

**PRELIMINARY OFFICIAL STATEMENT DATED JUNE 4, 2024**



**NEW ISSUE  
BOOK-ENTRY-ONLY**

**RATING:** S&P Global Ratings: “AA+/Stable”  
(see “OTHER INFORMATION – Municipal Rating” herein)

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

**THE BONDS WILL BE DESIGNATED AS “QUALIFIED TAX-EXEMPT OBLIGATIONS” FOR FINANCIAL INSTITUTIONS.**

**\$1,400,000\***



**CITY OF ROLLINGWOOD, TEXAS  
(TRAVIS COUNTY, TEXAS)  
GENERAL OBLIGATION BONDS, SERIES 2024**

**Dated Date:** July 1, 2024  
(Interest accrues from the Date of Delivery, defined below)

**Due:** August 1 — See page ii

The City of Rollingwood, Texas (the “City”) is issuing its General Obligation Bonds, Series 2024 (the “Bonds”) pursuant to the applicable provisions of the Texas Constitution, the general laws of the State of Texas, including particularly Chapter 1331, Texas Government Code, as amended, an election held within the City on November 8, 2022, and the ordinance authorizing the issuance of the Bonds to be adopted by the City Council of the City.

Interest on the Bonds will accrue from the Date of Delivery and is payable on February 1 and August 1 of each year commencing on February 1, 2025, until stated maturity or prior redemption. Interest will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds are direct obligations of the City and are payable from and secured by a continuing direct annual ad valorem tax levied, within the limits prescribed by law, against all taxable property located within the City. See “THE BONDS – Sources of Payment” herein.

The Bonds will be issued in fully-registered form and, when issued, will be registered in the name of Cede & Co., as registered owner and the nominee for The Depository Trust Company, New York, New York (“DTC”) which will act as securities depository for the Bonds. Individual purchases of the Bonds will initially be made pursuant to the book-entry-only system described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. For as long as Cede & Co. is the sole registered owner of the Bonds, the principal of and interest on the Bonds will be payable by BOKF, NA, Dallas, Texas (the “Paying Agent/Registrar”) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See “THE BONDS – Book-Entry-Only System” herein.

Proceeds from the sale of the Bonds will be used for the purpose of (i) constructing, acquiring, improving, renovating, expanding, developing and equipping the City’s waterworks system, and (ii) paying the costs of issuing the Bonds. See “THE BONDS – Sources and Uses” herein.

**SEE PAGE ii FOR MATURITY SCHEDULE**

The Bonds are subject to optional redemption prior to their scheduled maturities as described herein. See “THE BONDS – Optional Redemption” herein. If the principal amounts of two or more consecutive maturities designated in the maturity schedule on page ii hereof are combined to create one or more term Bond (the “Term Bonds”), each such Term Bond shall be subject to mandatory sinking fund redemption. See “THE BONDS – Mandatory Sinking Fund Redemption” herein.

The Bonds are offered for delivery, when, as and if issued by the City, and received by the initial purchaser (the “Initial Purchaser”), subject to the approving opinions of the Attorney General of the State of Texas and Orrick, Herrington & Sutcliffe LLP, Austin, Texas, Bond Counsel for the City. See “LEGAL MATTERS” herein and “Form of Opinion of Bond Counsel” attached hereto as Appendix D. It is expected that the Bonds will be available for delivery through the facilities of DTC on or about July 16, 2024 (the “Date of Delivery”).

**BIDS DUE: WEDNESDAY, JUNE 12, 2024 AT 10:00 A.M., CENTRAL TIME**

\* Preliminary, subject to change.

The Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold, nor any offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

## MATURITY SCHEDULE

**\$1,400,000\***  
**CITY OF ROLLINGWOOD, TEXAS**  
**GENERAL OBLIGATION BONDS, SERIES 2024**  
**CUSIP Prefix <sup>(c)</sup>: 775706**

<u>Date</u> <u>August 1</u>	<u>Principal</u> <u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Yield <sup>(b)</sup></u>	<u>CUSIP No.</u> <u>Suffix <sup>(c)</sup></u>
2025	\$ 40,000			
2026	45,000			
2027	45,000			
2028	50,000			
2029	50,000			
2030	55,000			
2031	55,000			
2032	60,000			
2033	(a) 65,000			
2034	(a) 65,000			
2035	(a) 70,000			
2036	(a) 75,000			
2037	(a) 75,000			
2038	(a) 80,000			
2039	(a) 85,000			
2040	(a) 90,000			
2041	(a) 95,000			
2042	(a) 95,000			
2043	(a) 100,000			
2044	(a) 105,000			

(Interest accrues from the Date of Delivery)

- (a) The City reserves the right, at its option, to redeem Bonds having stated maturities on and after August 1, 2033, in whole or from time to time in part, in principal amounts of \$5,000 or any integral multiple thereof on February 1, 2033, or any date thereafter at par plus accrued interest from the most recent interest payment date to the date fixed for maturity. See “THE BONDS – Optional Redemption” herein. Additionally, principal amounts for two or more consecutive maturities designated in the above schedule may be combined to create one or more term Bonds (the “Term Bonds”), with each such Term Bond being subject to mandatory sinking fund redemption. See “THE BONDS – Mandatory Sinking Fund Redemption” herein.
- (b) The initial reoffering prices or yields of the Bonds are furnished by the Initial Purchaser and represent the initial offering prices or yields to the public, which may be changed by the Initial Purchaser at any time.
- (c) CUSIP numbers are included solely for the convenience of the owners of the Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Global Services. None of the Initial Purchaser, the City, nor the Financial Advisor are responsible for the selection or correctness of the CUSIP numbers set forth herein.

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\* Preliminary, subject to change.

**ELECTED OFFICIALS, CITY OFFICIALS AND CONSULTANTS**

The City of Rollingwood, Texas was incorporated in 1963 with a mayor-council form of government. The City operates with a Mayor and five council members elected for staggered two-year terms.

**Elected Officials**

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>	<u>Occupation</u>
Gavin Massingill	Mayor	November 2024	Consultant
Sara Hutson	Mayor Pro-Tem	November 2024	Environmental Engineer
Brook Brown	Councilmember	November 2025	Retired
Kevin Glasheen	Councilmember	November 2024	Lawyer
Phil McDuffee	Councilmember	November 2025	Retired
Alec Robinson	Councilmember	November 2025	Engineer

**Appointed Position**

<u>Name</u>	<u>Position</u>	<u>Length of Service</u>
Ashley Wayman	City Administrator	2 Years
Abel Campos	Finance Manager	19 Years
Desiree Adair	City Secretary	2 Years

**Consultants**

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

Certified Public Accountants ..... ABIP, PC  
San Antonio, Texas

Financial Advisor ..... USCA Municipal Advisors, LLC  
Houston, Texas

**For Additional Information Contact:**

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City Administrator  
City of Rollingwood  
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Rollingwood, Texas 78746  
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Facsimile: (512) 327-1869  
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Mr. James Gilley, Jr.  
USCA Municipal Advisors, LLC  
300 W. 6<sup>th</sup> Street, Suite 1900  
Austin, Texas 778701  
Telephone: (512) 813-1110  
Telephone: (713) 516-8804 cell  
[jfgilley@uscallc.com](mailto:jfgilley@uscallc.com)

## USE OF INFORMATION IN OFFICIAL STATEMENT

*For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended, (“Rule 15c2-12”) and in effect on the date hereof, this document may be treated as an Official Statement of the City with respect to the Bonds that has been “deemed final” by the City as of its date except for the omission of no more than the information permitted by Rule 15c2-12.*

The information contained in this Official Statement is subject to change without notice and neither the delivery of this Official Statement nor any sale made by means of it shall, under any circumstances, create an implication that there have not been changes in the matters discussed herein since the date of this Official Statement.

No broker, dealer, sales representative or any other person has been authorized by the City, the Financial Advisor or the Initial Purchaser to give any information or to make any representation other than as contained in this Official Statement in connection with the offering described in it and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing.

Certain information set forth in this Official Statement has been furnished by sources other than the City which are believed to be reliable, but such information is not guaranteed by the City as to the accuracy or completeness.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. No dealer, salesperson or other person has been authorized by the City to give any information or to make any representation other than those contained herein, and, if given or made, such other information or representation must not be relied upon as having been authorized by the City or any other person. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the matters described herein since the date hereof.

This Official Statement is delivered in connection with the sale of the Bonds and may not be reproduced or used, in whole or in part, for any other purposes.

All the summaries of the statutes, ordinances, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the City.

The prices and other terms respecting the offering and sale of the Bonds may be changed from time to time by the Initial Purchaser after such Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including to dealers who may sell the Bonds into investment accounts.

Neither the City, the Financial Advisor nor the Initial Purchaser make any representations or warranty with respect to the information contained in this Official Statement regarding The Depository Trust Company or its book-entry-only system, as such information has been furnished by The Depository Trust Company.

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

THIS OFFICIAL STATEMENT CONTAINS “FORWARD-LOOKING” STATEMENTS WITHIN THE MEANING OF SECTION 21e OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM THE FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS.

The agreements of the City and others related to the Bonds are described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Bonds is to be construed as constituting an agreement with the purchasers of the Bonds. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

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

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## OFFICIAL STATEMENT SUMMARY

This Official Statement Summary is subject in all respects to the more complete information contained in this Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement. No person is authorized to detach this Official Statement Summary from the Official Statement or otherwise to use same without the entire Official Statement. Certain defined terms used in this Official Statement Summary are defined elsewhere in this Official Statement.

<b>The Issuer</b>	City of Rollingwood, Texas (the “City”) is a Type A General Law Municipality located in Travis County, Texas.
<b>The Bonds</b>	\$1,400,000* City of Rollingwood, Texas General Obligation Bonds, Series 2024 (the “Bonds”). The Bonds are being issued in the principal amounts, maturities, and at the rates per annum, set forth on page ii hereto.
<b>Interest</b>	The Bonds are dated July 1, 2024. Interest will accrue from the Date of Delivery (defined below) of the Bonds to the Initial Purchaser at the rates indicated on page ii hereof, with interest payable on February 1 and August 1 of each year, commencing February 1, 2025, until maturity or earlier redemption. Interest will be computed on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be issued only in fully-registered form in integral multiples of \$5,000 of principal amount. See “THE BONDS – Description” herein.
<b>Paying Agent/Registrar</b>	The initial Paying Agent/Registrar for the Bonds is BOKF, NA, Dallas, Texas.
<b>Authority for Issuance</b>	The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the “State”), including particularly Chapter 1331 of the Texas Government Code, as amended, an election held within the City on November 8, 2022 and an ordinance authorizing the issuance of the Bonds to be adopted by the City Council of the City.
<b>Optional Redemption</b>	The City reserves the right, at its option, to redeem Bonds having stated maturities on and after August 1, 2033, in whole or from time to time in part, in principal amounts of \$5,000 or any integral multiple thereof, on February 1, 2033, or any day thereafter at par plus accrued interest from the most recent interest payment date fixed for redemption. See “THE BONDS – Optional Redemption.”
<b>Mandatory Sinking Fund Redemption</b>	If the principal amounts of two or more consecutive maturities designated in the maturity schedule on page ii hereof are combined to create one or more term Bonds (the “Term Bonds”), each such Term Bond shall be subject to mandatory sinking fund redemption. See “THE BONDS – Mandatory Sinking Fund Redemption” herein.
<b>Sources of Payment</b>	Principal of and interest on the Bonds are payable from the receipts of a continuing, direct annual ad valorem tax levied, within the limits prescribed by law, against all taxable property located within the City. The Bonds are direct obligations of the City and not obligations of the State, Travis County or any other political subdivision. See “The BONDS – Sources of Payment” herein.
<b>Use of Proceeds</b>	Proceeds from the sale of the Bonds will be used for the purposes of (i) constructing, acquiring, improving, renovating, expanding, developing and equipping the City’s waterworks system, and (ii) paying the costs of issuing the Bonds. See “THE BONDS – Sources and Uses” herein.
<b>Book-Entry-Only System</b>	The Bonds are initially issuable only to Cede & Co., the nominee of The Depository Trust Company, New York, New York (“DTC”) pursuant to a book-entry-only system. No physical delivery of the Bonds will be made to the beneficial owners of the Bonds. Principal of and interest on the Bonds will be paid to Cede & Co., which will distribute

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\* Preliminary, subject to change.

such payment to the participating members of DTC for remittance to the beneficial owners of the Bonds. See “THE BONDS – Book-Entry-Only System” herein.

**Municipal Rating**

S&P Global Rating Services, a business unit of Standard & Poor’s Financial Services (“S&P”) has assigned its underlying municipal bond rating of “AA+/Stable” to the Bonds. See “OTHER INFORMATION – Municipal Rating” herein.

**Tax Exemption**

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

**Qualified  
Tax-Exempt Obligations**

The City will designate the Bonds as “qualified tax-exempt obligations” for financial institutions. See “TAX MATTERS – Purchase of Tax-Exempt Obligations by Financial Institutions” herein.

**Delivery**

It is expected that the Bonds will be available for delivery through the facilities of DTC on or about July 16, 2024 (the “Date of Delivery”).

**Legality**

Delivery of the Bonds is subject to the approval by the Attorney General of the State and the rendering of an opinion as to certain legal matters by Orrick, Herrington & Sutcliffe LLP, Austin, Texas, Bond Counsel.

**SELECTED FINANCIAL INFORMATION**

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2023 Taxable Assessed Valuation <sup>(a)</sup>	\$ 1,591,778,175
2023 Estimated Population	1,485

**Direct Ad Valorem Tax Debt as of July 1, 2024**

Outstanding Debt	<u>\$ 11,925,000</u>
Total	\$ 11,925,000
The Bonds	<u>1,400,000</u> *
Total	\$ 13,325,000 *

	<b>Per Capita 2023 Estimated</b>	<b>Percent of 2023 Assessed Value</b>
<b><u>Direct Debt Ratio</u></b>		
Total Direct Debt	\$ 8,973	0.84%

**Estimated Annual Debt Service Requirements** <sup>(b)\*</sup>

Total Average Annual Debt Service	\$ 805,017
Total Maximum Annual Debt Service	\$ 1,573,902

**Fund Balances**

	<b><u>9/30/2023</u></b>
General Fund	\$ 4,171,736
Debt Service Fund	\$ -
Water and Wastewater Fund	\$ 2,186,030

**2023 Tax Rate**

General Fund	\$ 0.0966
Debt Service Fund	<u>0.0951</u>
Total	\$ 0.1917

(a) Source: Travis County Central Appraisal District.

(b) Includes the Bonds.

\*Preliminary, subject to change.



**\$1,400,000\***  
**CITY OF ROLLINGWOOD, TEXAS**  
**(TRAVIS COUNTY, TEXAS)**  
**GENERAL OBLIGATION BONDS, SERIES 2024**

**INTRODUCTION**

This Official Statement is provided to furnish information in connection with the offering by the City of Rollingwood, Texas (the “City”) of its General Obligation Bonds, Series 2024 in the aggregate principal amount of \$1,400,000\* (the “Bonds”).

Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance (the “Ordinance”) to be adopted by the City Council of the City (the “City Council”), the governing body of the City, authorizing the issuance of the Bonds, except as otherwise indicated herein.

The Bonds are being issued pursuant to the applicable provisions of the Texas Constitution, the general laws of the State of Texas (the “State”), including particularly Chapter 1331, Texas Government Code, as amended, an election held within the City on November 8, 2022 and the Ordinance.

The Bonds are issued for the purposes described below and are payable from the receipts of a continuing, direct annual ad valorem tax levied, within the limits prescribed by law, against all taxable property located within the City. See “THE BONDS – Sources of Payment” herein.

The City’s audited general purpose financial statements for the fiscal year ended September 30, 2023, which are attached hereto as Appendix C, present information on the general financial condition of the City at the dates and for the periods described therein.

**THE BONDS**

**Purpose**

Proceeds from the sale of the Bonds will be used for the purpose of (i) constructing, acquiring, improving, renovating, expanding, developing and equipping the City’s waterworks system, and (ii) paying the costs of issuing the Bonds.

**Sources and Uses**

The following table sets forth the estimated sources and use of funds associated with the proceeds from the sale of the Bonds.

Sources of Funds:	
Par Amount	\$
Premium	
Total	<hr/>
	\$
Uses of Funds:	
Deposit to the Project Fund	\$
Underwriter’s Discount	
Issuance Costs <sup>(a)</sup>	
Total	<hr/>
	\$

- (a) Includes professional costs, rating agency fees, fees of the Paying Agent/Registrar and rounding amount and other costs of issuance.

**General**

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Ordinance. Copies of the Ordinance may be obtained upon request to the City.

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\* Preliminary, subject to change.

## **Description**

The Bonds will bear interest at the rates and will mature on the dates and in the amounts as set forth on page ii hereof. The Bonds will be dated July 1, 2024. Interest will accrue from the initial date of delivery of the Bonds to the Initial Purchaser (as defined herein) (“Date of Delivery”) and will be payable on February 1 and August 1 of each year, commencing February 1, 2025, until stated maturity or prior redemption.

The Bonds will be issued only in fully-registered form, in integral multiples of \$5,000 of principal amount, for any one maturity, and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York (“DTC”) pursuant to the book-entry-only system described herein. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of and interest on the Bonds will be payable by BOKF, NA, Dallas, Texas (the “Paying Agent/Registrar”) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See “THE BONDS – Book-Entry-Only System” herein.

## **Authority for Issuance**

The Bonds are being issued pursuant to the applicable provisions of the Texas Constitution and of the laws of the State, including, particularly, Chapter 1331, Texas Government Code, as amended, an election held within the City on November 8, 2022, and the Ordinance.

## **Sources of Payment**

The Bonds are payable as to principal and interest from, and secured by, the proceeds of a continuing, direct annual ad valorem tax levied, within the limits prescribed by law, against all taxable property within the City. See “TAX INFORMATION – Debt Tax Rate Limitations” herein. Pursuant to the provisions of the Ordinance, the City Council, as the governing body of the City, has levied and agreed to assess and collect an annual ad valorem tax, within the limits prescribed by law, sufficient to pay principal and interest on the Bonds when due. Each year the City Council will make a determination of the taxes necessary to be collected to pay interest as it accrues and principal as it matures on the Bonds and will formally assess and collect such tax for that year.

## **Optional Redemption**

The City reserves the right, at its option, to redeem Bonds having stated maturities on and after August 1, 2033, in whole or from time to time in part, in principal amounts of \$5,000 or any integral multiple thereof, on February 1, 2033 or any date thereafter at par, plus accrued interest from the most recent interest payment date to the date fixed for redemption. If less than all of the Bonds are to be redeemed, the City may select the maturities of Bonds (or mandatory sinking fund redemption amounts with respect to the Term Bonds) to be redeemed. If less than all the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot, or other customary random selection method, the Bonds, or portions thereof, within such maturity to be redeemed. If a Bond (or a portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

## **Mandatory Sinking Fund Redemption**

In addition to the foregoing optional redemption provision, if principal amounts designated in the serial maturity schedule on page ii hereof are combined to create term Bonds (the “Term Bonds”), each such Term Bond shall be subject to mandatory sinking fund redemption. The particular Term Bonds to be redeemed shall be selected by the Paying Agent/Registrar by lot or other customary random selection method. The principal amount of Term Bonds to be mandatorily redeemed in each year shall be reduced by the principal amount of such Term Bonds which, at least forty-five (45) days prior to the mandatory sinking fund redemption date, shall have been optionally redeemed and not previously credited to a mandatory sinking fund redemption.

## Notice of Redemption

The Paying Agent/Registrar shall give notice of any redemption of Bonds by sending notice by United States mail, first class, postage prepaid, not less than thirty (30) days before the date fixed for redemption, to the registered owner of each Bond to be redeemed, in whole or in part, at the address of the registered owner shown on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice.

ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN AND ANY CONDITION TO REDEMPTION SPECIFIED THEREIN HAVING BEEN SATISFIED, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

The City reserves the right to give notice of its election or direction to redeem Bonds as set forth under “Optional Redemption” herein conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date or (ii) that the City retains the right to rescind such notice at any time prior to the scheduled redemption date if the City delivers a Bond of the City to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected Owners. Any Bonds subject to conditional redemption where redemption has been rescinded shall remain Outstanding.

## Book-Entry-Only System

*This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York (“DTC”), while the Bonds are registered in its nominee name. The information in this section concerning DTC and the book-entry-only system has been provided by DTC for use in disclosure documents such as this Official Statement. The City, the Financial Advisor and the Initial Purchaser believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.*

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

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

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities Bonds. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is a holding company for DTC, National Securities Clearing Corporation,

and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its registered subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co., or such other DTC nominee, do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent/Registrar and request that copies of notices be provided directly to them.

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

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

Redemption proceeds, principal, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar. Disbursement of such payments to Direct Participants will be the responsibility of DTC, and reimbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bonds are required to be printed and delivered. Discontinuance by the City of use of the system of book-entry transfers through DTC may require compliance with DTC operational arrangements.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). Discontinuance of the system of book-entry transfers by the City may require the consent of Participants under DTC's Operational Arrangements. In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but neither the City, the Financial Advisor nor the Initial Purchaser takes responsibility for the accuracy thereof.

#### *Use of Certain Terms in Other Sections of this Official Statement*

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

#### *Effect of Termination of Book-Entry-Only System*

In the event that the book-entry-only system is discontinued by DTC or the use of the book-entry-only system is discontinued by the City, printed Bonds will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "THE BONDS – Transfers and Exchanges" below.

### **Ownership**

The City, the Paying Agent/Registrar and any agent of either may treat the person in whose name any Bond is registered as the owner of such Bond for the purposes of receiving payment of the principal thereof and the interest on the Bond and for all other purposes whatsoever, whether or not such Bond is due or overdue. Neither the City, the Paying Agent/Registrar, or any agent of either will be affected by any notice to the contrary.

### **Transfers and Exchanges**

In the event the book-entry-only system should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owners, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class postage prepaid, to the new registered owner or his designee, and upon the registration and delivery thereof, the same shall be the valid obligations of the City, evidencing the same obligation to pay, and entitled to the same benefits under the Ordinance, as the Bonds surrendered in such transfer or exchange. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000, for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer.

### **Replacement Bonds**

If any Bond is mutilated, destroyed, stolen or lost, a new Bond in the same principal amount as the Bond so mutilated, destroyed, stolen or lost will be issued. In the case of a mutilated Bond, such new Bond will be delivered only upon presentation and surrender of such mutilated Bond to the Paying Agent/Registrar. The City or the Paying Agent/Registrar may require the owner to pay all expenses and charges in connection therewith. In the case of any Bond issued in lieu of and in substitution for a Bond which has been destroyed, stolen or lost, such new Bond will be delivered only once the owner (a) furnishes to the Paying Agent/Registrar satisfactory evidence of his or her ownership of and the circumstances of the loss,

destruction or theft of such Bond, (b) furnishes security or indemnity as may be required by the Paying Agent/Registrar and the City, (c) pays all expenses and charges in connection therewith and (d) satisfies any other reasonable requirements imposed by the City and the Paying Agent/Registrar.

### **Remedies In The Event of Default**

The Ordinance does not provide for the appointment of a trustee to represent the interests of the holders of the Bonds upon any failure of the City to perform in accordance with the terms of the Ordinance or upon any other condition and, in the event of any such failure to perform, the registered owners would be responsible for the initiation and cost of any legal action to enforce performance of the Ordinance. Furthermore, the Ordinance does not establish specific events of default with respect to the Bonds and, under State law, there is no right to the acceleration of maturity of the Bonds upon the failure of the City to observe any covenant under the Ordinance. A registered owner of the Bonds could seek a judgment against the City if a default occurred in the payment of principal of or interest on any such Bond; however, such judgment could not be satisfied by execution against any property of the City and a suit for monetary damages could be vulnerable to the defense of governmental immunity. A registered owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the City to levy, assess and collect an annual ad valorem tax sufficient to pay principal of and interest on the Bonds as it becomes due or perform other material terms and covenants contained in the Ordinance. However, the enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis.

The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006), that a waiver of governmental immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the City's governmental immunity from a suit for money damages, registered owners may not be able to bring such a suit against the City for breach of the Bonds or covenants in the Ordinance. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds.

In *Tooke*, the Court noted the enactment in 2005 of sections 271.151-160, Texas Local Government Code (the "Local Government Immunity Waiver Act"), which, according to the Court, waives "immunity from suit for contract claims against most local governmental entities in certain circumstances." The Local Government Immunity Waiver Act covers municipalities and relates to contracts entered into by municipalities for providing goods or services to municipalities. The City is not aware of any Texas court construing the Local Government Immunity Waiver Act in the context of whether contractual undertakings by local governments that relate to their borrowing powers are contracts covered by the Local Government Immunity Waiver Act.

On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) that governmental immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. In *Wasson*, the Court recognized that the distinction between governmental and proprietary functions is not clear. Therefore, in considering municipal breach of contract cases, it is incumbent on the courts to determine whether a function is proprietary or governmental based upon the common law and statutory guidance. Issues related to the applicability of governmental immunity as they relate to the issuance of municipal debt have not been adjudicated. Each situation will be evaluated based on the facts and circumstances surrounding the contract in question.

In its decision, the Court held that since the Local Government Immunity Waiver Act waives governmental immunity in certain breach of contract claims without addressing whether the waiver applies to a governmental function or a proprietary function of a city, the Court could not reasonably read the Local Government Immunity Waiver Act to evidence legislative intent to restrict the waiver of immunity when a city performs a proprietary function. The Court remanded the case so that the appellate court could rule on whether the contract at issue was proprietary or governmental. *Wasson Interests, Ltd. v. City of Jacksonville*, 559 S.W.3d 142 (Tex. 2019). On remand, the appellate court found for the City of Jacksonville by holding the contract claim arose from the City's performance of a governmental function, and thus the claim was barred by immunity. After granting Wasson's petition for review of the appellate decision, the Court held that to determine if the City was engaged in a proprietary or governmental function, the focus of the inquiry is on the nature of the contract at the time of execution, not the nature of the breach at the time of the breach.

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

### **Paying Agent/Registrar**

The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City agrees in the Ordinance to maintain and provide a Paying Agent/Registrar at all times, and any successor Paying Agent/Registrar shall be a legally qualified bank, trust company, financial institution or other agency. Upon any change in the Paying Agent/Registrar for the Bonds, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds which notice will also give the address of the new Paying Agent/Registrar.

### **Record Date for Interest Payment**

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

### **Defeasance**

The Ordinance provides for the defeasance, discharge, redemption or refunding of the Bonds in any manner permitted by applicable law. Under current State law, such discharge may be accomplished by either (i) depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to principal, premium, if any, and all interest to accrue on the Bonds to maturity or redemption and/or (ii) by depositing with a paying agent or other authorized escrow agent amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, or (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The foregoing obligations may be in book-entry-only form and shall mature and/or bear interest in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds.

Under current Texas law, upon the making of a deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment of the Bonds have been made as described above, all rights of the City to initiate proceedings to call the Bonds for redemption or to take any other action amending the terms of the Bonds are extinguished.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Ordinance does not contractually limit such investments, registered owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. In addition, there is no assurance that the rating(s) of securities used to fund a defeasance escrow will be maintained at any particular rating category.

## AD VALOREM PROPERTY TAXATION

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

### **Valuation of Taxable Property**

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

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

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

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

Effective January 1, 2024, an appraisal district is prohibited from increasing the appraised value of real property during the 2024 tax year on non-homestead properties (the "Subjected Property") whose appraised values are not more than \$5,000,000 (the "Maximum Property Value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property. After the 2024 tax year, through December 31, 2026, the Maximum Property Value may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in consumer price index, as applicable, to the Maximum Property Value.

### **Issuer and Taxpayer Remedies**

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

Owners of certain property with a taxable value in excess of the current year "minimum eligibility amount", as determined by the State Comptroller and situated in a county with a population of one million or more as of the most recent federal decennial census may additionally protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified



professionals in the field of property tax appraisal. The minimum eligibility amount is set at \$50 million for the 2020 tax year and is adjusted annually by the State Comptroller to reflect the inflation rate. In tax year 2023, the minimum eligibility amount was \$57,216,456.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the City and provides for taxpayer referenda that could result in the repeal of certain tax increases. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

### **State Mandated Homestead Exemptions**

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

### **Local Option Homestead Exemptions**

The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the market value of all homesteads (but not less than \$5,000) and (2) an additional exemption of the market value of the homesteads of persons 65 years of age or older and the disabled. Each taxing unit decides if it will offer the exemption and at what percentage or dollar amount, as applicable. The exemption described in (2), above, may also be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit.

### **Local Option Freeze for the Elderly and Disabled**

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

### **Personal Property**

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

### **Freeport and Goods-In-Transit Exemptions**

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

## **Other Exempt Property**

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

## **Temporary Exemption for Qualified Property Damaged by a Disaster**

The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the Governor to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. The governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the Governor declares the area to be a disaster area. For more information on the exemption, reference is made to Section 11.35 of the Property Tax Code.

## **Tax Increment Financing Zones**

A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment financing zones (“TIRZ”) within its boundaries, and other overlapping taxing units may agree to contribute taxes levied against the “Incremental Value” in the TIRZ to finance or pay for public improvements or projects within the TIRZ. At the time of the creation of the TIRZ, a “base value” for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the “Incremental Value”, and during the existence of the TIRZ, all or a portion of the taxes levied by each participating taxing unit against the Incremental Value in the TIRZ are restricted to paying project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units.

## **Tax Abatement Agreements**

Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years.

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

## **Public Hearing and Maintenance and Operations Tax Rate Limitations**

The following terms as used in this section have the meanings provided below:

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

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

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

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

“unused increment rate” means the greater of zero and the rate expressed in dollars per \$100 of taxable value calculated by dividing (i) the cumulative difference of the foregone revenue amount, calculated using the difference between a city’s voter-approval tax rate and its actual tax rate for each of the preceding three tax years, by (ii) the “current total value” as defined in Section 26.012 of the Property Tax Code, and which may be applied to the City’s tax rate when calculating the voter-approval tax rate.

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

The City’s tax rate consists of two components: (1) a rate for funding of maintenance and operations expenditures in the current year (the “maintenance and operations tax rate”), and (2) a rate for funding debt service in the current year (the “debt service tax rate”). Under State law, the assessor for the City must submit an appraisal roll showing the total appraised, assessed, and taxable values of all property in the City to the City Council by August 1 or as soon as practicable thereafter. A city must annually calculate its “voter-approval tax rate” and “no-new-revenue tax rate” (as such terms are defined above) in accordance with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the city and the county tax assessor-collector for each county in which all or part of the city is located. A city must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If a city fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the city for the preceding tax year.

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

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

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

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

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

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

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

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

### **Debt Tax Rate Limitations**

All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt, within the limits prescribed by law. Article XI, Section 4, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$1.50 per \$100 Taxable Assessed Valuation for all City purposes. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.00 of the \$1.50 maximum tax rate for all general obligation debt service, as calculated at the time of issuance.

### **Levy and Collection of Taxes**

The City is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the City. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the City may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances. The Property Tax Code permits taxpayers owning homes or certain businesses located in a disaster area and physically damaged as a direct result of the declared disaster to pay taxes imposed in the year following the disaster in four equal installments without penalty or interest, commencing on February 1 and ending on August 1.

### **The City's Rights in the Event of Tax Delinquencies**

Taxes levied by the City are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all State and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each local taxing unit, including the City, having power to tax the property. The City's tax lien is on a parity with tax liens of such other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the City is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes. At any time after taxes on property become delinquent, the City may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two (2) years after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

### **City Application of Property Tax Code**

The City does not grant a local option exemption of the market value of all residence homesteads.

The City grants a local option exemption of \$3,000 of the market value of the residence homestead of persons 65 years of age or older.

The City does grant a local option freeze on taxes for persons 65 years of age or older or disabled persons.

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

The City does not offer a Freeport Property exemption.

The City has not taken action to tax Goods-in-Transit.

The City does not participate in a TIRZ.

## ISSUER INFORMATION

### Authorized But Unissued General Obligation Debt

At an election held on November 8, 2022, the voters of the City approved two separate bond propositions totaling \$7,800,000 in general obligation bonds. Of that, \$5,300,000 was authorized for construction, acquisition, and improvement to the City waterworks system facilities and \$2,500,000 was authorized for the construction, acquisition, and improvements to a combined City Hall and Public Safety Building. The Bonds are being issued utilizing that voted authority. After the issuance of the Bonds, the City will have \$2,500,000 remaining for improvements to a City Hall and Public Safety Building. Under State law, the City may issue certain obligations that are secured by ad valorem taxes without an election. Examples of such obligations include certificates of obligation and tax anticipation notes.

Additionally, the City has approximately \$230,000 of remaining authorized but unissued debt from its May 2012 bond election.

### Anticipated Issuance of Debt

In the next twelve (12) to twenty-four (24) months, the City expects to issue an estimated \$2,500,000 in voted authorized and unissued debt to be used for the construction, acquisition, and improvements of the combined City Hall and Public Safety Building.

### Municipal Sales Tax Collections

The City has adopted the Municipal Sales and Use Tax Act, Chapter 321, Texas Tax Code, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City and are not pledged to the payment of the Bonds. Voters within the City approved an additional sales and use tax of  $\frac{1}{4}$  of 1% for economic development (Type B) and an additional  $\frac{1}{4}$  of 1% for street maintenance/repair, effective April of 2010.

### Other Obligations

The City has entered into several leases for equipment from outside vendors.

FYE 9/30	Governmental Activities	Business-Type Activities	Total
2024	\$ 32,631	\$ 9,203	\$ 41,834
2025	32,631	9,204	41,835
2026	32,629	9,204	41,833
Total	\$ 97,891	27,611	\$ 125,502

### Employee Retirement Plan

The City participates as one of 901 plans in the defined benefit cash-balance pension plan administered by the Texas Municipal Retirement System (TMRS). All eligible employees are required to participate in the TMRS. TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the State statutes governing TMRS.

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

For a discussion of the City's employee retirement plans and its obligation thereunder, refer to "Selected Data from the Annual Financial Report, City of Rollingwood, Texas, Fiscal Year Ended September 30, 2023, (7) Defined benefit pension plans" attached hereto as Appendix C.

### **Other Post-Employment Benefits (OPEB) Plan**

The City participates in a single-employer defined benefit plan, which operates similar to a group-term life insurance plan, operated by TMRS, the Supplemental Death Benefits Fund (SDBF). The death benefit for active members provides a lump-sum payment approximately equal to the member's annual salary; retired members are insured for \$7,500.

For a discussion of the City's employee retirement plans and its obligation thereunder, refer to "Selected Data from the Annual Financial Report, City of Rollingwood, Texas, Fiscal Year Ended September 30, 2023, (8) "Other post-employment benefits (OPEB) plan" attached hereto as Appendix C.

### **Financial Policies**

*Basis of Accounting.* The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. Governmental resources are allocated and accounted for in the individual funds based upon the purposes for which they are utilized and the means by which spending activities are controlled. All proprietary funds are accounted for using the accrual basis of accounting. See "Selected Data from Annual Financial Report, City of Rollingwood, Texas Fiscal Year Ended September 30, 2023" attached hereto as Appendix C.

*General Fund.* The general fund is the primary operating fund and accounts for all financial resources of the City except those required to be accounted for in another fund.

*Debt Service Fund.* The debt service fund is used to account for ad valorem tax assessed for the purpose of servicing general obligation debt.

*Special Revenue Funds.* These funds are used to separately account for funds related to grants and contracts.

*Water Fund.* The account is used for activities of the City's water operations.

*Wastewater Fund.* The fund is used to account for activities of the City's wastewater operations.

### **Deposits and Investments**

The City may invest its investable funds (including bond proceeds and money pledged to the payment of or as security for bonds or other indebtedness issued by the City or obligations under a lease, installment sale, or other agreement of the City) in investments authorized by State law in accordance with investment policies approved by the City Council of the City. Both State law and the City's investment policies are subject to change.

### **Authorized Investments**

*General.* Under State law, the City is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States;

(5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than “A” or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the City selects from a list the governing body or a designated investment committee of the City adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in the State that the City selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the City’s account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the City appoints as the City’s custodian of the banking deposits issued for the City’s account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the SEC and operating under SEC Rule 15c3-3; (9) (i) certificates of deposit or share certificates meeting the requirements of Chapter 2256, Texas Government Code (the “Public Funds Investment Act”), that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or their respective successors, and are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and provided for by law for City deposits, or (ii) certificates of deposits where (a) the funds are invested by the City through (A) a broker that has its main office or a branch office in the State and is selected from a list adopted by the City as required by law, or (B) a depository institution that has its main office or branch office in the State that is selected by the City, (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d), Texas Government Code, or a clearing broker-dealer registered with the SEC and operating pursuant to SEC Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements as defined in the Public Funds Investment Act, that have a defined termination date, are secured by a combination of cash and obligations described in clauses (1) or (13) in this paragraph, require the securities being purchased by the City or cash held by the City to be pledged to the City, held in the City’s name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than “A” or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City’s name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less; (12) certain bankers’ acceptances with stated maturity of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated not less than “A-1” or “P-1” or the equivalent by at least one nationally recognized credit rating agency; (13) commercial paper with a stated maturity of 365 days or less that is rated not less than “A-1” or “P-1” or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (14) no-load money market mutual funds registered with and regulated by the SEC that provide the City with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and that comply with federal SEC Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); and (15) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and have either (a) a duration of one year or more and invest exclusively in obligations described in under this heading, or (b) a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities, other than the prohibited obligations described below, in an amount at least equal to the amount of bond proceeds invested under such contract.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAM or an equivalent by at least one nationally recognized rating service if the governing body of the City authorizes such investment in the particular pool by order, ordinance or resolution and the investment pool complies with the requirements of Section 2256.016, Texas Government Code. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution.

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

*Investment Policies.* Under State law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

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

*Additional Provisions.* Under State law, the City is additionally required to: (1) annually review its adopted policies and strategies; (2) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (3) require the registered principal of firms seeking to sell securities to the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment transactions conducted between the City and the business organization that are not authorized by the City's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the entity's entire portfolio, requires an interpretation of subjective investment standards or relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority) and (c) deliver a written statement attesting to these requirements; (4) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (5) provide specific investment training for the Treasurer, Chief Financial Officer (if not the Treasurer) and investment officers; (6) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (7) restrict its investment in no-load mutual funds in the aggregate to no more than 15 percent of its monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, and to invest no portion of bond proceeds, reserves and funds held for debt service, in mutual funds; (8) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; (9) at least annually review, revise and adopt a list of qualified brokers that are authorized to engage in investments transactions with the City; (10) and adopt by written instrument a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution.



*Current Investments.* As of March 31, 2024, the City had \$6,125,729 in cash and investments.

As of such date, the market value of such investments (as determined by the City by reference to published quotations, dealer bids, and comparable information) was approximately 100% of their book value. No funds of the City are invested in derivative securities, *i.e.*, securities whose rate of return is determined by reference to some other instrument, index, or commodity.

## LEGAL MATTERS

### Legal Opinions

The Bonds are offered when, as and if issued, subject to the approval by the Attorney General of the State and the rendering of the opinion by Orrick, Herrington & Sutcliffe LLP, Austin, Texas, as Bond Counsel for the City.

The City will furnish the Initial Purchaser with a complete transcript of proceedings held incident to the authorization and issuance of the Bonds, including the approving opinion of the Attorney General of the State of Texas as recorded in the Bond Register of the Comptroller of Public Accounts of the State, to the effect that the Bonds are valid and legally binding Bonds of the City under the Constitution and laws of the State. The City will also furnish the approving legal opinion of Bond Counsel in substantially the form attached hereto as Appendix D.

In its capacity as Bond Counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas, has not independently verified any of the factual information contained in this Official Statement nor have they conducted an investigation of the affairs of the City for the purpose of passing upon the accuracy or completeness of this Official Statement. Bond Counsel's role in connection with the Official Statement was limited to reviewing the information describing the Bonds in the Official Statement to verify that such descriptions conform to the provisions of the Ordinance. No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the information contained herein.

The legal fee to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. The legal opinion will accompany the Bonds deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the book-entry-only system.

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

### Litigation

The City is exposed to various risks of losses related to torts, theft of, damage to and destruction of fixed assets; error and omissions; injuries to employees; and natural disasters. The City has obtained commercial insurance coverage for some of these risks and provided various employee education and prevention programs. Various claims and lawsuits may be pending against the City at any given time, however in the opinion of City management, after consultation with legal counsel, the potential loss on all claims and lawsuits will not materially adversely affect the City's financial position.

## TAX MATTERS

### Tax Exemption

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded

from the federal corporate alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix D hereto.

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

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

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

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

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

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

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

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

#### **Purchase of Tax-Exempt Obligations by Financial Institutions**

Section 265(a) of the Code provides, in general, that a deduction for interest on indebtedness incurred to acquire or carry tax-exempt obligations is disallowed. Section 265(b) of the Code provides a specific complete disallowance of any deduction by a financial institution of its pro rata interest expense to reflect such financial institution's investment in tax-exempt obligations acquired after August 7, 1986. Section 265(b) also provides an exception for financial institutions for tax-exempt Obligations that are properly designated or deemed designated by an issuer as "qualified tax-exempt obligations."

The Bonds will be designated as "qualified tax-exempt obligations" based, in part, on the City's representation that the amount of such bonds, when added to the amount of all other tax-exempt obligations (not including private activity bonds other than "qualified 501(c)(3) bonds" or any obligations issued to currently refund any obligation to the extent the amount of the refunding obligation does not exceed the outstanding amount of the refunded obligation) issued or reasonably anticipated to be issued by or on behalf of the City during the calendar year 2024, is not expected to exceed \$10,000,000. Further, the City and entities aggregated with the City under the Code have not designated more than \$10,000,000 in "qualified tax-exempt obligations" (including the Bonds) during the calendar year 2024.

Notwithstanding the designation or deemed designation, as applicable, of the Bonds as "qualified tax-exempt obligations" under this exception, financial institutions acquiring the Bonds will be subject to a 20% disallowance of allocable interest expense.

### **CONTINUING DISCLOSURE OF INFORMATION**

In the Ordinance, the City has made the following agreement for the benefit of the registered and beneficial owners of the Bonds. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually and timely notice of specified events to the Municipal Securities Rulemaking Board ("MSRB") in an electronic format as prescribed by the MSRB. Information will be publicly available on the MSRB's Electronic Municipal Market Access System at [www.emma.msrb.org](http://www.emma.msrb.org).

#### **Annual Reports**

The City shall provide annually to the MSRB, (1) within six (6) months after the end of each Fiscal Year of the City ending in or after 2024, financial information and operating data with respect to the City of the general type included in this Official Statement under the Schedules in Appendix A attached hereto numbered 1 through 3, 5 through 7 and 11, and (2) within twelve (12) months after the end of each Fiscal Year of the City ending in or after 2024, audited financial statements of the

City. Any financial statements so to be provided shall be (i) prepared in accordance with the accounting principles described in the rules to the financial statements for the most recently concluded Fiscal Year or such other accounting principles as the City may be required to employ, from time to time, by State law or regulation, and (ii) audited, if the City commissions an audit of such statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within twelve (12) months after any such fiscal year end, then the City shall file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available.

The City may provide updated information in full text or may incorporate by reference documents available on EMMA or filed with the U.S. Securities and Exchange Commission (the "SEC").

The City's current fiscal year end is September 30. Accordingly, it must provide updated information by the last day of March in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change.

### **Event Notices**

The City will also provide to the MSRB notices of certain events on a timely basis no later than 10 business days after the event. The City will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of the trustee, if material, (15) incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties. Neither the Bonds nor the continuing disclosure agreement make any provision for liquidity enhancement, the funding of debt service reserves or the appointment of a trustee. In addition, the City will provide timely notice of any failure by the City to provide annual financial information, data or financial statements in accordance with its agreement described above under "Annual Reports." The City will provide each notice described in this paragraph to the MSRB in an electronic format, as prescribed by the MSRB.

For these purposes, (A) any event described in the subsection (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City, (B) as used in subsections (15) and (16), "financial obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of a debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal securities as to which a final official statement (as defined in Rule 15c2-12 of the United States Securities and Exchange Commission, as amended (the "Rule")) has been provided to the MSRB consistent with the Rule, and (C) the City intends the words used in paragraphs (15) and (16) and the definition of financial obligation to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018 (the "2018 Release") and any further written guidance provided by the SEC or its staff with respect to the amendments to the Rule effected by the 2018 Release.

## **Availability of Information from EMMA**

All such information described above must be filed with the MSRB. Investors will be able to access continuing disclosure information filed with the MSRB at [www.emma.msrb.org](http://www.emma.msrb.org). The City has agreed to provide the foregoing information only to the MSRB through EMMA.

## **Limitations and Amendments**

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

The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the registered and beneficial owners of the Bonds. The City may also repeal or amend the provisions of this Section if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, and the City also may amend the provisions of this Section in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not have prevented an underwriter from lawfully purchasing or selling the Bonds in the primary offering of the Bonds, giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of the Rule. If the City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

## **Compliance with Prior Undertakings**

For the past five years, the City has not failed to comply in any material respects with its continuing disclosure agreements made in accordance with the Rule.

## **INFECTIOUS DISEASE OUTBREAK – COVID-19**

In March 2020, the World Health Organization and the President of the United States (the "President") separately declared the outbreak of a respiratory disease caused by a novel coronavirus ("COVID-19") to be a public health emergency. On April 10, 2023, the President signed a resolution terminating the national emergency related to the Pandemic, and on May 5, 2023, the World Health Organization declared COVID-19 no longer represented a global health emergency. There are currently no COVID-19 related operating limits imposed by executive order of the Governor for any business or other establishment in the State. The Governor retains the right to impose additional restrictions on activities if needed in order to mitigate the effects of COVID-19. The City has not experienced any decrease in property values or unusual tax delinquencies as a result of COVID-19 and the System's operation and financial position were not impacted as a result of COVID-19. However, the City can-not predict the long-term economic effect of COVID-19 or a similar virus should there be a reversal of economic activity and re-imposition of restrictions.

## **OTHER INFORMATION**

### **Municipal Rating**

S&P Global Rating Services, a business unit of Standard & Poor's Financial Services LLC ("S&P") has assigned its municipal bond rating of "AA+/Stable" to this issue of Bonds. An explanation of the rating may be obtained from S&P. The rating

reflects only the view of S&P and the City makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

### **Financial Advisor**

USCA Municipal Advisors, LLC (“USCA” or the “Financial Advisor”), a subsidiary of USCW Holdco, LLC, is employed as Financial Advisor to the City in connection with the issuance of the Bonds. The Financial Advisor’s fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. USCA, in its capacity as Financial Advisor, has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

USCA has reviewed the information in this Official Statement in accordance with its responsibilities to the City and, as applicable, to investors under federal securities laws as applied to the facts and circumstances of this transaction, but USCA does not guarantee the accuracy or completeness of such information.

### **Initial Purchaser**

After requesting competitive bids for the Bonds, the City has accepted a bid tendered by \_\_\_\_\_ (the “Initial Purchaser”) to purchase the Bonds at the rates shown on page ii of this Official Statement at a price of par plus a cash premium of \$ \_\_\_\_\_. No assurance can be given that any trading market will be developed for the Bonds after their initial sale by the City. The City has no control over the prices at which the Bonds will initially be re-offered to the public.

The Initial Purchaser has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities law, but the Initial Purchaser does not guarantee the accuracy or completeness of such information.

## **GENERAL CONSIDERATIONS**

### **Prices and Marketability**

The delivery of the Bonds is conditioned upon the receipt by the City of a certificate executed and delivered by the Initial Purchaser on or before the date of delivery of the Bonds, stating the prices at which a substantial amount of the Bonds of each maturity have been sold to the public. For this purpose, the term “public” shall not include any person who is a bondhouse, broker, dealer, or similar person acting in the capacity of Initial Purchaser or wholesaler. The City has no control over trading of the Bonds after a bona fide offering of the Bonds is made by the Initial Purchaser at the yields specified on page ii of this Official Statement. Information concerning reoffering yields or prices is the responsibility of the Initial Purchaser.

The prices and other terms respecting the offering and sale of the Bonds may be changed from time to time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering price, including sales to dealers who may sell the Bonds into investment accounts.

### **Legal Investments and Eligibility to Secure Public Funds in Texas**

Pursuant to the Texas Public Securities Act, Chapter 1201, Texas Government Code, as amended, the Bonds, whether rated or unrated, are legal and authorized investments for insurance companies, fiduciaries or trustees, and for municipalities and other political subdivisions or public agencies. Most political subdivisions in the State are required to adopt investment guidelines under the Public Funds Investment Act, Chapter 2256, Texas Government Code, and such political subdivisions may impose a requirement consistent with such act that the Bonds have a rating of not less than “A” or its equivalent to be legal investments of such entity’s funds. The “Public Funds Collateral Act,” Chapter 2257, Texas Government Code, provides that deposits of public funds, as defined in such chapter, must be secured by eligible security. “Eligible Security” is defined to include local government obligations (such as the Bonds) with a rating from a nationally recognized investment firm of “A” or its equivalent. See “OTHER INFORMATION – Municipal Rating” herein.

**The City makes no representation that the Bonds will be acceptable to public entities to secure their deposits, or acceptable to any such entities or institutions for investment purposes. No review by the City has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.**

### **Securities Laws**

No registration statement relating to the Bonds has been filed with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. The City assumes no responsibility for registration or qualification of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdictions.

### **Sources and Compilation of Information**

The information contained in this Official Statement has been obtained primarily from the City and from other sources believed to be reliable. No representation is made as to the accuracy or completeness of the information derived from sources other than the City. This is no guarantee that any of the assumptions or estimates contained herein will be realized. The summaries of the statutes, the Ordinance and other related documents are included herein subject to all the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information.

### **Forward-Looking Statements**

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

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

### **Approval of the Official Statement**

This Official Statement has been "deemed final" by an authorized representative of the City as of its date except for the omission of no more than the information permitted by the Rule. In the Ordinance, the City Council will approve an authorized official of the City to approve the form and content of this Official Statement and any addenda, supplement or amendment thereto and authorize use of the Official Statement in the re-offering of the Bonds by the Initial Purchaser.

### **Certification of the Official Statement**

At the time of payment for and delivery of the Bonds, the City will furnish a certificate, executed by proper officers, acting in their official capacity, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in this Official Statement, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of sale of the Bonds and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such Official

Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the City, and their activities contained in this Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the City since the date of the last audited financial statements of the City.

### **No-Litigation Certificate**

The City will furnish the Initial Purchaser a certificate, dated as of the date of delivery of the Bonds, executed by an appropriate official of the City, to the effect that no litigation of any nature is then pending or threatened in any court, restraining or enjoining the issuance or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority or proceeding for the issuance, execution or delivery of the Bonds; or affecting the validity of the Bonds.

### **Audited Financial Statements**

ABIP, PC, the City's independent auditor, has not reviewed, commented on, or approved, and is not associated with, this Official Statement. The report of ABIP, PC, relating to the City's financial statements for the fiscal year ended September 30, 2023 is included in this Official Statement in APPENDIX C; however, ABIP, PC, has not performed any procedures on such financial statements since the date of such report, and has not performed any procedures on any other financial information of the City, including without limitation any of the information contained in this Official Statement, and has not been asked to consent to the inclusion of its report, or otherwise be associated with this Official Statement.



**APPENDIX A**

**FINANCIAL INFORMATION AND DEBT INFORMATION**

The City has previously issued the following tax supported debt (the “Outstanding Obligations”). The table below lists the principal amounts of the Outstanding Obligations, including the Bonds.

**Schedule 1 - Outstanding Obligations**

<b>Total Outstanding Debt as of June 1, 2024</b>	<b>Amount Outstanding</b>	
General Obligation Bonds, Series 2014	\$ 1,790,000	
General Obligation Refunding Bonds, Series 2019	8,925,000	
Tax Notes, Series 2020	1,210,000	
General Obligation Bonds, Series 2023	3,885,000	
Total	<u>\$ 11,925,000</u>	
Plus: The Bonds	<u>\$ 1,400,000</u>	*
Total	<u>\$ 13,325,000</u>	*

\*Preliminary, subject to change.

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**Schedule 2 – Pro Forma Debt Service Requirements**

The following table sets forth the debt service requirements on the City’s outstanding debt obligations, on a fiscal year end basis, including the Bonds.

FYE 9/30	Tax Year	Outstanding Debt Service	The Bonds *				Total Debt Service*
			Principal	Interest Rate <sup>(a)</sup>	Interest <sup>(a)</sup>	Total	
2024	2023	\$ 1,465,863	\$ -	-	\$ -	\$ -	1,465,863
2025	2024	1,460,985	40,000	5.00%	72,917	112,917	1,573,902
2026	2025	1,460,235	45,000	5.00%	68,000	113,000	1,573,235
2027	2026	1,455,438	45,000	5.00%	65,750	110,750	1,566,188
2028	2027	1,144,675	50,000	5.00%	63,500	113,500	1,258,175
2029	2028	1,145,325	50,000	5.00%	61,000	111,000	1,256,325
2030	2029	1,144,025	55,000	5.00%	58,500	113,500	1,257,525
2031	2030	1,141,750	55,000	5.00%	55,750	110,750	1,252,500
2032	2031	1,148,500	60,000	5.00%	53,000	113,000	1,261,500
2033	2032	1,143,950	65,000	5.00%	50,000	115,000	1,258,950
2034	2033	1,145,325	65,000	5.00%	46,750	111,750	1,257,075
2035	2034	950,675	70,000	5.00%	43,500	113,500	1,064,175
2036	2035	946,825	75,000	5.00%	40,000	115,000	1,061,825
2037	2036	957,275	75,000	5.00%	36,250	111,250	1,068,525
2038	2037	956,475	80,000	5.00%	32,500	112,500	1,068,975
2039	2038	961,075	85,000	5.00%	28,500	113,500	1,074,575
2040	2039	234,725	90,000	5.00%	24,250	114,250	348,975
2041	2040	234,325	95,000	5.00%	19,750	114,750	349,075
2042	2041	233,725	95,000	5.00%	15,000	110,000	343,725
2043	2042	232,925	100,000	5.00%	10,250	110,250	343,175
2044	2043	231,925	105,000	5.00%	5,250	110,250	342,175
2045	2044	235,725	-	-	-	-	235,725
2046	2045	234,125	-	-	-	-	234,125
2047	2046	232,325	-	-	-	-	232,325
2048	2047	235,325	-	-	-	-	235,325
2049	2048	232,694	-	-	-	-	232,694
2050	2049	234,856	-	-	-	-	234,856
2051	2050	231,606	-	-	-	-	231,606
2052	2051	233,150	-	-	-	-	233,150
2053	2052	234,281	-	-	-	-	234,281
2054	2053	-	-	-	-	-	-
Total		\$ 21,900,108	\$ 1,400,000	\$ 1	\$ 850,417	\$ 2,250,417	\$ 24,150,525

(a) Interest calculated for illustrative purposes only.

\*Preliminary, subject to change.

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### Schedule 3 - Tax Adequacy for Estimated Debt Service

The calculations shown below assume, solely for the purpose of illustration, no change in assessed valuation over the 2023 Taxable Assessed Valuation provided by the Appraisal District and use a tax rate adequate to the service of the City's total debt service requirements following issuance of the Bonds.

#### Estimated Total Debt Service <sup>(a)\*</sup>

Average annual debt service requirements on the City's total outstanding indebtedness including the Bonds.	\$ 805,017
\$ 0.0511 Taxrate on the 2023 taxable assessed valuation at 99% collection produces	\$ 805,265
Maximum annual debt service requirements on the City's total outstanding indebtedness including the Bonds.	\$ 1,573,902
\$ 0.0999 Taxrate on the 2023 taxable assessed valuation at 99% collection produces.	\$ 1,574,285

(a) Includes the Bonds.

\*Preliminary, subject to change.

#### Schedule 4 – Estimated Overlapping Debt

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

The table below sets forth the estimated overlapping debt and the City’s debt including the Bonds.

	<b>Net Debt Outstanding</b>	<b>As of</b>	<b>Percent Overlapping</b>	<b>Amount</b>
Austin CCD	\$ 562,445,000	5/31/2024	**	\$ -
Austin ISD	2,610,343,000	5/31/2024	**	-
Eanes Independent School District	162,540,000	5/31/2024	6.46%	10,500,084
Travis County	1,099,010,000	5/31/2024	0.45%	4,945,545
Travis County EDS #9	120,000	5/31/2024	13.30%	15,960
Travis County Health Care District	165,705,000	5/31/2024	0.45%	745,673
Travis County WCID #10	37,320,000	5/31/2024	0.02%	7,464
Total	<u>\$ 4,637,483,000</u>			<u>\$ 16,214,726</u>
The City <sup>(a)*</sup>	<u>\$ 13,325,000</u>	6/1/2024	100.00%	<u>\$ 13,325,000</u>
Total	<u>\$ 4,650,808,000</u>			<u>\$ 29,539,726</u>

(a) Includes the Bonds.

Source: Municipal Advisory Council of Texas.

\*Preliminary, subject to change.

\*\*Less than 0.01%

#### Schedule 5 – Historical Analysis of Ad Valorem Taxation

The following table sets forth the City’s historical taxable assessed valuation.

<b>FYE 9/30</b>	<b>Tax Year</b>	<b>Assessed Valuation <sup>(a)</sup></b>	<b>Tax Rate <sup>(a)</sup></b>	<b>Tax Levy <sup>(a)</sup></b>	<b>Percent Collections <sup>(b)</sup></b>
2020	2019	\$ 1,037,403,963	\$ 0.2088	\$ 2,165,414	99.00%
2021	2020	1,106,585,162	0.2369	2,621,500	99.00%
2022	2021	1,193,670,184	0.2193	2,617,719	99.00%
2023	2022	1,481,130,237	0.1796	2,660,110	99.53%
2024	2023	1,591,778,175	0.1917	3,051,439	99.00%

(a) Source: Municipal Advisory Council of Texas.

(b) Source: City of Rollingwood, Texas

**Schedule 6 - Largest Assessed Valuations**

The table below reflects the City top ten taxpayers for the tax year 2023.

<u>Taxpayer Name</u>	<u>Property Type</u>	<u>Assessed Valuation</u>	<u>Percent of 2023 Total Assessed</u>
Lore ATX Rollingwood LLC	Office Buildings	\$ 92,476,218	5.81%
Lore ATX Rollingwood III LP	Office Buildings	52,251,951	3.28%
CLPF-Mira Vista LLC	Office Buildings	51,152,175	3.21%
Shops at Mira Vista Regency LLC	Strip Mall/Plaza	23,859,000	1.50%
3003 Bee Cave Partnership LP	Hospital	23,436,632	1.47%
Padauk LLC Series 2	Office Buildings	12,836,016	0.81%
SRC Centre II Owner LP	Office Buildings	11,728,953	0.74%
RJS & KGS Ince Management Trust	Residential Homes	10,873,309	0.68%
Milton Verret	Individual Residence	10,062,371	0.63%
Generational Centre One LLC	Commerical Building	9,323,719	0.59%
		<u>\$ 298,000,344</u>	<u>18.72%</u>

2023 Total Taxable Assessed Value

\$1,591,778,175

Source: Municipal Advisory Council of Texas.

**Schedule 7 – Tax Rate Distribution**

The following table sets for the historical tax rates for the City.

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
General Fund	\$ 0.0966	\$ 0.09510	\$ 0.11500	\$ 0.12200	\$ 0.11960
Debt Service Fund	0.0951	0.08450	0.10430	0.11490	0.08920
Total	<u>\$ 0.1917</u>	<u>\$ 0.17960</u>	<u>\$ 0.21930</u>	<u>\$ 0.23690</u>	<u>\$ 0.20880</u>

Source: Travis County Central Appraisal District

**Schedule 8 - Estimated Overlapping Taxes**

Property within the City is subject to taxation by several taxing authorities in addition to the City. Under State law, tax lien attaches to property to secure the payment of all taxes, penalty, and interest for the year, on July 1 of that year. The tax lien on property in favor of the City is on a parity with tax liens of other taxing jurisdictions. In addition to ad valorem taxes required to make debt service payments on bonded debt of the City and such other jurisdictions, certain taxing jurisdictions are authorized by State law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

<u>Jurisdiction</u>	<u>2023 Tax Rate</u>
Austin CCD	\$ 0.09860
Eanes ISD	0.88800
Travis County	0.30466
Travis County ESD #9	0.07350
Travis Central Health	0.10069
City of Rollingwood	0.19170

**Schedule 9 - Municipal Sales Tax History**

The City has adopted the Municipal Sales and Use Tax Act, Chapter 321, Texas Tax Code, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City. The proceeds are credited to the General Fund and are not pledged to the payment of the Bonds. Voters within the City approved an additional sales and use tax of ¼ of 1% for economic development (Type B) and an additional sales and use tax of ¼ of 1% for street and maintenance/repair, effective April 2010.

<u>FYE 9/30</u>	<u>Sales Tax Collections</u>
2020	\$ 632,188
2021	616,507
2022	765,043
2023	706,432
2024 <sup>(a)(b)</sup>	662,891

(a) Revenues collected through March 2024.

(b) Source: Municipal Advisory Council of Texas.

## Schedule 10 - Historical Operations of the Debt Service Fund

The following statement sets forth in condensed form the historical operations of the City's Debt Service Fund. Such information has been prepared based upon information obtained from the City's audited financial statements and other information provided by the City. Reference is made to such statements for further and complete information.

	<b>Fiscal Year End September 30,</b>				
	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>Revenues</b>					
Property taxes	\$ 1,228,673	\$ 1,244,173	\$ 1,267,046	\$ 912,417	\$ 856,467
Other income	-	-	-	-	-
Interest	-	-	-	-	-
Total Revenues	1,228,673	1,244,173	1,267,046	912,417	856,467
<b>Expenditures</b>					
<b>Debt Service</b>					
Principal	382,475	374,050	365,625	82,200	78,775
Interest and fees	68,855	78,012	89,452	55,395	58,506
Debt issuance costs	1,320	-	-	-	-
Total Expenditures	452,650	452,062	455,077	137,595	137,281
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	776,023	792,111	811,969	774,822	719,186
<b>Other Financing Sources (Uses)</b>					
Transfers in	5,786	-	-	-	830
Transfers out	(786,280)	(788,243)	(789,228)	(788,430)	(726,589)
Total Other Financing Sources (Uses)	(780,494)	(788,243)	(789,228)	(788,430)	(725,759)
Net Change in Fund Balance	(4,471)	3,868	22,741	(13,608)	(6,573)
Fund Balances, Beginning of Year	4,471	603	(22,138)	(8,530)	(2,357)
Fund Balances, End of Year	\$ -	\$ 4,471	\$ 603	\$ (22,138)	\$ (8,930)

## Schedule 11 - Historical Operations of the General Fund

The following statement sets forth in condensed form the historical operations of the City's General Fund. General Fund revenues are not pledged to pay the Bonds, though any surplus may be used for debt service at the discretion of the City Council. Such information has been prepared based upon information obtained from the City's audited financial statements and other information provided by the City.

Revenues	Fiscal Year End September 30,				
	2023	2022	2021	2020	2019
General Property Taxes	\$ 1,404,404	\$ 1,383,560	\$ 1,374,785	\$ 1,231,050	\$ 1,147,724
General Sales and Use Taxes	706,432	765,043	616,507	632,188	652,539
Franchise and Telecommunication Fees	135,295	177,091	91,528	145,394	158,224
Licenses and Fees	238,472	254,614	268,809	171,317	180,186
Fines and Forfeitures	52,882	59,785	16,699	36,360	67,078
Contributions	9,850	725	10	230	86,808
Intergovernmental	88,505	349,991	19,926	94,023	
Interest	8,902	12,994	1,394	2,208	56,164
Investment earnings	16,567	-	-	-	-
Other Revenue	158,445	188,494	95,866	155,797	4,075
<b>Total Revenues</b>	<b>2,819,754</b>	<b>3,192,297</b>	<b>2,485,524</b>	<b>2,468,567</b>	<b>2,352,798</b>
<b>Expenditures</b>					
General Government	561,884	592,857	594,435	591,485	699,204
Public Works	20,941	14,168	39,129	45,078	17,029
Sanitation	176,907	148,772	135,302	133,088	129,945
Public Safety	1,308,714	1,334,485	1,096,410	1,039,329	883,019
Court	98,718	86,604	87,205	98,572	103,459
Parks & Recreation	79,132	98,541	90,251	129,163	114,185
Streets	112,095	83,424	124,661	73,461	132,572
Development	307,140	228,556	173,704	168,911	
Capital Outlay	77,208	120,553	37,144	105,963	38,076
Debt Service					
Principal	28,557	27,661	-	-	-
Interest	4,074	4,970	-	-	-
Bond issue expenditures	-	-	-	61,960	8,500
<b>Total Expenses</b>	<b>2,775,370</b>	<b>2,740,591</b>	<b>2,378,241</b>	<b>2,447,010</b>	<b>2,125,989</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	44,384	451,706	107,283	21,557	226,809
<b>Other Financing Sources (Uses)</b>					
Transfers In	238,899	86,263	-	192,220	148,380
Transfers Out	(5,786)	-	(312,330)	-	-
Capital Lease	-	-	147,828	-	-
Bond issuance	-	-	-	2,065,000	-
Bond premium	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>233,113</b>	<b>86,263</b>	<b>(164,502)</b>	<b>2,257,220</b>	<b>148,380</b>
<b>Net Change in Fund Balance</b>	<b>277,497</b>	<b>537,969</b>	<b>(57,219)</b>	<b>2,278,777</b>	<b>375,189</b>
Fund Balances, Beginning of Year	3,860,579	3,344,825	3,402,044	1,123,267	748,078
Restatement of beginning fund balance	33,660	(22,215)	-	-	-
<b>Fund Balances, End of Year</b>	<b>\$ 4,171,736</b>	<b>\$ 3,860,579</b>	<b>\$ 3,344,825</b>	<b>\$ 3,402,044</b>	<b>\$ 1,123,267</b>



## Schedule 12 - Historical Operations of the Water and Wastewater Fund

The following statement sets forth in condensed form the historical operations of the City's Water and Wastewater Fund. Such information has been prepared based upon information obtained from the City's audited financial statements and other information provided by the City.

	<b>Fiscal Year Ending September 30,</b>				
	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Operating Revenues:					
Charges for sales and services:					
Water sales	\$ 1,569,556	\$ 1,514,783	\$ 1,213,362	\$ 1,219,418	\$ 1,305,230
Wastewater revenues	934,933	816,087	636,327	547,146	611,536
Wastewater surcharge	98,154	98,152	98,154	98,154	96,809
Industrial waste surcharges	14,025	12,609	11,056	11,056	11,056
Total operating revenues	<u>2,616,668</u>	<u>2,441,631</u>	<u>1,958,899</u>	<u>1,875,774</u>	<u>2,024,631</u>
Operating Expenses:					
Water purchased	632,888	842,978	709,751	721,481	617,958
Wastewater fees	13,689	30,343	3,900	248,701	265,755
Personnel services	493,779	316,917	465,542	377,572	386,781
Repairs and Maintenance	600,601	234,514	424,657	60,168	75,645
System operation	412,672	317,700	357,502	34,402	20,713
Contract services	240,096	127,984	278,951	254,329	330,314
Depreciation and amortization expense	482,882	464,864	466,570	458,122	452,503
Total operating expenses	<u>2,876,607</u>	<u>2,335,300</u>	<u>2,706,873</u>	<u>2,154,775</u>	<u>2,149,669</u>
Operating income (loss)	(259,939)	106,331	(747,974)	(279,001)	(125,038)
Nonoperating Revenues (Expenses):					
Interest expense	(498,051)	(306,391)	(308,931)	(353,645)	(522,077)
Property taxes	-	-	-	-	-
Other nonoperating income	-	-	-	-	-
Investment earnings	18,092	2,783	504	3,523	8,272
Total nonoperating revenues	<u>(479,959)</u>	<u>(303,608)</u>	<u>(308,427)</u>	<u>(350,122)</u>	<u>(513,805)</u>
Transfers:					
Transfers in	792,346	797,446	789,228	788,430	726,589
Transfers out	(134,429)	-	-	(63,000)	(830)
Net transfers	<u>657,917</u>	<u>797,446</u>	<u>789,228</u>	<u>725,430</u>	<u>725,759</u>
Change in net position	(81,981)	600,169	(267,173)	96,307	86,916
Net position at beginning of year	2,313,206		1,980,210	1,883,903	1,811,487
Restatement of net position	(45,195)	1,713,037	-	-	(14,500)
Net position at end of year	<u>\$ 2,186,030</u>	<u>\$ 2,313,206</u>	<u>\$ 1,713,037</u>	<u>\$ 1,980,210</u>	<u>\$ 1,883,903</u>

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## **APPENDIX B**

### **ECONOMIC AND DEMOGRAPHIC INFORMATION**

The City of Rollingwood is a city in Travis County, Texas. Rollingwood was incorporated originally as a Village in 1955 and then later in May 1963 as a Type A General Law City where the City Council is the governing body of the City consisting of five elected Council members and a Mayor; with a framework of City Administrator form of government. Part of the Austin-Round Rock metropolitan area, the population was 1,467 at the 2020 census. Rollingwood is a land-locked, largely residential city in a highly desirable location less than five (5) miles from downtown Austin. While the City benefits from participation in the diverse economy of the Austin-Round Rock MSA, a commercial strip within the City limits includes businesses such as Trader Joes grocery, Goodwill thrift store, and multiple title companies and financial institutions.

The Austin-Round Rock MSA has a diverse economy, anchored by government, technology (particularly software and semiconductors), and education. The Austin-Round Rock MSA had an estimated gross domestic product of \$168.4 billion in 2020, making it the 24<sup>th</sup> largest metropolitan economy in the U.S.

Major employers in the Austin-Round Rock MSA are include Accenture, Amazon, Apple, Applied Materials, Austin Independent School District, Ascension Seton HealthCare network, Dell, H-E-B Grocery, IBM, NXP Semiconductors, Samsung Semiconductors, St. David's HealthCare Partnership, the Texas State Government, Tesla, the United States Government, The University of Texas at Austin, Whole Foods and Wal-Mart.

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**APPENDIX C**

**SELECTED DATA FROM  
ANNUAL FINANCIAL REPORT  
CITY OF ROLLINGWOOD, TEXAS  
FISCAL YEAR ENDED SEPTEMBER 30, 2023**

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

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A large red graphic element consisting of a triangle on the left side and a trapezoid on the right side, meeting at a diagonal line. The triangle is on the left, and the trapezoid is on the right, extending from the bottom edge of the triangle.

# CITY OF ROLLINGWOOD, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2023

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**CITY OF ROLLINGWOOD, TEXAS**

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## **FINANCIAL SECTION**



INDEPENDENT AUDITOR'S REPORT

To the Members of the City Council  
City of Rollingwood, Texas  
403 Nixon Drive  
Rollingwood, Texas 78746

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

**Opinion**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Rollingwood, Texas, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Rollingwood, Texas' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Rollingwood, Texas, as of September 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinions**

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

**Responsibilities of Management for the Financial Statements**

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5-10 and page 49 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## Supplementary Information

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

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2024, on our consideration of the City of Rollingwood, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Rollingwood, Texas' internal control over financial reporting and compliance.

ABIP, PC

San Antonio, Texas  
March 20, 2024





# CITY OF ROLLINGWOOD, TEXAS

## MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2023

As management of the City of Rollingwood, Texas (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2023.

### FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at September 30, 2023 by \$6,704,626. Of this amount \$2,991,351 (unrestricted net position), may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total cost of all City activities was \$6,450,786 for the fiscal year. The net expense after charges for services and operating contributions was \$3,303,540.
- During the year, the City's issued City of Rollingwood, Texas General Obligation Bonds, Series 2023 in the amount of \$3,885,000.
- At September 30, 2023 the City's governmental funds reported combined ending fund balances of \$4,428,152, a net increase of \$255,159, after the restatement. This increase is due mainly to an increase of property and sales taxes.
- At September 30, 2023 the unassigned fund balance for the general fund was \$2,164,966 or 78% of total general fund expenditures.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis serves as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of four components: (1) government-wide financial statements, (2) fund financial statements, (3) component unit financial statements, and (4) notes to the financial statements and required supplementary information.

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through their user fees and charges (business-type activities). The governmental activities of the City include general government, public works, sanitation, public safety, court, parks and recreation, streets, and development services. The business-type activities of the City include water and wastewater.

The government-wide financial statements include not only the City itself (known as the primary government) but also the component unit of Rollingwood Community Development Corporation, Inc.

Fund financial statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental and proprietary, and utilize different accounting approaches.

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 available for current spending, as well as on balances of resources available for spending at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

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

The City maintained eight (8) individual governmental funds during the 2023 fiscal year. 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 and debt service fund which are considered to be major funds. Data from the other six (6) governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its general fund. Schedules of revenues, expenditures and changes in fund balances – budget and actual (GAAP basis) have been provided for the general fund to demonstrate compliance with the appropriated budget.

The City maintains only one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the enterprise fund to account for its water and wastewater utility services.

Proprietary funds provide the same type of information as the government-wide financial statements, only in a more detailed format. The City has two major proprietary funds. They are the water fund and the wastewater fund. Separate financial statements are presented for the major funds.

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

Other information – The combining statements referred to earlier as the City’s nonmajor governmental funds are presented immediately following the required supplementary information.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$6,704,626 (net position). Of this amount, \$2,991,351 (unrestricted net position) may be used to meet the ongoing obligations to citizens and creditors.

The largest portion of the City's net position (48%) reflects its net investment in capital assets (i.e., land, buildings, infrastructure, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. 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 capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City's net position (7%) represents resources that are subject to external restrictions on how they may be used.

### NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
<b>Assets:</b>						
Current and other assets	\$ 4,882,969	\$ 4,867,258	\$ 5,505,889	\$ 1,490,052	\$ 10,388,858	\$ 6,357,310
Capital assets	2,674,853	2,755,051	11,402,443	11,775,048	14,077,296	14,530,099
Total assets	<u>7,557,822</u>	<u>7,622,309</u>	<u>16,908,332</u>	<u>13,265,100</u>	<u>24,466,154</u>	<u>20,887,409</u>
Deferred outflows of resources	<u>297,619</u>	<u>158,339</u>	<u>97,100</u>	<u>34,758</u>	<u>394,719</u>	<u>193,097</u>
<b>Liabilities:</b>						
Current liabilities	655,475	850,151	955,708	733,235	1,611,183	1,583,386
Long-term liabilities	<u>2,655,654</u>	<u>2,765,264</u>	<u>13,855,304</u>	<u>10,215,933</u>	<u>16,510,958</u>	<u>12,981,197</u>
Total liabilities	<u>3,311,129</u>	<u>3,615,415</u>	<u>14,811,012</u>	<u>10,949,168</u>	<u>18,122,141</u>	<u>14,564,583</u>
Deferred inflows of resources	<u>25,716</u>	<u>170,755</u>	<u>8,390</u>	<u>37,484</u>	<u>34,106</u>	<u>208,239</u>
<b>Net position:</b>						
Net investment in capital assets	2,091,429	1,752,344	1,125,865	1,580,096	3,217,294	3,332,440
Restricted	495,981	431,395	-	-	495,981	431,395
Unrestricted	<u>1,931,186</u>	<u>1,810,739</u>	<u>1,060,165</u>	<u>733,110</u>	<u>2,991,351</u>	<u>2,543,849</u>
Total net position	<u>\$ 4,518,596</u>	<u>\$ 3,994,478</u>	<u>\$ 2,186,030</u>	<u>\$ 2,313,206</u>	<u>\$ 6,704,626</u>	<u>\$ 6,307,684</u>

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, for the primary government as a whole.

Governmental activities – Governmental activities increased the City's net position by \$1,160,339, after the restatement.

A key element is as follows:

- An increase in charges for services revenue.

Business-type activities – Business-type activities decreased the City’s net position by \$127,176 primarily due to the increase in charges for services.

The following table indicates changes in net position for the governmental and business-type activities for the City as of September 30, 2023.

CHANGE IN NET POSITION

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Revenues:						
Program revenues						
Charges for services	\$ 430,731	\$ 1,070,605	\$ 2,616,668	\$ 2,441,631	\$ 3,047,399	\$ 3,512,236
Operating contributions	65,299	725	-	-	65,299	725
Capital contributions	34,548	-	-	-	34,548	-
General revenues						
Property taxes	2,631,742	2,637,495	-	-	2,631,742	2,637,495
Sales taxes	881,653	955,202	-	-	881,653	955,202
Franchise taxes	135,295	177,091	-	-	135,295	177,091
Unrestricted investment earnings						
	16,907	3,272	18,092	2,783	34,999	6,055
Other income	28,328	99,374	-	-	28,328	99,374
Total revenues	<u>4,224,503</u>	<u>4,943,764</u>	<u>2,634,760</u>	<u>2,444,414</u>	<u>6,859,263</u>	<u>7,388,178</u>
Expenses:						
General government	601,775	616,585	-	-	601,775	616,585
Public works	25,549	12,597	-	-	25,549	12,597
Sanitation	187,349	156,845	-	-	187,349	156,845
Public safety	1,407,957	1,389,340	-	-	1,407,957	1,389,340
Court	105,786	88,810	-	-	105,786	88,810
Parks and recreation	84,179	102,798	-	-	84,179	102,798
Streets	119,224	98,093	-	-	119,224	98,093
Development services	325,471	235,050	-	-	325,471	235,050
Drainage	150,834	186,909	-	-	150,834	186,909
Interest	68,004	76,737	-	-	68,004	76,737
Water	-	-	1,862,409	1,416,577	1,862,409	1,416,577
Wastewater	-	-	1,512,249	1,225,114	1,512,249	1,225,114
Total expenses	<u>3,076,128</u>	<u>2,963,764</u>	<u>3,374,658</u>	<u>2,641,691</u>	<u>6,450,786</u>	<u>5,605,455</u>
Increase (decrease) in net position before transfers						
	<u>1,148,375</u>	<u>1,980,000</u>	<u>(739,898)</u>	<u>(197,277)</u>	<u>408,477</u>	<u>1,782,723</u>
Transfers	<u>(657,917)</u>	<u>(797,446)</u>	<u>657,917</u>	<u>797,446</u>	<u>-</u>	<u>-</u>
Change in net position	490,458	1,182,554	(81,981)	600,169	408,477	1,782,723
Net position - beginning	<u>3,994,478</u>	<u>2,834,139</u>	<u>2,313,206</u>	<u>1,713,037</u>	<u>6,307,684</u>	<u>4,547,176</u>
Restatement of net position	<u>33,660</u>	<u>(22,215)</u>	<u>(45,195)</u>	<u>-</u>	<u>(11,535)</u>	<u>(22,215)</u>
Net position - ending	<u>\$ 4,518,596</u>	<u>\$ 3,994,478</u>	<u>\$ 2,186,030</u>	<u>\$ 2,313,206</u>	<u>\$ 6,704,626</u>	<u>\$ 6,307,684</u>

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,428,152, an increase of \$255,159 from the prior year, after the restatement. This increase is due primarily to increased property and sales taxes.

Approximately 43% of this total amount, \$1,925,401 constitutes fund balance which is available for spending at the government's discretion. The remainder fund balance of \$2,502,751 or 57% is restricted as to use.

The City's general fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance was \$1,925,401. The unassigned fund balance represents 78% of total general fund expenditures. The fund balance of the City's general fund increased for the fiscal year by \$311,157, after the restatement.

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

Unrestricted net position of the proprietary funds at the end of the current fiscal year amounted to \$1,060,165. The total decrease for the proprietary funds was \$127,176.

## GENERAL FUND BUDGETARY HIGHLIGHTS

General fund – Actual fiscal year expenditures in the general fund were \$443,047 less than the final budgeted amounts or appropriations. The fiscal year 2023 budget was amended from the original budget adopted by Council.

The major difference between the original and final budget was:

- \$48,000 – budget increase in public works expenditures and intergovernmental revenues
- \$22,000 – budget increase in sanitation expenditures and other income

## CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets – The City's investment in capital assets for its governmental and business-type activities as of September 30, 2023 amounted to \$14,077,296 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, vehicles, machinery and equipment, infrastructure, and construction in progress. The net decrease in the City's investment in capital assets for the current fiscal year was 3% due mainly to depreciation.

The following table shows capital asset activity for the 2023 fiscal year compared to 2022. If more detailed information is desired on the City's capital asset activity, please refer to note 4 as presented in the notes to the financial statements.

**CAPITAL ASSETS, NET OF DEPRECIATION**

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Capital assets-not depreciated						
Land	\$ 321,438	\$ 321,438	\$ -	\$ -	\$ 321,438	\$ 321,438
Construction in progress	308,752	308,752	-	331,426	308,752	640,178
Total capital assets - not depreciated	<u>630,190</u>	<u>630,190</u>	<u>-</u>	<u>331,426</u>	<u>630,190</u>	<u>961,616</u>
Capital assets-depreciated						
Buildings and improvements	721,038	721,038	43,000	43,000	764,038	764,038
Equipment	1,155,493	1,078,285	345,685	171,879	1,501,178	1,250,164
Infrastructure	2,215,866	2,215,866	17,062,352	16,794,455	19,278,218	19,010,321
Total capital assets - depreciated	<u>4,092,397</u>	<u>4,015,189</u>	<u>17,451,037</u>	<u>17,009,334</u>	<u>21,543,434</u>	<u>21,024,523</u>
Less: accumulated depreciation						
Buildings and improvements	(294,588)	(278,181)	(6,880)	(5,160)	(301,468)	(283,341)
Equipment	(845,372)	(790,740)	(167,471)	(136,785)	(1,012,843)	(927,525)
Infrastructure	<u>(907,774)</u>	<u>(821,407)</u>	<u>(5,874,243)</u>	<u>(5,423,767)</u>	<u>(6,782,017)</u>	<u>(6,245,174)</u>
Total accumulated depreciation	<u>(2,047,734)</u>	<u>(1,890,328)</u>	<u>(6,048,594)</u>	<u>(5,565,712)</u>	<u>(8,096,328)</u>	<u>(7,456,040)</u>
Total capital assets - net	<u>\$ 2,674,853</u>	<u>\$ 2,755,051</u>	<u>\$ 11,402,443</u>	<u>\$ 11,775,048</u>	<u>\$ 14,077,296</u>	<u>\$ 14,530,099</u>

Long-term liabilities – During the fiscal year, the City issued General Obligation Bonds, Series 2023 in the amount of \$3,885,000 for waterwork improvements. At the end of the current fiscal year, the City had total bonded debt outstanding of \$15,810,000. Additional information on liabilities may be found in note 10 of this report as presented in the notes to the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES**

Rollingwood has historically maintained a solid economy and continues to exhibit strong fundamentals. The City, with an estimated population of 1,500 is a 0.8-square mile landlocked community in Travis County, directly adjacent to southwest Austin. It is in the Austin-Round Rock MSA, which boasts a broad and diverse economy. The Austin-Round Rock MSA is one of the fastest growing among the top 50 metropolitan areas in the nation. The City of Rollingwood benefits from continuing positive trends in real estate and overall growth in the Austin region. Additionally, major tech companies continue their drive for operational expansion and the Austin market has emerged as an attractive destination for the tech industry. City leadership is developing plans to maximize the potential of its existing commercial corridor.

Rollingwood’s tax base continues to grow year over year despite its landlocked nature. While growth within the City is limited, the increase in valuation can be in part attributed to renovation and redevelopment of existing lots resulting in higher home values. It is also attributed to supply and demand. Demand for housing in Rollingwood is high due to proximity to downtown Austin, the excellent school district, large sprawling lots, and the City’s low tax rate. Supply of available housing is low due to being a small, landlocked community, which drives value. The average home value significantly increased from the previous year.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City’s finances and to show the City’s accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City Administrator, 403 Nixon Drive, Rollingwood, Texas 78746.

## **BASIC FINANCIAL STATEMENTS**

The basic financial statements include integrated sets of financial statements as required by the Government Accounting Standards Board (GASB). The sets of statements include:

- Government-Wide Financial Statements
- Fund Financial Statements
  - Governmental Funds
  - Proprietary Funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.





# CITY OF ROLLINGWOOD, TEXAS

## STATEMENT OF NET POSITION

**September 30, 2023**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
<b>Assets:</b>				
Cash and cash equivalents	\$ 4,494,172	\$ 5,171,443	\$ 9,665,615	\$ 478,917
Accounts receivable-net of allowances for uncollectibles:				
Property taxes	43,627	-	43,627	-
Other	148,748	334,446	483,194	14,466
Lease receivable	196,422	-	196,422	-
<b>Capital assets:</b>				
Land	321,438	-	321,438	-
Construction in progress	308,752	-	308,752	-
Buildings and improvements	426,450	-	426,450	-
Water distribution system	-	2,095,159	2,095,159	-
Wastewater system	-	9,014,344	9,014,344	-
Wastewater system-connections	-	78,606	78,606	-
Equipment	310,121	178,214	488,335	-
Infrastructure	1,308,092	-	1,308,092	-
Wastewater system-building improvements	-	36,120	36,120	-
<b>Total assets</b>	<u>7,557,822</u>	<u>16,908,332</u>	<u>24,466,154</u>	<u>493,383</u>
<b>Deferred outflows of resources</b>				
Deferred outflows of resources - pension	281,476	91,834	373,310	-
Deferred outflows of resources - OPEB	16,143	5,266	21,409	-
<b>Total deferred outflows of resources</b>	<u>297,619</u>	<u>97,100</u>	<u>394,719</u>	<u>-</u>
<b>Liabilities:</b>				
Accounts payable	109,844	314,230	424,074	3,500
Accrued interest payable	12,782	80,033	92,815	-
Accrued expenses	77,250	10,605	87,855	-
Unearned revenue	22,190	5,082	27,272	-
<b>Noncurrent liabilities:</b>				
Payable from restricted assets -				
Customer deposits	-	170,520	170,520	-
Net pension liability	378,578	123,514	502,092	-
OPEB liability	50,533	16,486	67,019	-
Due within one year	433,409	545,758	979,167	-
Due in more than one year	2,226,543	13,544,784	15,771,327	-
<b>Total liabilities</b>	<u>3,311,129</u>	<u>14,811,012</u>	<u>18,122,141</u>	<u>3,500</u>
<b>Deferred inflows of resources</b>				
Deferred inflows of resources - pension	4,802	1,566	6,368	-
Deferred inflows of resources - OPEB	20,914	6,824	27,738	-
<b>Total deferred inflows of resources</b>	<u>25,716</u>	<u>8,390</u>	<u>34,106</u>	<u>-</u>
<b>Net position:</b>				
Net investment in capital assets	2,091,429	1,125,865	3,217,294	-
<b>Restricted for:</b>				
Street maintenance	471,492	-	471,492	-
Municipal court	23,574	-	23,574	-
Debt service	-	-	-	-
Police department	915	-	915	-
Unrestricted net position	1,931,186	1,060,165	2,991,351	489,883
<b>Total net position</b>	<u>\$ 4,518,596</u>	<u>\$ 2,186,030</u>	<u>\$ 6,704,626</u>	<u>\$ 489,883</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF ROLLINGWOOD, TEXAS**

**STATEMENT OF ACTIVITIES**

**Year ended September 30, 2023**

Functions and Programs	Expenses	Charges for Services	Program Revenues Operating Contributions	Capital Contributions
Primary governmental activities:				
General government	\$ (601,775)	\$ 246,824	\$ 53,957	\$ -
Public works	(25,549)	7,355	-	34,548
Sanitation	(187,349)	105	-	-
Public safety	(1,407,957)	-	1,492	-
Court	(105,786)	66,660	-	-
Parks and recreation	(84,179)	79,537	9,850	-
Streets	(119,224)	-	-	-
Development services	(325,471)	-	-	-
Drainage	(150,834)	30,250	-	-
Interest and fees	<u>(68,004)</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total primary governmental activities	 <u>(3,076,128)</u>	 <u>430,731</u>	 <u>65,299</u>	 <u>34,548</u>
Business-type activities:				
Water	(1,862,409)	1,569,556	-	-
Wastewater	<u>(1,512,249)</u>	<u>1,047,112</u>	<u>-</u>	<u>-</u>
 Total business-type activities	 <u>(3,374,658)</u>	 <u>2,616,668</u>	 <u>-</u>	 <u>-</u>
 Primary government	 <u>\$ (6,450,786)</u>	 <u>\$ 3,047,399</u>	 <u>\$ 65,299</u>	 <u>\$ 34,548</u>
Component unit:				
Rollingwood Community Development Corporation	<u>\$ (113,255)</u>	<u>\$ -</u>	<u>\$ 31,376</u>	<u>\$ -</u>

General revenues:

Taxes:

Property taxes

Sales taxes

Franchise tax and telecommunication fees

Interest

Miscellaneous revenue

Transfers

Total general revenues

Change in net position

Net position at beginning of year

Restatement of net position

Net position at beginning of year

Net position at end of year

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-Type Activities	Government Total	Component Unit
\$ (300,994)	\$ -	\$ (300,994)	
16,354	-	16,354	
(187,244)	-	(187,244)	
(1,406,465)	-	(1,406,465)	
(39,126)	-	(39,126)	
5,208	-	5,208	
(119,224)	-	(119,224)	
(325,471)	-	(325,471)	
(120,584)	-	(120,584)	
<u>(68,004)</u>	<u>-</u>	<u>(68,004)</u>	
<u>(2,545,550)</u>	<u>-</u>	<u>(2,545,550)</u>	
-	(292,853)	(292,853)	
<u>-</u>	<u>(465,137)</u>	<u>(465,137)</u>	
<u>-</u>	<u>(757,990)</u>	<u>(757,990)</u>	
<u>(2,545,550)</u>	<u>(757,990)</u>	<u>(3,303,540)</u>	
			<u>\$ (81,879)</u>
2,631,742	-	2,631,742	-
881,653	-	881,653	175,221
135,295	-	135,295	-
16,907	18,092	34,999	7,172
28,328	-	28,328	-
<u>(657,917)</u>	<u>657,917</u>	<u>-</u>	<u>-</u>
<u>3,036,008</u>	<u>676,009</u>	<u>3,712,017</u>	<u>182,393</u>
490,458	(81,981)	408,477	100,514
3,994,478	2,313,206	6,307,684	389,369
33,660	(45,195)	(11,535)	-
<u>4,028,138</u>	<u>2,268,011</u>	<u>6,296,149</u>	<u>389,369</u>
<u>\$ 4,518,596</u>	<u>\$ 2,186,030</u>	<u>\$ 6,704,626</u>	<u>\$ 489,883</u>

**CITY OF ROLLINGWOOD, TEXAS**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

**September 30, 2023**

	General Fund	Debt Service Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Assets:</b>				
Cash and cash equivalents	\$ 4,006,567	\$ 5,786	\$ 481,819	\$ 4,494,172
Taxes receivables, net	23,184	20,443	-	43,627
Sales tax receivable	60,208	-	14,466	74,674
Other receivables	74,074	-	-	74,074
Lease receivable	196,422	-	-	196,422
Due from other funds	<u>189,592</u>	<u>-</u>	<u>-</u>	<u>189,592</u>
 Total assets	 <u>\$ 4,550,047</u>	 <u>\$ 26,229</u>	 <u>\$ 496,285</u>	 <u>\$ 5,072,561</u>
<b>Liabilities:</b>				
Accounts payable	\$ 94,665	\$ -	\$ 15,179	\$ 109,844
Accrued liabilities	36,366	-	40,884	77,250
Due to other funds	-	5,786	183,806	189,592
Unearned revenue	<u>22,190</u>	<u>-</u>	<u>-</u>	<u>22,190</u>
Total liabilities	<u>153,221</u>	<u>5,786</u>	<u>239,869</u>	<u>398,876</u>
<b>Deferred inflows of resources:</b>				
Unearned revenue - property taxes	23,184	20,443	-	43,627
Unearned revenue - leases	<u>201,906</u>	<u>-</u>	<u>-</u>	<u>201,906</u>
Total deferred inflows of resources	<u>225,090</u>	<u>20,443</u>	<u>-</u>	<u>245,533</u>
<b>Fund balances:</b>				
Restricted for construction	2,006,770	-	-	2,006,770
Restricted for street maintenance	-	-	471,492	471,492
Restricted for municipal court	-	-	23,574	23,574
Restricted for police department	-	-	915	915
Unassigned	<u>2,164,966</u>	<u>-</u>	<u>(239,565)</u>	<u>1,925,401</u>
Total fund balances	<u>4,171,736</u>	<u>-</u>	<u>256,416</u>	<u>4,428,152</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 4,550,047</u>	 <u>\$ 26,229</u>	 <u>\$ 496,285</u>	 <u>\$ 5,072,561</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF ROLLINGWOOD, TEXAS**  
**RECONCILIATION OF BALANCE SHEET**  
**GOVERNMENTAL FUNDS TO STATEMENT OF NET POSITION**

**September 30, 2023**

Total fund balances - governmental funds	\$	4,428,152
Amounts reported in governmental funds and in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		2,674,853
Property taxes receivable unavailable to pay current expenses are deferred in the funds.		43,627
Long-term liabilities, including bonds payable, bond premiums, and compensated absences are not due and payable in the current period, and therefore, not reported in the funds.		(2,659,952)
Lease receivable unavailable to pay current expenses are deferred in the funds.		201,906
Accrued interest payable on long-term bonds are not due and payable in the current period and, therefore, not reported in the funds.		(12,782)
Recognition of the City's net pension and OPEB liability, the deferred outflows, and deferred inflows related to TMRS.		<u>(157,208)</u>
Total net position of governmental activities	\$	<u>4,518,596</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF ROLLINGWOOD, TEXAS**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS**

**Year ended September 30, 2023**

	General Fund	Debt Service Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Taxes:				
Property taxes	\$ 1,404,404	\$ 1,228,673	\$ -	\$ 2,633,077
Sales taxes	706,432	-	175,220	881,652
Franchise and telecommunications fees	135,295	-	-	135,295
Licenses and fees	238,472	-	30,250	268,722
Fines and forfeitures	52,882	-	5,251	58,133
Contributions	9,850	-	-	9,850
Intergovernmental	88,505	-	-	88,505
Other income	158,445	-	-	158,445
Interest income	8,902	-	-	8,902
Investment earnings	16,567	-	340	16,907
Total revenues	2,819,754	1,228,673	211,061	4,259,488
Expenditures:				
General government	561,884	-	-	561,884
Public works	20,941	-	-	20,941
Sanitation	176,907	-	-	176,907
Public safety	1,308,714	-	-	1,308,714
Court	98,718	-	1,218	99,936
Parks and recreation	79,132	-	-	79,132
Streets	112,095	-	-	112,095
Development	307,140	-	-	307,140
Drainage	-	-	150,834	150,834
Capital outlay	77,208	-	-	77,208
Debt service:				
Principal	28,557	382,475	-	411,032
Interest and fees	4,074	68,855	-	72,929
Debt issuance costs	-	1,320	-	1,320
Total expenditures	2,775,370	452,650	152,052	3,380,072
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	44,384	776,023	59,009	879,416
Other financing sources (uses):				
Transfers in	238,899	5,786	-	244,685
Transfers out	(5,786)	(786,280)	(110,536)	(902,602)
Total other financing sources (uses)	233,113	(780,494)	(110,536)	(657,917)
Net change in fund balances	277,497	(4,471)	(51,527)	221,499
Fund balance - beginning of year	3,860,579	4,471	307,943	4,172,993
Restatement of beginning fund balance	33,660	-	-	33,660
Fund balance, as restated	3,894,239	4,471	307,943	4,206,653
Fund balance - end of year	\$ 4,171,736	\$ -	\$ 256,416	\$ 4,428,152

The accompanying notes are an integral part of these financial statements.

**CITY OF ROLLINGWOOD, TEXAS**

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

**Year ended September 30, 2023**

Net change in fund balances - governmental funds \$ 221,499

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

Governmental funds report capital outlays as expenditures. However in the statement of activities the cost of those assets are capitalized. 77,208

Capital assets are not recorded in government funds and therefore are not depreciated. However, in the statement of activities these assets are depreciated over their estimated useful lives. This is the amount of 2023 depreciation. (157,406)

Revenues for property taxes and leases that are deferred in governmental funds because they do not provide current financial resources are not deferred in the statement of activities. This is the change in deferred from the prior year. (34,985)

The repayment of long-term debt (i.e. bonds, premiums) provides current financial resources to governmental funds, while neither transaction has any effect on net position. 411,032

The change in net pension and OPEB liability and deferred outflows related to the City's TMRS pension asset. (26,326)

Certain expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds (compensated absences, accrued interest). (564)

Change in net position of governmental activities \$ 490,458

The accompanying notes are an integral part of these financial statements.

**CITY OF ROLLINGWOOD, TEXAS**

**STATEMENT OF NET POSITION  
ENTERPRISE FUNDS**

**September 30, 2023**

	Enterprise Fund		Total Enterprise Funds
	Water Fund	Wastewater Fund	
Current assets:			
Cash and cash equivalents	\$ 4,486,109	\$ 685,334	\$ 5,171,443
Accounts receivable, net	240,417	94,029	334,446
Total current assets	4,726,526	779,363	5,505,889
Noncurrent assets:			
Capital assets, net:			
Water distribution system	2,095,159	-	2,095,159
Wastewater system	-	9,014,344	9,014,344
Wastewater system-connections	-	78,606	78,606
Equipment	48,453	129,761	178,214
Wastewater system-building improvements	-	36,120	36,120
Total noncurrent assets	2,143,612	9,258,831	11,402,443
Total assets	6,870,138	10,038,194	16,908,332
Deferred outflows of resources - pension	45,917	45,917	91,834
Deferred outflows of resources - OPEB	2,633	2,633	5,266
Total outflows of resources	48,550	48,550	97,100
Current liabilities:			
Accounts payable	236,065	78,165	314,230
Accrued interest payable	31,592	48,441	80,033
Accrued liabilities	6,883	3,722	10,605
Unearned revenue	5,082	-	5,082
Current portion of long-term liabilities:			
Compensated absences	1,802	1,802	3,604
Bond payable	109,100	425,000	534,100
Lease liability	8,054	-	8,054
Total current liabilities	398,578	557,130	955,708
Noncurrent liabilities:			
Compensated absences	7,209	7,209	14,418
Bonds payable	4,339,750	8,500,000	12,839,750
Lease liability	17,785	-	17,785
Bond premiums	231,355	441,476	672,831
Net pension liability	61,757	61,757	123,514
OPEB liability	8,243	8,243	16,486
Customer deposits	170,520	-	170,520
Total noncurrent liabilities	4,836,619	9,018,685	13,855,304
Total liabilities	5,235,197	9,575,815	14,811,012
Deferred inflow of resources:			
Deferred inflow - pension	783	783	1,566
Deferred inflow - OPEB	3,412	3,412	6,824
Total inflows of resources	4,195	4,195	8,390
Net position:			
Net investment in capital assets	1,125,865	-	1,125,865
Unrestricted net position	553,431	506,734	1,060,165
Total net position	\$ 1,679,296	\$ 506,734	\$ 2,186,030

The accompanying notes are an integral part of these financial statements.



**CITY OF ROLLINGWOOD, TEXAS**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
ENTERPRISE FUNDS**

**Year ended September 30, 2023**

	Enterprise Fund		Total
	Water Fund	Wastewater Fund	Enterprise Funds
Operating revenues:			
Charges for sales and services:			
Water sales	\$ 1,569,556	\$ -	\$ 1,569,556
Wastewater revenues	-	934,933	934,933
Wastewater surcharge	-	98,154	98,154
Industrial waste surcharges	-	14,025	14,025
Total operating revenues	1,569,556	1,047,112	2,616,668
Operating expenses:			
Water purchased	632,888	-	632,888
Wastewater fees	-	13,689	13,689
Personnel services	248,274	245,505	493,779
Repairs and maintenance	553,666	46,935	600,601
System operations	41,649	371,023	412,672
Contract services	13,961	226,135	240,096
Depreciation	143,150	339,732	482,882
Total operating expenses	1,633,588	1,243,019	2,876,607
Operating income (loss)	(64,032)	(195,907)	(259,939)
Nonoperating revenues (expenses):			
Interest expense	(228,821)	(269,230)	(498,051)
Investment earnings	3,750	14,342	18,092
Total nonoperating revenues (expenses)	(225,071)	(254,888)	(479,959)
Transfers:			
Transfers in	68,861	723,485	792,346
Transfers out	(68,305)	(66,124)	(134,429)
Net transfers	556	657,361	657,917
Change in net position	(288,547)	206,566	(81,981)
Net position at beginning of year	1,995,209	317,997	2,313,206
Restatement of net position	(27,366)	(17,829)	(45,195)
Net position at end of year	\$ 1,679,296	\$ 506,734	\$ 2,186,030

The accompanying notes are an integral part of these financial statements.

**CITY OF ROLLINGWOOD, TEXAS**

**STATEMENT OF CASH FLOWS  
ENTERPRISE FUNDS**

**For the year ended September 30, 2023**

	Enterprise Funds		
	Water	Wastewater	Total
Cash flows from operating activities:			
Cash received from customers	\$ 1,544,508	\$ 1,067,585	\$ 2,612,093
Cash paid to employees for services	(1,117,602)	(619,410)	(1,737,012)
Cash paid to suppliers for goods and services	<u>(234,952)</u>	<u>(232,183)</u>	<u>(467,135)</u>
Net cash provided by (used in) operating activities	<u>191,954</u>	<u>215,992</u>	<u>407,946</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(34,809)	(75,468)	(110,277)
Bonds Issued	4,087,638	-	4,087,638
Principal paid on bonded debt	(42,525)	(420,000)	(462,525)
Principal paid on capital leases	(8,054)	-	(8,054)
Interest paid on capital leases and debt	<u>(203,752)</u>	<u>(303,485)</u>	<u>(507,237)</u>
Net cash provided by (used in) capital and related financing activities	<u>3,798,498</u>	<u>(798,953)</u>	<u>2,999,545</u>
Cash flows from noncapital financing activities:			
Transfers from other funds	68,861	723,485	792,346
Transfers to other funds	<u>(68,305)</u>	<u>(66,124)</u>	<u>(134,429)</u>
Net cash provided by (used in) noncapital financing activities	<u>556</u>	<u>657,361</u>	<u>657,917</u>
Cash flows from investing activities:			
Interest received	<u>3,750</u>	<u>14,342</u>	<u>18,092</u>
Net increase (decrease) in cash and cash equivalents	3,994,758	88,742	4,083,500
Cash and cash equivalents - beginning	<u>491,351</u>	<u>596,592</u>	<u>1,087,943</u>
Cash and cash equivalents - ending	<u>\$ 4,486,109</u>	<u>\$ 685,334</u>	<u>\$ 5,171,443</u>

(continued)

The accompanying notes are an integral part of these financial statements.

**CITY OF ROLLINGWOOD, TEXAS**

**STATEMENT OF CASH FLOWS  
ENTERPRISE FUNDS**

**For the year ended September 30, 2023**

	Enterprise Funds		
	Water	Wastewater	Total
Reconciliation of operating income to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (64,032)	\$ (195,907)	\$ (259,939)
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	143,150	339,732	482,882
Changes in assets and liabilities			
Decrease (increase) in assets			
Accounts receivable	4,841	20,796	25,637
Increase (decrease) in liabilities			
Accounts payable	129,984	40,239	170,223
Accrued expenses	(2,253)	(1,867)	(4,120)
Due to other funds	(3,169)	-	(3,169)
Compensated absences	2,042	2,042	4,084
Unearned revenue	(39,139)	-	(39,139)
Net pension liability	56,788	56,788	113,576
OPEB liability	(45,508)	(45,508)	(91,016)
Customer deposits	9,250	(323)	8,927
	<u>191,954</u>	<u>215,992</u>	<u>407,946</u>
Net cash provided by (used in) operating activities	\$ <u>191,954</u>	\$ <u>215,992</u>	\$ <u>407,946</u>

	SCHEDULE OF NONCASH ACTIVITIES		
Actuarially determined change in:			
Net pension liability	\$ 48,463	\$ 48,463	\$ 96,926
Other postemployment benefit liability	275	275	550
Premium on bonds	2,872	29,432	32,304



# CITY OF ROLLINGWOOD, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2023

### (1) Summary of significant accounting policies

The financial statements of the City of Rollingwood, Texas (“the City”), are presented in accordance with generally accepted accounting principles (GAAP) applicable to state and local governmental units as set forth by the Government Accounting Standards Board (GASB). A summary of the City’s significant accounting policies applied in the preparation of the accompanying financial statements are as follows:

#### Reporting entity

The City, for financial purposes, includes all of the activities and funds relevant to the operations of the City of Rollingwood. The City evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the City’s reporting entity, as set forth in GASB Statement No. 14, “The Financial Reporting Entity,” include whether:

- The organization is legally separate
- The City holds the corporate powers of the organization
- The City appoints a voting majority of the organization’s board
- The City is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the City
- There is fiscal dependency by the organization on the City
- The exclusion of the organization would result in misleading or incomplete financial statements

The City also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the City to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB Statement No. 14 requires inclusion of such an organization as a component unit when:

- The economic resources received or held by the organization are entirely for the direct benefit of the City, its component units or its constituents; and
- The City or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and
- Such economic resources are significant to the City.

Based on these criteria, the City has one component unit as described below. Additionally, the City is not a component unit of any other reporting entity as defined by the GASB statement.

Rollingwood Community Development Corporation (“RCDC”) is a non-profit corporation organized under the laws of the State of Texas to provide economic development in and for the benefit of the City. The RCDC is presented discretely in the annual financial report as a governmental-type because the City appoints the board of directors and approves the annual budget.

# CITY OF ROLLINGWOOD, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2023

### (1) Summary of significant accounting policies (continued)

#### Government-wide and fund financial statements

Government-wide financial statements: The statement of net position and the statement of activities include the financial activities of the overall government except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The City does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund financial statements: The fund financial statements provide information about the City's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The City reports the following major governmental funds:

General fund: This is the City's primary operating fund. It accounts for all financial resources of the City except those required to be accounted for in another fund.

Debt service fund: This fund is used to account for ad valorem tax assessed for the purpose of servicing general obligation debt.

In addition, the City reports the following fund types:

Special revenue funds: These funds are used to separately account for funds related to grants and contracts.

The City reports the following major proprietary funds:

Water fund: This fund is used to account for the activities of the City's water operations.

Wastewater fund: This fund is used to account for the activities of the City's wastewater operations.

# CITY OF ROLLINGWOOD, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2023

### (1) Summary of significant accounting policies (continued)

#### Measurement focus, basis of accounting and financial statement presentation

Government-wide, proprietary, and fiduciary fund financial statements: These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within thirty days after year end. Revenues from local sources consist primarily of property and sales taxes. Property tax revenues and sales tax revenues are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term liabilities, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term liabilities and acquisitions under capital leases are reported as other financing sources.

When the City incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the City's policy to use restricted resources first, then unrestricted resources.

#### Cash and cash equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

#### Pensions

For 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.

# CITY OF ROLLINGWOOD, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2023

### (1) Summary of significant accounting policies (continued)

#### Other postemployment benefits

The fiduciary net position of the Texas Municipal Retirement System (TMRS) Supplemental Death Plan (SDBF) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net other postemployment benefit (OPEB) liability, deferred outflows of resources, and deferred inflows of resources related to the other postemployment benefits, OPEB expense, and information about additions to/deductions from the TMRS OPEB's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. Contributions are utilized to fund active member deaths on a pay-as-you go basis; any excess contributions and investment income over payments then become net position available for benefits.

#### Receivables and payables

The City believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of the year end.

#### Compensated absences

On termination, retirement, or death of certain employees, the City pays accrued vacation leave in a lump sum payment to such employee or his/her estate. Vacation accrues at various hours based on length of service.

#### Use of estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

#### Fund balance

The City adopted GASB No. 54 Governmental Accounting Standards Board Statement Number 54 (GASB No. 54) *Fund Balance Reporting and Governmental Fund Type Definitions*. The statement provides guidance for fund balance categories and classifications and governmental fund type definitions. GASB No. 54 changed the way we look at fund balances, specifically reporting what fund balances, by major governmental fund type, are or are not available for public purposes. Five categories of fund balances were created and defined by GASB No. 54. These five categories are as follows:

Non-spendable - These funds are not available for expenditures based on legal or contractual requirements. An example might be inventories and prepaid expenditures.

Restricted - These funds are governed by externally enforceable restrictions.



# CITY OF ROLLINGWOOD, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2023

### (1) Summary of significant accounting policies (continued)

#### Fund balance (continued)

Committed - Fund balances in this category are limited by the government's highest level of decision making (in this case the City Council). Any changes of this designation must be done in the same manner that it was implemented. For example, if funds are committed by resolution, the commitment could only be released with another resolution.

Assigned - For funds to be assigned, there must be an intended use which can be established by the City Council or an official delegated by the Council, such as a City Administrator or Finance Director. For example, during the budget process, the Council decided to use some existing fund balance to support activities in the upcoming year.

Unassigned - This classification is the default for all funds that do not fit into the other categories.

Restricted amounts are considered to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available. The City's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year.

#### Implementation of new accounting principle

The City implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs) during the fiscal year 2023. The statement is based on the principle that SBITAs are financings of the right-to-use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets). It establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability.

The City has no SBITAs under the new accounting principle.

#### Discretely presented component unit

The component unit column on the government-wide financial statements includes the financial data of the City's component unit, Rollingwood Community Development Corporation ("RCDC").

The component unit is presented in a separate column to emphasize that it is legally separate from the primary government. Financial statements are presented in the supplementary information section of the statements.

### (2) Deposits and investments

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect City funds on a day to day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

**CITY OF ROLLINGWOOD, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**

**September 30, 2023**

(2) Deposits and investments (continued)

Cash deposits

At September 30, 2023, the carrying amount of the City’s deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$8,946,371 and the bank balance was \$9,074,095. The City also had \$250 cash on hand.

The City’s cash deposits at September 30, 2023 exceeded the FDIC insurance and pledged collateral held by the City’s agent bank in the City’s name by \$2,198,101. The City has not experienced any loss in such accounts and subsequently corrected the undercollateralized deposits.

The component unit’s cash carrying and bank balance was \$144, 532 at September 30, 2023. These deposits at September 30, 2023 were entirely covered by FDIC insurance or by pledged collateral held by the component unit’s agent bank in the component unit’s name. The amount in TexPool was \$334,385 at September 30, 2023.

Investments

The City is required by Government Code Chapter 2256, the Public Funds Investment Act (the Act), to adopt, implement, and publicize an investment policy. That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and include a list of the types of authorized investments in which the investing entity’s funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions:

- Obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas
- Certificates of deposit
- Certain municipal securities
- Money market savings accounts
- Repurchase agreements
- Bankers acceptances
- Mutual funds
- Investment pools
- Guaranteed investment contracts
- Common trust funds

The City’s cash and investments are shown below:

Investment Type	Reported at Fair Value	Weighted Average Maturity (Days)	Rating	
			Moody's	S&P
TexPool	\$ 718,994	28	AAA	AAAm
Cash on hand	250	n/a	n/a	n/a
Bank deposits	<u>8,946,371</u>	n/a	n/a	n/a
Total cash and cash equivalents	<u>\$ 9,665,615</u>			

## CITY OF ROLLINGWOOD, TEXAS

### NOTES TO THE FINANCIAL STATEMENTS

September 30, 2023

#### (2) Deposits and investments (continued)

##### Investments (continued)

###### Analysis of specific deposit and investment risks

GASB Statement No. 40 requires a determination as to whether the City was exposed to the following specific investment risks at year end, and if so, the reporting of certain related disclosures:

*Credit risk* - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. State law dictates that in order to maintain eligibility to receive funds and invest funds on behalf of the City, an investment pool must be continuously rated no lower than AAA or AAAm or at an equivalent rating by at least one nationally recognized statistical rating organization (NRSRO). State law authorizes investments in obligations guaranteed by the U.S. government and does not require that these investments be rated. The City's policy is to comply with state law. At year end, all of the City's investments meet the State's requirements.

TexPool is an investment pool in which the Texas Comptroller of Public Accounts is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company (the Trust Company). The Trust Company is authorized to operate the pool. Federated Investors, Inc. manages the assets under an agreement with the Comptroller, acting on behalf of the Trust Company. TexPool is reported at amortized cost and it does not have any limitations or restrictions on participants' withdrawals.

At September 30, 2023 the City's investments are rated as to credit quality as shown in the preceding table.

*Custodial credit risk* - Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

For an investment, custodial credit risk 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. State law requires settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis. The City's investment policy requires that securities be registered in the name of the City. All safekeeping receipts for investment instruments are held in accounts in the City's name, and all securities are registered in the name of the City.

*Concentration of credit risk* - Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

State law and the City's policy place no limit on the amount the City may invest in any one issuer. The City was not exposed to concentration of credit risk.

# CITY OF ROLLINGWOOD, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2023

### (2) Deposits and investments (continued)

Investments (continued)

Analysis of specific deposit and investment risks (continued)

*Interest rate risk* - This is the risk that changes in interest rates will adversely affect the fair value of an investment. The City manages its investment time horizons by averaging investment maturities and chooses to present its exposure to interest rate changes using the weighted average maturity method. In accordance with its investment policy and state law, the City manages its interest rate risk by limiting the weighted average maturity of any investment owned by the City to the maximum of two years. The investment strategy for operating funds requires a dollar weighted average maturity of 365 days or less. Debt service funds cannot be invested in securities that have a stated final maturity date that exceeds the debt service payment date. Investment of debt service reserve funds and special project funds require high quality securities with short-term maturities. Eligible investment pools must have a weighted average maturity of no greater than 90 days. The City's exposure to interest rate risk at September 30, 2023 is summarized in the preceding table as the weighted average days to maturity.

*Foreign currency risk* - This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the City was not exposed to foreign currency risk.

### (3) Property taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to the property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables within the general fund are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

### (4) Capital assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated acquisition value at the date of the donation. The cost of the normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. A capitalization threshold of \$5,000 is used. Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Infrastructure	25
Buildings	40
Equipment	3-25
Sewer line connections	33

**CITY OF ROLLINGWOOD, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**

**September 30, 2023**

**(4) Capital assets (continued)**

Capital asset activity for the year ended September 30, 2023 was as follows:

	Balance September 30, 2022	Additions	Disposals	Balance September 30, 2023
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 321,438	\$ -	\$ -	\$ 321,438
Construction in progress	308,752	-	-	308,752
Total capital assets not being depreciated	<u>630,190</u>	<u>-</u>	<u>-</u>	<u>630,190</u>
Capital assets being depreciated:				
Buildings and improvements	721,038	-	-	721,038
Equipment	1,078,285	77,208	-	1,155,493
Infrastructure	2,215,866	-	-	2,215,866
Total capital assets being depreciated	<u>4,015,189</u>	<u>77,208</u>	<u>-</u>	<u>4,092,397</u>
Less accumulated depreciation:				
Buildings and improvements	(278,181)	(16,407)	-	(294,588)
Equipment	(790,740)	(54,632)	-	(845,372)
Infrastructure	(821,407)	(86,367)	-	(907,774)
Total accumulated depreciation	<u>(1,890,328)</u>	<u>(157,406)</u>	<u>-</u>	<u>(2,047,734)</u>
Total capital assets being depreciated (net)	<u>2,124,861</u>	<u>(80,198)</u>	<u>-</u>	<u>2,044,663</u>
Governmental activities capital assets (net)	<u>\$ 2,755,051</u>	<u>\$ (80,198)</u>	<u>\$ -</u>	<u>\$ 2,674,853</u>

Depreciation was charged to functions as follows:

General government	\$ 33,166
Public works	1,236
Sanitation	10,442
Public safety	77,247
Court	5,899
Parks and recreation	4,671
Streets	6,616
Development	<u>18,129</u>
Total	<u>\$ 157,406</u>

**CITY OF ROLLINGWOOD, TEXAS**

**NOTES TO THE FINANCIAL STATEMENTS**

**September 30, 2023**

**(4) Capital assets (continued)**

	Balance September 30, 2022	Additions	Disposals	Balance September 30, 2023
Business-type activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 331,426	\$ -	\$ (331,426)	\$ -
Capital assets being depreciated:				
Water distribution system	4,337,746	-	-	4,337,746
Wastewater system	12,283,782	267,897	-	12,551,679
Wastewater system - connections	172,927	-	-	172,927
Equipment - water	71,923	34,809	-	106,732
Equipment - wastewater	99,956	138,997	-	238,953
Wastewater system - building improvements	43,000	-	-	43,000
Total capital assets being depreciated	17,009,334	441,703	-	17,451,037
Less accumulated depreciation:				
Water distribution system	(2,111,140)	(131,447)	-	(2,242,587)
Wastewater system	(3,223,546)	(313,789)	-	(3,537,335)
Wastewater system - connections	(89,081)	(5,240)	-	(94,321)
Equipment - water	(46,576)	(11,703)	-	(58,279)
Equipment - wastewater	(90,209)	(18,983)	-	(109,192)
Wastewater system - building improvements	(5,160)	(1,720)	-	(6,880)
Total accumulated depreciation	(5,565,712)	(482,882)	-	(6,048,594)
Total capital assets being depreciated (net)	11,443,622	(41,179)	-	11,402,443
Business-type activities capital assets (net)	\$ 11,775,048	\$ (41,179)	\$ (331,426)	\$ 11,402,443

Depreciation charged was \$143,150 and \$339,732 to the water fund and wastewater fund, respectively.

**(5) Interfund receivables, payables, and transfers**

Interfund balances at September 30, 2023 consist of the following:

Receivable Fund	Payable Fund	Amount
General Fund	Debt Service Fund	\$ 5,786
General Fund	Drainage Fund	183,806

**CITY OF ROLLINGWOOD, TEXAS**

**NOTES TO THE FINANCIAL STATEMENTS**

**September 30, 2023**

**(5) Interfund receivables, payables, and transfers (continued)**

Interfund transfers during the year ended September 30, 2023 were the result of normal transactions between the funds and consisted of the following:

	Transfers In	Transfers Out
General fund	\$ 238,899	\$ 5,786
Debt service fund	5,786	786,280
Nonmajor governmental funds	-	110,536
Water fund	68,861	68,305
Wastewater fund	723,485	66,124
Totals	\$ 1,037,031	\$ 1,037,031

**(6) Lease receivable**

On September 1, 2020, the City entered into a ten-year lease agreement for the lease of land and facilities at the City’s municipal park. Based on this agreement, the annual lease payments were \$33,000 in the first year and increase 2% annually until the lease terminates on August 31, 2030. The interest rate on the lease is 4%. At September 30, 2023, the City reported lease receivable and deferred inflows of resources of \$196,422 and \$201,906, respectively. Future minimum lease payments to be received are as follows:

Fiscal Year	General Fund		
	Lease Receivable	Lease Revenue	Lease Interest
2024	\$ 27,863	\$ 33,651	\$ 7,857
2025	29,693	33,651	6,742
2026	31,608	33,651	5,555
2027	33,617	33,651	4,290
2028	35,719	33,651	2,946
2029	37,922	33,651	1,517
Total	\$ 196,422	\$ 201,906	\$ 28,907

**(7) Defined benefit pension plans**

Texas Municipal Retirement System

Plan description

The City of Rollingwood participates as one of 919 plans in the defined benefit cash-balance pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan 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 employees of Texas participating cities. The TMRS Act places the general administration and management of the system with a six-member, Governor appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available comprehensive annual financial report that can be obtained at [www.tmr.com](http://www.tmr.com).

# CITY OF ROLLINGWOOD, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2023

### (7) Defined benefit pension plans (continued)

#### Texas Municipal Retirement System (continued)

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 member's benefit is calculated based on the sum of the member's contributions, with interest, and the City-financed monetary credits with interest. The retiring members may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a partial lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the total member's contribution and interest.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Members are eligible to retire at age sixty (60) and above with five (5) or more years of service or with twenty (20) years of service regardless of age. A member is vested after five (5) years. The contribution rate for the employees is 7%, and the City matching percent is currently 2 to 1.

#### Employees covered by benefit terms

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

Inactive employees or beneficiaries receiving benefits	15
Inactive employees entitled to but not yet receiving benefits	29
Active employees	<u>19</u>
Total	<u>63</u>

#### Contributions

The contribution rates in TMRS are either 5%, 6%, or 7% of the member's total compensation, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary using the entry age normal (EAN) actuarial cost method. The City's contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 7% of their annual compensation during the fiscal year. The contribution rates for the City were 11.91% and 11.71% in calendar years 2023 and 2022, respectively. The City's contributions to TMRS for the year ended September 30, 2023, were \$180,021, and were equal to the required contributions.



# CITY OF ROLLINGWOOD, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2023

### (7) Defined benefit pension plans (continued)

Texas Municipal Retirement System (continued)

Net pension liability

The City's net pension liability (NPL) was measured as of December 31, 2022, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions

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

Valuation date	December 31st
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	21 years (longest amortization ladder)
Asset valuation method	10 year smoothed market, 12% soft corridor
Inflation	2.50%
Salary increases	3.50% to 11.50% 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 Table. 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.

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.

**CITY OF ROLLINGWOOD, TEXAS**

**NOTES TO THE FINANCIAL STATEMENTS**

**September 30, 2023**

(7) Defined benefit pension plans (continued)

Texas Municipal Retirement System (continued)

Actuarial assumptions (continued)

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 through 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.

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 and best estimate of real rates of return for each major asset class in fiscal year 2023 are summarized in the following tables:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.0%	7.70%
Core Fixed Income	6.0%	4.90%
Non-Core Fixed Income	20.0%	8.70%
Other public and private markets	12.0%	8.10%
Real Estate	12.0%	5.80%
Hedge funds	5.0%	6.90%
Private Equity	10.0%	11.80%
Total	100.0%	

Discount rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive 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 total pension liability.

**CITY OF ROLLINGWOOD, TEXAS**

**NOTES TO THE FINANCIAL STATEMENTS**

**September 30, 2023**

(7) Defined benefit pension plans (continued)

Texas Municipal Retirement System (continued)

Changes in net pension liability

The schedule below presents the changes in the net pension liability (asset) as of December 31, 2022:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
	<u>          </u>	<u>          </u>	<u>          </u>
Balance at December 31, 2021	\$ 3,436,324	\$ 3,381,115	\$ 55,209
Changes for the year:			
Service cost	244,229	-	244,229
Interest	235,715	-	235,715
Change of benefit terms	-	-	-
Difference between expected and actual experience	(9,445)	-	(9,445)
Changes of assumptions	-	-	-
Contributions - employer	-	169,026	(169,026)
Contributions - employee	-	101,040	(101,040)
Net investment income	-	(246,863)	246,863
Benefit payments, including refunds of employee contributions	(132,732)	(132,732)	-
Administrative expense	-	(2,136)	2,136
Other changes	-	2,549	(2,549)
Net changes	<u>337,767</u>	<u>(109,116)</u>	<u>446,883</u>
Balance at December 31, 2022	<u>\$ 3,774,091</u>	<u>\$ 3,271,999</u>	<u>\$ 502,092</u>

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

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
	<u>          </u>	<u>          </u>	<u>          </u>
City's net pension liability	\$ 1,042,388	\$ 502,092	\$ 63,704

**CITY OF ROLLINGWOOD, TEXAS**

**NOTES TO THE FINANCIAL STATEMENTS**

**September 30, 2023**

(7) Defined benefit pension plans (continued)

Texas Municipal Retirement System (continued)

Pension plan fiduciary net position

Detailed information about the pension plan’s fiduciary net position is available in the schedule of changes in fiduciary net position, by participant city. The report may be obtained at [www.tmr.com](http://www.tmr.com).

Pension expense and deferred outflows/inflows of resources related to pensions

For the year ended September 30, 2023, the City recognized pension expense of \$222,987.

At September 30, 2023, 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 between expected and actual economic experience	\$ 11,551	\$ 6,368
Changes in actuarial assumptions	-	-
Difference between projected and actual investment earnings	224,253	-
Contributions subsequent to the measurement date	137,506	-
Total	\$ 373,310	\$ 6,368

The City reported \$137,506 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date, and will be recognized as a reduction of the net pension liability for the year ending September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year September 30,	Amortization Expense
2024	\$ 24,673
2025	51,238
2026	58,509
2027	95,016
2028	-
Thereafter	-
Total	\$ 229,436

**CITY OF ROLLINGWOOD, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2023**

(8) Other postemployment benefits (OPEB) plan

Texas Municipal Retirement System

Plan description

The City participates in a single-employer defined benefit plan, which operates like a 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 members. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

Benefits provided

The death benefit for active members provides a lump-sum payment approximately equal to the member's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired members are insured for \$7,500; this coverage is an "other postemployment benefit" or OPEB. As the SDBF covers both active and retiree members, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

Contributions

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

The contribution rate for the City was 0.43% and 0.25% respectively for calendar years 2023 and 2022. The City's contributions to TMRS for the SDBF program for the year ended September 30, 2023 were \$5,872, and were equal to the required contributions.

Employees covered by benefit terms

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

Inactive employees or beneficiaries receiving benefits	10
Inactive employees entitled to but not yet receiving benefits	8
Active employees	<u>19</u>
Total	<u>37</u>

Other postemployment benefits (OPEB) liability

The City's total OPEB liability of \$67,019 was measured as of December 31, 2023 and was determined by an actuarial valuation as of that date.

**CITY OF ROLLINGWOOD, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2023**

(8) Other postemployment benefits (OPEB) plan (continued)

Texas Municipal Retirement System (continued)

Actuarial assumptions:

The total OPEB liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary increases	3.50% to 11.5% including inflation
Discount rate *	4.05%
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 was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2022.

The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

Changes in the total OPEB liability:

Balance at December 31, 2021	\$ 89,261
Changes for the year:	
Service cost	4,619
Interest on the total OPEB liability	1,672
Changes of benefit terms	-
Difference between expected and actual experience	6,703
Change of assumptions	(33,793)
Benefit payments	<u>(1,443)</u>
Net changes	<u>(22,242)</u>
Balance at December 31, 2022	<u>\$ 67,019</u>

**CITY OF ROLLINGWOOD, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2023**

(8) Other postemployment benefits (OPEB) plan (continued)

Texas Municipal Retirement System (continued)

Sensitivity of the total OPEB liability to changes in the discount rate:

The following presents the total OPEB liability of the City, calculated using the discount rate of 4.05%, as well as what the City's total OPEB liabilities would be if it were calculated using a discount rate that is 1-percentage-point lower (3.05%) or 1-percentage-point higher (5.05%) than the current rate:

	1% Decrease in Discount Rate (3.05%)	Current Discount Rate (4.05%)	1% Increase in Discount Rate (5.05%)
City's OPEB liability	\$ 79,825	\$ 67,019	\$ 57,098

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB:

For the year ended September 30, 2022, the City recognized OPEB expense of \$7,453.

At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 11,382	\$ -
Changes in actuarial assumptions	8,642	27,738
Difference between projected and actual investment earnings	-	-
Contributions subsequent to the measurement date	1,385	-
Total	\$ 21,409	\$ 27,738

The City reported \$1,385 as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability for the year ending September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year September 30,	Amortization Expense
2024	\$ 803
2025	211
2026	(2,970)
2027	(5,333)
2028	(425)
Thereafter	-
Total	\$ (7,714)

**CITY OF ROLLINGWOOD, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2023**

**(9) Health care coverage**

During the year ended September 30, 2023, employees of the City were covered by a health insurance plan (the Plan). The City contributed \$816 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay contributions for dependents. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the City and the third party administrator is renewable October 1, 2023, and terms of coverage and contribution costs are included in the contractual provisions.

**(10) Long-term liabilities**

The City had a wastewater and transportation agreement with the Lower Colorado River Authority (LCRA) to provide wastewater treatment and disposal services in the Rollingwood services area. In July 2012 the City issued \$2,905,000 General Obligation Bonds Taxable Series 2012A. The proceeds from the bonds were used to purchase the wastewater system from LCRA. In 2014, the City issued \$2,835,000 General Obligations Bonds, Series 2014 for water and street improvements. In 2019, the City issued \$9,325,000 General Obligation Refunding Bonds to refund General Obligations Bonds, Series 2012B. In 2020, the City issued \$2,065,000 Tax Notes, Series 2020 to improve city infrastructure and facilities. In 2023, the City issued \$3,885,000 General Obligation Bonds, Series 2023 to improve and expand the City's waterworks system.

The City's liabilities consist of the following:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b><u>Governmental activities:</u></b>					
<b>Bonds and notes payable:</b>					
General Obligation Bonds - Series 2014	\$ 1,318,625	\$ -	\$ (92,475)	\$ 1,226,150	\$ 95,900
Tax notes - Series 2020	1,500,000	-	(290,000)	1,210,000	295,000
Premium on bonds	68,679	-	(6,245)	62,434	-
Total bonds and notes payable	<u>2,887,304</u>	<u>-</u>	<u>(388,720)</u>	<u>2,498,584</u>	<u>390,900</u>
<b>Other long-term liabilities:</b>					
Compensated absences	62,949	12,590	(5,781)	69,758	13,952
Lease liability	120,167	-	(28,557)	91,610	28,557
Total governmental activities	<u>\$ 183,116</u>	<u>\$ 12,590</u>	<u>\$ (34,338)</u>	<u>\$ 161,368</u>	<u>\$ 42,509</u>
<b><u>Business-type activities:</u></b>					
<b>Bonds and notes payable:</b>					
General Obligation Bonds - Series 2012A	\$ 305,000	\$ -	\$ (305,000)	\$ -	\$ -
General Obligation Bonds - Series 2014	606,375	-	(42,525)	563,850	44,100
General Obligation Refunding Bonds - Series 2019	9,040,000	-	(115,000)	8,925,000	425,000
General Obligation Bonds - Series 2023	-	3,885,000	-	3,885,000	65,000
Premium on bonds	502,497	202,638	(32,304)	672,831	-
Total bonds and notes payable	<u>10,453,872</u>	<u>4,087,638</u>	<u>(494,829)</u>	<u>14,046,681</u>	<u>534,100</u>
<b>Other long-term liabilities:</b>					
Compensated absences	13,938	6,969	(2,885)	18,022	3,604
Lease liability	33,893	-	(8,054)	25,839	8,054
Total business-type activities	<u>\$ 47,831</u>	<u>\$ 6,969</u>	<u>\$ (10,939)</u>	<u>\$ 43,861</u>	<u>\$ 11,658</u>

Interest rates on bonds range from 2% to 4%.



**CITY OF ROLLINGWOOD, TEXAS**

**NOTES TO THE FINANCIAL STATEMENTS**

**September 30, 2023**

**(10) Long-term liabilities (continued)**

Future maturities of the bonds are as follows:

Fiscal Year	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 95,900	\$ 40,381	\$ 136,281	\$ 534,100	\$ 480,202	\$ 1,014,302
2025	99,325	37,504	136,829	540,675	467,921	1,008,596
2026	102,750	34,524	137,274	562,250	445,101	1,007,351
2027	102,750	7,031	109,781	587,250	421,284	1,008,534
2028	106,175	28,359	134,534	613,825	396,316	1,010,141
2029-2033	589,100	86,190	675,290	3,430,900	1,617,360	5,048,260
2034-2038	130,150	4,555	134,705	3,814,850	1,007,020	4,821,870
2039-2043	-	-	-	1,405,000	491,775	1,896,775
2034-2048	-	-	-	850,000	319,425	1,169,425
2049-2053	-	-	-	1,035,000	131,588	1,166,588
Total	<u>\$ 1,226,150</u>	<u>\$ 238,544</u>	<u>\$ 1,464,694</u>	<u>\$ 13,373,850</u>	<u>\$ 5,777,991</u>	<u>\$ 19,151,841</u>

Future maturities of the tax notes are as follows:

Fiscal Year	Governmental Activities		
	Principal	Interest	Total
2024	\$ 295,000	\$ 20,280	\$ 315,280
2025	300,000	15,560	315,560
2026	305,000	10,610	315,610
2027	310,000	27,123	337,123
Total	<u>\$ 1,210,000</u>	<u>\$ 73,573</u>	<u>\$ 1,283,573</u>

**(11) Lease liability**

The City's leases equipment from outside vendors. The assets and related debt are recorded in the governmental activities and business-type activities. The amortization of the leased assets is included as a component of depreciation expense. As of September 30, 2023, the City had future minimum lease payments under capital leases as follows:

Fiscal Year	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 29,525	\$ 3,106	\$ 32,631	\$ 8,327	\$ 876	\$ 9,203
2025	30,526	2,105	32,631	8,610	594	9,204
2026	31,559	1,070	32,629	8,902	302	9,204
Total	<u>\$ 91,610</u>	<u>\$ 6,281</u>	<u>\$ 97,891</u>	<u>\$ 25,839</u>	<u>\$ 1,772</u>	<u>\$ 27,611</u>

**CITY OF ROLLINGWOOD, TEXAS**

**NOTES TO THE FINANCIAL STATEMENTS**

**September 30, 2023**

(12) Risk management

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2023, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool (“TML”). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

(13) Restatement of fund balance/net position

The City recognized the below restatements to the beginning fund balances and net position as of September 30, 2022:

	General Fund	Water Fund	Wastewater Fund
Recognition of deferred revenue	\$ 33,660	\$ -	\$ -
Overstatement of utility revenue	-	(27,366)	(17,829)
Total restatement	<u>\$ 33,660</u>	<u>\$ (27,366)</u>	<u>\$ (17,829)</u>

(14) Fund balance deficit

A nonmajor fund reported a deficit fund balance of (\$239,565) at September 30, 2023. This deficit is expected to be recovered through future drainage fees and budgeted transfers from the general fund.

**REQUIRED SUPPLEMENTARY INFORMATION**



**CITY OF ROLLINGWOOD, TEXAS**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET (GAAP BASIS) AND ACTUAL – GENERAL FUND**

**Year ended September 30, 2023**

	Budget Amounts		2023 Actual	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
<b>Taxes:</b>				
Property taxes	\$ 1,417,320	\$ 1,417,320	\$ 1,404,404	\$ (12,916)
Sales taxes	630,000	630,000	706,432	76,432
Franchise and telecommunications fees	315,000	315,000	135,295	(179,705)
Licenses and fees	257,100	257,100	238,472	(18,628)
Fines and forfeitures	33,950	33,950	52,882	18,932
Contributions	200	200	9,850	9,650
Intergovernmental	-	48,000	88,505	40,505
Other income	120,053	142,053	158,445	16,392
Interest income	-	-	8,902	8,902
Investment earnings	1,650	1,650	16,567	14,917
	<u>2,775,273</u>	<u>2,845,273</u>	<u>2,819,754</u>	<u>(25,519)</u>
<b>Total revenues</b>				
<b>Expenditures:</b>				
<b>Current:</b>				
General government	851,352	851,352	561,884	289,468
Public works	27,050	75,050	20,941	54,109
Sanitation	148,000	170,000	176,907	(6,907)
Public safety	1,392,754	1,392,754	1,308,714	84,040
Court	96,715	96,715	98,718	(2,003)
Parks and recreation	103,955	103,955	79,132	24,823
Streets	252,630	252,630	112,095	140,535
Development	223,989	223,989	307,140	(83,151)
Capital outlay	51,972	51,972	77,208	(25,236)
<b>Debt service:</b>				
Principal	-	-	28,557	(28,557)
Interest and fees	-	-	4,074	(4,074)
	<u>3,148,417</u>	<u>3,218,417</u>	<u>2,775,370</u>	<u>443,047</u>
<b>Total expenditures</b>				
<b>Excess (deficiency) of revenues over (under) expenditures</b>				
	(373,144)	(373,144)	44,384	417,528
<b>Other financing sources (uses):</b>				
Transfers in	382,115	382,115	238,899	143,216
Transfers out	-	-	(5,786)	(5,786)
	<u>382,115</u>	<u>382,115</u>	<u>233,113</u>	<u>143,216</u>
<b>Total other financing sources (uses)</b>				
<b>Net change in fund balances</b>				
	8,971	8,971	277,497	268,526
<b>Total fund balance-beginning of year</b>				
	3,860,579	3,860,579	3,860,579	-
<b>Restatement of beginning fund balance</b>				
	-	-	33,660	33,660
<b>Fund balance, as restated</b>				
	<u>3,860,579</u>	<u>3,860,579</u>	<u>3,894,239</u>	<u>33,660</u>
<b>Total fund balance-end of year</b>				
	<u>\$ 3,869,550</u>	<u>\$ 3,869,550</u>	<u>\$ 4,171,736</u>	<u>\$ 302,186</u>

**CITY OF ROLLINGWOOD, TEXAS**

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS  
TEXAS MUNICIPAL RETIREMENT SYSTEM**

**\*Last 10 fiscal years**

	For the measurement year ended December 31,		
	2022	2021	2020
Total pension liability (asset)			
Service cost	\$ 244,229	\$ 239,448	\$ 203,655
Interest on the total pension liability (asset)	235,715	212,082	188,832
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(9,445)	35,371	70,755
Change of assumptions	-	-	-
Benefit payments, including refunds of employee contributions	(132,732)	(145,623)	(127,749)
Net change in total pension liability (asset)	337,767	341,278	335,493
Total pension liability - beginning	3,436,324	3,095,046	2,759,553
Total pension liability - ending (a)	\$ 3,774,091	\$ 3,436,324	\$ 3,095,046
Plan fiduciary net position			
Contributions - employer	\$ 169,026	\$ 161,925	\$ 147,168
Contributions - employee	101,040	100,307	86,715
Net investment income	(246,863)	376,538	196,730
Benefit payments, including refunds of employee contributions	(132,732)	(145,623)	(127,749)
Administrative expense	(2,136)	(1,743)	(1,272)
Other	2,549	12	(50)
Net change in plan fiduciary net position	(109,116)	491,416	301,542
Plan fiduciary net position - beginning	3,381,115	2,889,699	2,588,157
Plan fiduciary net position - ending (b)	3,271,999	3,381,115	2,889,699
Net pension liability (asset) (a) - (b)	\$ 502,092	\$ 55,209	\$ 205,347
Plan fiduciary net position as a percentage of total pension liability (asset)	86.70%	98.39%	93.37%
Covered payroll	\$ 1,443,431	\$ 1,432,962	\$ 1,238,779
Net pension liability (asset) as a percentage of total covered payroll	34.78%	3.85%	16.58%

\*GASB 68 requires 10 fiscal years of data to be provided in this schedule. This is the ninth year of implementation of GASB 68. The City will develop the schedule prospectively.

For the measurement year ended December 31,

2019	2018	2017	2016	2015	2014
\$ 173,630	\$ 159,062	\$ 135,517	\$ 135,678	\$ 118,259	\$ 96,840
180,313	162,950	143,714	130,208	116,709	100,421
-	155,377	-	-	-	-
(115,538)	54,499	(55,034)	10,124	14,654	67,358
35	-	-	-	58,535	-
<u>(126,750)</u>	<u>(126,393)</u>	<u>(86,326)</u>	<u>(65,367)</u>	<u>(44,882)</u>	<u>(40,399)</u>
111,690	405,495	137,871	210,643	263,275	224,220
<u>2,647,863</u>	<u>2,242,368</u>	<u>2,104,497</u>	<u>1,893,854</u>	<u>1,630,579</u>	<u>1,406,359</u>
<u>\$ 2,759,553</u>	<u>\$ 2,647,863</u>	<u>\$ 2,242,368</u>	<u>\$ 2,104,497</u>	<u>\$ 1,893,854</u>	<u>\$ 1,630,579</u>
\$ 120,561	\$ 99,407	\$ 89,151	\$ 75,980	\$ 55,591	\$ 39,464
75,351	66,198	59,699	58,148	51,158	48,923
337,930	(66,312)	261,917	115,339	2,425	86,366
(126,750)	(126,393)	(86,326)	(65,367)	(44,882)	(40,399)
(1,907)	(1,280)	(1,356)	(1,302)	(1,477)	(902)
<u>(56)</u>	<u>(67)</u>	<u>(69)</u>	<u>(70)</u>	<u>(73)</u>	<u>(75)</u>
405,129	(28,447)	323,016	182,728	62,742	133,377
<u>2,183,028</u>	<u>2,211,475</u>	<u>1,888,459</u>	<u>1,705,731</u>	<u>1,642,989</u>	<u>1,509,612</u>
<u>2,588,157</u>	<u>2,183,028</u>	<u>2,211,475</u>	<u>1,888,459</u>	<u>1,705,731</u>	<u>1,642,989</u>
<u>\$ 171,396</u>	<u>\$ 464,835</u>	<u>\$ 30,893</u>	<u>\$ 216,038</u>	<u>\$ 188,123</u>	<u>\$ (12,410)</u>
93.79%	82.44%	98.62%	89.73%	90.07%	100.76%
<u>\$ 1,076,440</u>	<u>\$ 990,426</u>	<u>\$ 994,985</u>	<u>\$ 969,130</u>	<u>\$ 852,625</u>	<u>\$ 815,386</u>
15.92%	46.93%	3.10%	22.29%	22.06%	-1.52%

**CITY OF ROLLINGWOOD, TEXAS**

**SCHEDULE OF CONTRIBUTIONS –  
TEXAS MUNICIPAL RETIREMENT SYSTEM - PENSION**

**\*Last 10 fiscal years**

	For the fiscal year ended September 30,			
	2023	2022	2021	2020
Actuarially determined contributions	\$ 180,021	\$ 165,986	\$ 166,372	\$ 138,811
Contributions in relation to the actuarially determined contributions	<u>180,021</u>	<u>165,986</u>	<u>166,372</u>	<u>138,811</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 1,517,610</u>	<u>\$ 1,430,636</u>	<u>\$ 1,453,299</u>	<u>\$ 1,186,676</u>
Contributions as a percentage of covered payroll	11.86%	11.60%	11.45%	11.70%

\*GASB 68 requires 10 fiscal years of data to be provided in this schedule. This is the ninth year of implementation of GASB 68. The City will develop the schedule prospectively.



For the fiscal year ended September 30,

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 111,022	\$ 91,634	\$ 83,025	\$ 70,030	\$ 49,439
<u>111,022</u>	<u>91,634</u>	<u>83,025</u>	<u>70,030</u>	<u>49,439</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 1,047,982</u>	<u>\$ 1,018,830</u>	<u>\$ 963,149</u>	<u>\$ 937,038</u>	<u>\$ 815,827</u>
10.59%	8.99%	8.62%	7.47%	6.06%

**CITY OF ROLLINGWOOD, TEXAS**

**SCHEDULE OF CHANGES IN OTHER POSTEMPLOYMENT  
BENEFITS LIABILITY (OPEB) AND RELATED RATIOS -  
TEXAS MUNICIPAL RETIREMENT SYSTEM**

**\*Last 10 fiscal years**

	For the measurement year ended December 31,		
	2022	2021	2020
Total OPEB liability			
Service cost	\$ 4,619	\$ 5,445	\$ 3,345
Interest on the total OPEB liability	1,672	1,519	1,654
Changes of benefit terms	-	-	-
Difference between expected and actual experience	6,703	7,247	1,170
Change of assumptions	(33,793)	2,699	9,610
Benefit payments	<u>(1,443)</u>	<u>(1,720)</u>	<u>(372)</u>
Net change in total OPEB liability	(22,242)	15,190	15,407
Total OPEB liability - beginning	<u>89,261</u>	<u>74,071</u>	<u>58,664</u>
Total OPEB liability - ending	<u>\$ 67,019</u>	<u>\$ 89,261</u>	<u>\$ 74,071</u>
Covered payroll	<u>\$ 1,443,431</u>	<u>\$ 1,432,962</u>	<u>\$ 1,238,779</u>
Total OPEB liability as a percentage of covered payroll	4.64%	6.23%	5.98%

\*GASB 75 requires 10 fiscal years of data to be provide in this schedule. This is the sixth year of implementation of GASB 75. The City will develop the schedule prospectively.

For the measurement year ended December 31,		
2019	2018	2017
\$ 2,583	\$ 2,278	\$ 2,089
1,647	1,375	1,332
-	-	-
2,179	2,258	-
9,378	(2,968)	3,050
<u>(431)</u>	<u>(99)</u>	<u>(398)</u>
15,356	2,844	6,073
<u>43,308</u>	<u>40,464</u>	<u>34,391</u>
<u>\$ 58,664</u>	<u>\$ 43,308</u>	<u>\$ 40,464</u>
<u>\$ 1,076,440</u>	<u>\$ 990,426</u>	<u>\$ 994,985</u>
5.45%	4.37%	4.07%

# CITY OF ROLLINGWOOD, TEXAS

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2023

### (1) Budget information

The budget for the general fund is adopted on a basis consistent with generally accepted accounting principles. Annual appropriations lapse at fiscal year end.

The original budget for the general fund is adopted by the City Council by September 30. Budgetary preparation and control is exercised at the department level. Both the original and final budget is included.

### (2) Schedule of contributions

Valuation date:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	21 years (longest amortization ladder)
Asset valuation method	10 year smoothed market, 12% soft corridor
Inflation	2.50%
Salary increases	3.50% to 11.50% 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 Table. 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 SUPPLEMENTARY INFORMATION**



**CITY OF ROLLINGWOOD, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**

**September 30, 2023**

	Special Revenue Funds						Special Revenue Funds Total
	Street Maintenance	Drainage	Court Security	Court Technology	Court Efficiency	Police Forfeiture	
<b>Assets:</b>							
Cash and cash equivalents	\$ 457,026	\$ -	\$ 12,428	\$ 11,336	\$ 114	\$ 915	\$ 481,819
Due from other funds	-	-	-	-	-	-	-
Sales tax receivable	14,466	-	-	-	-	-	14,466
Other receivable	-	-	-	-	-	-	-
Total assets	<u>\$ 471,492</u>	<u>\$ -</u>	<u>\$ 12,428</u>	<u>\$ 11,336</u>	<u>\$ 114</u>	<u>\$ 915</u>	<u>\$ 496,285</u>
<b>Liabilities:</b>							
Accounts payable	\$ -	\$ 14,875	\$ -	\$ 304	\$ -	\$ -	\$ 15,179
Accrued liabilities	-	40,884	-	-	-	-	40,884
Due to other funds	-	183,806	-	-	-	-	183,806
Total liabilities	<u>-</u>	<u>239,565</u>	<u>-</u>	<u>304</u>	<u>-</u>	<u>-</u>	<u>239,869</u>
<b>Fund balances:</b>							
Reserved for street maintenance	471,492	-	-	-	-	-	471,492
Reserved for municipal court	-	-	12,428	11,032	114	-	23,574
Reserved for police department	-	-	-	-	-	915	915
Unassigned	-	(239,565)	-	-	-	-	(239,565)
Total fund balances	<u>471,492</u>	<u>(239,565)</u>	<u>12,428</u>	<u>11,032</u>	<u>114</u>	<u>915</u>	<u>256,416</u>
Total liabilities and fund balances	<u>\$ 471,492</u>	<u>\$ -</u>	<u>\$ 12,428</u>	<u>\$ 11,336</u>	<u>\$ 114</u>	<u>\$ 915</u>	<u>\$ 496,285</u>

**CITY OF ROLLINGWOOD, TEXAS**

**COMBINING STATEMENT OF REVENUES AND EXPENDITURES  
NONMAJOR GOVERNMENTAL FUNDS**

**For the year ended September 30, 2023**

	Special Revenue Funds						Special
	Street Maintenance	Drainage	Court Security	Court Technology	Court Efficiency	Police Forfeiture	Revenue Funds Total
<b>Revenues:</b>							
Sales tax	\$ 175,220	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 175,220
Licenses and fees	-	30,250	-	-	-	-	30,250
Fines and forfeitures	-	-	2,869	2,382	-	-	5,251
Interest income	340	-	-	-	-	-	340
Total revenues	<u>175,560</u>	<u>30,250</u>	<u>2,869</u>	<u>2,382</u>	<u>-</u>	<u>-</u>	<u>211,061</u>
<b>Expenditures:</b>							
Court	-	-	319	899	-	-	1,218
Drainage	-	150,834	-	-	-	-	150,834
Total expenditures	<u>-</u>	<u>150,834</u>	<u>319</u>	<u>899</u>	<u>-</u>	<u>-</u>	<u>152,052</u>
Excess (deficiency) of revenues over (under) expenditures	175,560	(120,584)	2,550	1,483	-	-	59,009
<b>Transfers:</b>							
Transfers out	<u>(110,536)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(110,536)</u>
Total transfers	<u>(110,536)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(110,536)</u>
Net change in fund balance	65,024	(120,584)	2,550	1,483	-	-	(51,527)
Total fund balance - beginning	<u>406,468</u>	<u>(118,981)</u>	<u>9,878</u>	<u>9,549</u>	<u>114</u>	<u>915</u>	<u>307,943</u>
Total fund balance - ending	<u>\$ 471,492</u>	<u>\$ (239,565)</u>	<u>\$ 12,428</u>	<u>\$ 11,032</u>	<u>\$ 114</u>	<u>\$ 915</u>	<u>\$ 256,416</u>



**CITY OF ROLLINGWOOD, TEXAS**

**BALANCE SHEET  
COMPONENT UNIT**

**September 30, 2023**

	<u>Rollingwood Community Development Corporation</u>
Assets:	
Cash and cash equivalents	\$ 478,917
Due from the City	<u>14,466</u>
Total assets	<u>\$ 493,383</u>
Liabilities:	
Accounts payable to other governments	<u>\$ 3,500</u>
Total liabilities	<u>3,500</u>
Net position:	
Unrestricted net position	<u>489,883</u>
Total net position	<u>489,883</u>
 Total liabilities and net position	 <u>\$ 493,383</u>

**CITY OF ROLLINGWOOD, TEXAS**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION  
COMPONENT UNIT**

**For the year ended September 30, 2023**

	<u>Rollingwood Community Development Corporation</u>
Revenues:	
Sales taxes	\$ 175,221
Intergovernmental	31,376
Interest	<u>7,172</u>
Total revenues	<u>213,769</u>
Expenditures:	
Current:	
Administration	<u>113,255</u>
Total expenditures	<u>113,255</u>
Change in net position	100,514
Net position - beginning of year	<u>389,369</u>
Net position - end of year	<u>\$ 489,883</u>

## **COMPLIANCE SECTION**



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

To the Members of the City Council  
City of Rollingwood, Texas  
403 Nixon Drive  
Rollingwood, Texas 78746

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Rollingwood, Texas, (the City) as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Rollingwood, Texas’ basic financial statements, and have issued our report thereon dated March 20, 2024.

**Report on Internal Control over Financial Reporting**

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

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

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

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

ABIP, PC

San Antonio, Texas  
March 20, 2024

**APPENDIX D**

**FORM OF OPINION OF BOND COUNSEL**

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**Orrick, Herrington & Sutcliffe LLP**  
300 West 6th Street  
Suite 1850  
Austin, Texas 78701  
[orrick.com](http://orrick.com)

\_\_\_\_\_, 2024

WE HAVE ACTED as Bond Counsel for the City of Rollingwood, Texas (the “City”), in connection with an issue of its City of Rollingwood, Texas General Obligation Bonds, Series 2024 (the “Bonds”), dated July 1, 2024, in the aggregate principal amount of \$[\_\_\_\_\_]. The Bonds are issuable in fully registered form only, in denominations of \$5,000 or integral multiples thereof, bear interest, are subject to redemption prior to maturity and may be transferred and exchanged as set out in the Bonds and in the ordinance (the “Ordinance”) adopted by the City Council of the City authorizing their issuance.

WE HAVE ACTED as Bond Counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas and with respect to the exclusion of interest on the Bonds from gross income under federal income tax law. In such capacity we have examined the Constitution and laws of the State of Texas; federal income tax law; and a transcript of certain certified proceedings pertaining to the issuance of the Bonds, as described in the Ordinance. The transcript contains certified copies of certain proceedings of the City; certain certifications and representations and other material facts within the knowledge and control of the City, upon which we rely; and certain other customary documents and instruments authorizing and relating to the issuance of the Bonds. We have also examined executed Bond No. R-1 of this issue.

THE OPINIONS EXPRESSED HEREIN are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after original delivery of the Bonds on the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after original delivery of the Bonds on the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures provided to us and the due and legal execution and delivery thereof by, and validity against, any parties other than the City. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Ordinance and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the

fact that the rights and obligations under the Bonds, the Ordinance and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against entities such as the City in the State of Texas. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion or view with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

- (1) The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently in effect; the Bonds constitute valid and legally binding obligations of the City; and the Bonds have been authorized and delivered in accordance with law;
- (2) The Bonds are payable, both as to principal and interest, from, and secured by, the proceeds of a continuing, direct, annual ad valorem tax levied, within the limits prescribed by law, against all taxable property located within the City, which taxes have been pledged irrevocably to pay the principal of and interest on the Bonds; and
- (3) Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. We observe that interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual, or receipt of interest on, the Bonds.

Very truly yours,



**USCA MUNICIPAL ADVISORS, LLC**

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*Financial Advisor to the City*



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