
Benefit payments, including refunds of employee contributions	(62,475)	(6,230)	(27,369)	(15,090)
Administrative expense	(816)	(405)	(352)	(263)
Other	<u>(24)</u>	<u>(21)</u>	<u>(18)</u>	<u>(14)</u>
Net change in plan fiduciary net position	404,986	233,729	209,392	145,999
Plan fiduciary net position - beginning	<u>933,608</u>	<u>699,879</u>	<u>490,487</u>	<u>344,488</u>
Plan fiduciary net position - ending (b)	<u>\$ 1,338,594</u>	<u>\$ 933,608</u>	<u>\$ 699,879</u>	<u>\$ 490,487</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 47,260</u>	<u>\$ 101,359</u>	<u>\$ (11,018)</u>	<u>\$ 45,234</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	96.59%	90.21%	101.60%	91.56%
Covered Payroll	\$ 2,329,187	\$ 1,856,014	\$ 1,162,831	\$ 938,822
Net Pension Liability as a Percentage of Covered Payroll	2.03%	5.46%	-0.95%	4.82%

Ten years of data should be presented in this schedule but data was unavailable prior to 2014.

CITY OF LIBERTY HILL, TEXAS, TEXAS

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM (UNAUDITED)
LAST SIX MEASUREMENT YEARS**

	<u>2015</u>	<u>2014</u>
Total Pension Liability:		
Service cost	\$ 74,045	\$ 40,516
Interest	24,957	17,896
Changes in benefit terms	26,977	-
Difference between expected and actual experience	(9,369)	21,818
Change in assumptions	9,730	-
Benefit payments, including refunds of employee contributions	(29,298)	(16,899)
Net change in total pension liability	<u>97,042</u>	<u>63,331</u>
Total pension liability - beginning	<u>307,174</u>	<u>243,843</u>
Total pension liability - ending (a)	<u>\$ 404,216</u>	<u>\$ 307,174</u>
Plan Fiduciary Net Position:		
Contributions - employer	\$ 19,891	\$ 12,443
Contributions - employee	54,387	39,026
Net investment income (loss)	442	14,346
Benefit payments, including refunds of employee contributions	(29,298)	(16,899)
Administrative expense	(269)	(150)
Other	(13)	(12)
Net change in plan fiduciary net position	<u>45,140</u>	<u>48,754</u>
Plan fiduciary net position - beginning	<u>299,348</u>	<u>250,594</u>
Plan fiduciary net position - ending (b)	<u>\$ 344,488</u>	<u>\$ 299,348</u>
Net Pension Liability (Asset) - Ending (a) - (b)	<u>\$ 59,728</u>	<u>\$ 7,826</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	85.22%	97.45%
Covered Payroll	\$ 776,963	\$ 557,212
Net Pension Liability (Asset) as a Percentage of Covered Payroll	7.69%	1.40%

The amounts presented are for each measurement year, which end the preceding December 31 of the City's fiscal year end. Net pension liability is calculated using a new methodology and will be presented prospectively in accordance with GASB 68. Ten years of data should

CITY OF LIBERTY HILL, TEXAS, TEXAS
SCHEDULE OF CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM (UNAUDITED)
LAST SIX FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially determined contribution	\$ 206,573	\$ 152,581	\$ 121,117	\$ 83,387	\$ 55,391
Contribution in relation of the actuarially determined contribution	<u>206,573</u>	<u>152,581</u>	<u>121,117</u>	<u>83,387</u>	<u>55,391</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,935,066	\$ 2,184,060	\$ 1,700,459	\$ 1,115,988	\$ 910,042
Contributions as a percentage of covered payroll	7.04%	6.99%	7.12%	7.47%	6.09%
	<u>2015</u>				
Actuarially determined contribution	\$ 18,067				
Contribution in relation of the actuarially determined contribution	<u>18,067</u>				
Contribution deficiency (excess)	<u>\$ -</u>				
Covered payroll	\$ 733,664				
Contributions as a percentage of covered payroll	2.46%				

Ten years of data should be presented in this schedule but data was unavailable prior to 2015.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS:

Valuation Date: Actuarial determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method:	Entry age normal
Amortization method:	Level percentage of payroll, closed
Remaining amortization period:	25 years
Asset valuation method:	10 Year smoothed market; 12% soft corridor
Inflation:	2.5%
Salary increases:	3.50% to 11.5% including inflation
Investment rate of return:	6.75%
Retirement age:	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 – 2018
Mortality:	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.
Other information:	There were no benefit changes during the year

CITY OF LIBERTY HILL, TEXAS, TEXAS
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THREE MEASUREMENT YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability			
Service cost	\$ 5,823	\$ 5,754	\$ 3,256
Interest on the total OPEB liability	2,229	893	748
Difference between expected and actual experience of the total OPEB liability	(32,180)	28,636	-
Changes in assumptions	7,838	(2,102)	1,957
Benefit payments	(233)	-	-
Net change in total OPEB liability	<u>(16,523)</u>	<u>33,181</u>	<u>5,961</u>
Total OPEB liability - beginning	<u>57,293</u>	<u>24,112</u>	<u>18,151</u>
Total OPEB liability - ending	<u>\$ 40,770</u>	<u>\$ 57,293</u>	<u>\$ 24,112</u>
Covered payroll	\$ 2,329,187	\$ 1,856,014	\$ 1,162,831
Total OPEB liability as a percentage of covered payroll	1.75%	3.09%	2.07%

Ten years of data should be presented in this schedule but data was unavailable.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - OPEB:

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

Valuation Date:

Methods and Assumptions Used to Determine Contribution Rates:

Entry age normal	Actuarial cost method
Inflation	2.50%
Salary increases	3.50% to 11.5% including inflation
Discount rate	2.75%
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates – service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year setforward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2019.

Other Information:

Note: The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.



OTHER SUPPLEMENTARY INFORMATION



CITY OF LIBERTY HILL, TEXAS, TEXAS

NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended September 30, 2020

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for and report specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Street and Maintenance

This fund is used to account for capital repairs and maintenance on streets within the City limits.

Liberty Hill Economic Development Corporation

This fund is used to track the activity of the Economic Development Corporation.

Court Fees Restricted

This fund is used to track the activity and expenditures of restricted court fees collected.

Summerlyn West Public Improvement District (PID)

This fund is used to track the special assessment revenue and development expenses in the Summerlyn West PID.

Stonewall

This fund is used to track the special assessment revenue and development expenses in the Stonewall development.

Butler Farms Public Improvement District (PID)

This fund is used to track the special assessment revenue and development expenses in the Butler Farms PID.

CITY OF LIBERTY HILL, TEXAS, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2020

	Special Revenue Funds			
	Street and Maintenance	Liberty Hill EDC	Court Fees Restricted	Summerlyn West PID
Assets				
Cash and cash equivalents	\$ 102,850	\$ 1,258,378	\$ 16,927	\$ 518,879
Receivables, net of allowance	55,669	111,377	-	-
Due from other funds	-	-	42,350	-
Total Assets	158,519	1,369,755	59,277	518,879
Liabilities				
Accounts payable and accrued liabilities	41,524	33,790	-	25,000
Due to other funds	39,270	-	-	-
Total Liabilities	80,794	33,790	-	25,000
Fund Balances				
Restricted:				
Capital projects	-	-	-	493,879
Economic development	-	1,335,965	-	-
Municipal court	-	-	59,277	-
Street maintenance	77,725	-	-	-
Total Fund Balances	77,725	1,335,965	59,277	493,879
Total Liabilities and Fund Balances	\$ 158,519	\$ 1,369,755	\$ 59,277	\$ 518,879

CITY OF LIBERTY HILL, TEXAS, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2020

	<u>Special Revenue Funds</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Stonewall</u>	<u>Butler Farms PID</u>	
Assets			
Cash and cash equivalents	\$ 3,206	\$ 27,843	\$ 1,928,083
Receivables, net of allowance	-	-	167,046
Due from other funds	-	-	42,350
Total Assets	<u>3,206</u>	<u>27,843</u>	<u>2,137,479</u>
Liabilities			
Accounts payable and accrued liabilities	-	-	100,314
Due to other funds	3,206	188	42,664
Total Liabilities	<u>3,206</u>	<u>188</u>	<u>142,978</u>
Fund Balances			
Restricted:			
Capital projects	-	27,655	521,534
Economic development	-	-	1,335,965
Municipal court	-	-	59,277
Street maintenance	-	-	77,725
Total Fund Balances	<u>-</u>	<u>27,655</u>	<u>1,994,501</u>
Total Liabilities and Fund Balances	<u>\$ 3,206</u>	<u>\$ 27,843</u>	<u>\$ 2,137,479</u>

CITY OF LIBERTY HILL, TEXAS, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2020

	Special Revenue Funds			
	Street and Maintenance	Liberty Hill EDC	Court Fees Restricted	Summerlyn West PID
Revenues				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ 496,400
Sales taxes	278,434	557,086	-	-
Investment income	4,999	8,963	-	1,597
Other	-	8,200	2,184	-
Total Revenues	283,433	574,249	2,184	497,997
Expenditures				
Current:				
General administration	-	311,780	-	-
Municipal court	-	-	444	-
Parks and recreation and street maintenance	46,117	-	-	164
Capital outlay	138,718	-	-	-
Total Expenditures	184,835	311,780	444	164
Revenues over (under) expenditures	98,598	262,469	1,740	497,833
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net changes in fund balances	98,598	262,469	1,740	497,833
Fund Balances - Beginning	(20,873)	1,073,496	57,537	(3,954)
Fund Balances - Ending	\$ 77,725	\$ 1,335,965	\$ 59,277	\$ 493,879

CITY OF LIBERTY HILL, TEXAS, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2020

	<u>Special Revenue Funds</u>		Total Nonmajor Governmental Funds
	<u>Stonewall</u>	<u>Butler Farms PID</u>	
Revenues			
Taxes:			
Property taxes	\$ -	\$ -	\$ 496,400
Sales taxes	-	-	835,520
Investment income	-	-	15,559
Other revenue	-	-	10,384
Total Revenues	<u>-</u>	<u>-</u>	<u>1,357,863</u>
Expenditures			
Current:			
General administration	-	-	311,780
Municipal court	-	-	444
Parks and recreation and street maintenance	-	-	46,281
Capital outlay	-	-	138,718
Total Expenditures	<u>-</u>	<u>-</u>	<u>497,223</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>860,640</u>
Other Financing Sources (Uses)			
Transfers in	<u>7,273</u>	-	<u>7,273</u>
Total Other Financing Sources (Uses)	<u>7,273</u>	<u>-</u>	<u>7,273</u>
Net changes in fund balances	7,273	-	867,913
Fund Balances - Beginning	<u>(7,273)</u>	<u>27,655</u>	<u>1,126,588</u>
Fund Balances - Ending	<u>\$ -</u>	<u>\$ 27,655</u>	<u>\$ 1,994,501</u>

CITY OF LIBERTY HILL, TEXAS, TEXAS

DEBT SERVICE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

For the Year Ended September 30, 2020

with comparative actual totals for the year ended September 30, 2019

	2020		Variance Positive (Negative)	2019
	Final Budget	Actual		Actual
Revenues				
Property taxes	\$ 535,640	\$ 554,168	\$ 18,528	\$ 475,121
Other	3,500	1,570	(1,930)	4,046
Total Revenues	<u>539,140</u>	<u>555,738</u>	<u>16,598</u>	<u>479,167</u>
Expenditures				
Debt Service:				
Principal	389,000	564,000	(175,000)	465,000
Interest and other charges	<u>150,140</u>	<u>203,209</u>	<u>(53,069)</u>	<u>218,433</u>
Total Expenditures	<u>539,140</u>	<u>767,209</u>	<u>(228,069)</u>	<u>683,433</u>
Revenues under expenditures	-	(211,471)	(211,471)	(204,266)
Other Financing Sources				
Transfers in	-	282,919	282,919	180,000
Total Other Financing Sources	-	<u>282,919</u>	<u>282,919</u>	<u>180,000</u>
Net changes in fund balances	-	71,448	71,448	(24,266)
Fund Balances - Beginning	<u>227,157</u>	<u>227,157</u>	-	<u>251,423</u>
Fund Balances - Ending	<u>\$ 227,157</u>	<u>\$ 298,605</u>	<u>\$ 71,448</u>	<u>\$ 227,157</u>