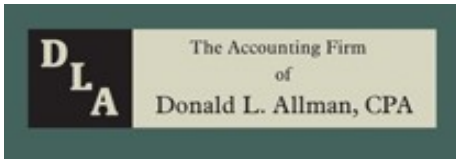


CITY OF DRIPPING SPRINGS, TEXAS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

CITY OF DRIPPING SPRINGS, TEXAS
 BASIC FINANCIAL STATEMENTS
 AND SUPPLEMENTAL SCHEDULES
 AND INDEPENDENT AUDITOR'S REPORT
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

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Donald L. Allman, CPA, PC
4749 Williams Drive, Ste. 322
Georgetown, Texas 78633

CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor
and Members of the City Council
City of Dripping Springs, Texas

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements, referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dripping Springs, Texas as of September 30, 2020, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted the United States of America require that the management's discussion and analysis, budgetary comparison information, and Schedule of Changes in Net Pension Liability and Related Ratios and Schedule of Contributions on pages 3-8, and pages 34-42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2021 on our consideration of the City of Dripping Springs, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Dripping Springs, Texas' internal control over financial reporting and compliance.

Respectfully submitted,

Donald L Allman, CPA, PC

Georgetown, Texas
January 15, 2021

CITY OF DRIPPING SPRINGS, TEXAS MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2020

The discussion and analysis of the City's financial performance provides an overview and analysis of the City's financial activities for the fiscal year ended September 30, 2020. It should be read in conjunction with the accompanying financial statements. The discussion and analysis includes comparative data where applicable, for prior years.

FINANCIAL HIGHLIGHTS

- The City's assets exceeded its liabilities at the close of the fiscal year by \$29.8 million (net position). Of this amount, \$14.9 million was invested in capital assets, \$1.8 million was restricted, and \$13.2 million was unrestricted.
- The City's total net position increased by \$1.4 million for the year ended September 30, 2020.
- At September 30, 2020, the City's governmental funds reported a combined ending fund balance of \$5.1 million, an increase of \$46 thousand over the prior year governmental funds combined ending fund balance. The increase in governmental funds is due to large increases in property tax, sales tax and development fees income.
- The City's General Fund had excess revenues at the end of fiscal year 2020, due to mostly an increase in property taxes and sales taxes. The City of Dripping Springs continues to experience phenomenal growth in population and revenues.

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 three components, government-wide financial statements, fund financial statements, and notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements.

CITY OF DRIPPING SPRINGS, TEXAS MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2020

Government-Wide financial statements

The government-wide financial statements are comprised of the Statement of Net Position and the Statement of Activities. These two statements are designed to provide readers with a broad overview of the City's finances utilizing the full accrual method of accounting, in a manner similar to private-sector business. Under the full accrual method of accounting, transactions are reported as soon as the underlying event giving rise to the change occurs. Therefore, assets, liabilities, revenues and expenses are reported in these statements for some items that will result in cash flows in future periods.

The Statement of Net Position presents information on all of the City's assets and liabilities, including capital assets, 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 as a whole is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year.

In the Statement of Net Position and the Statement of Activities, the City has two governmental activities.

Governmental Activities – The City's basic services are reported in the General Fund. These services include general administration and parks and recreation. Sales tax and developer fees finance most of these activities.

The Debt Service Fund is used to accumulate resources for and payment of long-term debt principal, interest and related costs. These resources are transferred from the general fund.

Reporting on the City's Most Significant Funds

Fund Financial Statements

The fund financial statements focus on current available resources and are organized and operated on the basis of funds, which are defined as a fiscal and accounting entity with a self-balancing set of accounts established for the purpose of carrying on specific activities. The City has two governmental funds.

Governmental Funds

The City maintains two governmental funds (the General Fund and the Debt Service Fund) which are used to account for the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements utilize the modified accrual basis of accounting, which focuses on near-term inflow and outflow of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. By comparing information presented for government funds with similar information presented for governmental activities in the government-wide statements, readers may better understand the long term effect of the government's near term financial decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance provide a reconciliation to facilitate the comparison between the governmental fund and governmental activities.

The City adopts an annual appropriated budget for the governmental fund. Budgetary comparison statements for the General Fund are included in the Required Supplementary Information of this report.

**CITY OF DRIPPING SPRINGS, TEXAS
MANAGEMENT’S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net position (Table 1) and changes in net position (Table 11) of the City’s governmental and business-type activities.

City Table 1
City of Dripping Springs, Texas
Net Position
In thousands

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and Other Assets	5,628	5,325	33,116	33,319	38,744	38,644
Capital Assets	13,466	13,200	7,185	6,466	20,651	19,666
Total Assets	19,094	18,525	40,301	39,785	59,395	58,310
Deferred Outflows of Resources	(24)	15			(24)	15
Current Liabilities	581	359	2,113	1,213	2,694	1,572
Long-term Liabilities	751	844	25,910	27,435	26,661	28,279
Total Liabilities	1,332	1,203	28,023	28,648	29,355	29,851
Deferred Inflows of Resources	198	91			198	91
Net Position:						
Net Investment in Capital Assets	12,861	12,530	2,009	1,906	14,870	14,436
Restricted	96	97	1,663	861	1,759	958
Unrestricted	4,583	4,619	8,606	8,370	13,189	12,989
Total Net Position	17,540	17,246	12,278	11,137	29,818	28,383

The largest portion of the City’s net position (50 percent) is reflected in its capital assets. Since the City uses these capital assets to provide services to its citizens, they are not available for future spending. Net positions subject to external restriction on how they may be used comprise 6 percent of the City’s net position. Unrestricted net position comprises 44 percent of net position. Unrestricted net position may be used to meet the City’s ongoing obligations to its citizens and creditors.

**CITY OF DRIPPING SPRINGS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

CHANGES IN NET POSITION

**Table 11
City of Dripping Springs, Texas
Changes in Net Position
In thousands**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues						
Program Revenues						
Charges for Services	791	659	1,018	656	1,809	1,315
General Revenues:						
Property Tax & Hotel Tax	1,673	1,480	0	0	1,673	1,480
Sales Tax	3,122	1,703	0	544	3,122	2,247
Franchise Taxes	0	0	274	264	274	264
Development fees	2,441	2,354	0	0	2,441	2,354
Interest Income	68	60	121	77	189	137
Other & Impact fees	155	57	1,065	3,715	1,220	3,772
Grant income	0	1	0	0	0	1
Donations	0	0	0	0	0	0
Total Revenues	8,250	6,314	2,478	5,256	10,728	11,570
Expenses						
General government	5,614	4,593	1,821	1,372	7,435	5,965
Parks and Recreation	654	805	0	0	654	805
Grant expenses			0	0	0	0
Interest on Long-term Debt	28	30	130	97	158	127
Total Expenses	6,296	5,428	1,951	1,469	8,247	6,897
Transfers In (Out)	-1660	-137	614	0	-1046	-137
Contributions	0	0	0	0	0	0
Increase(Decrease) in Net Position	294	749	1,141	3,787	1,435	4,536
Net Position Beginning of Year	17,246	16,497	11,137	7,350	28,383	23,847
Prior Period Adjustment to Beginning Net Position	0	0	0	0	0	0
Adjusted Beginning Net Position	17,246	16,497	11,137	7,350	28,383	23,847
Ending Net Position	17,540	17,246	12,278	11,137	29,818	28,383

Total governmental revenues decreased approximately \$ 800 thousand from the previous year. This decrease was caused primarily by substantial decreases in impact fees. Total governmental expenses increased about \$1.3 million over the previous year. The increases were due mainly to increased general government expenses.

**CITY OF DRIPPING SPRINGS, TEXAS
MANAGEMENT’S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

FINANCIAL ANALYSIS OF THE CITY’S FUNDS

Governmental Fund: The City has three governmental funds – the general fund, special revenue funds and the debt service fund. For the year ended September 30, 2020, the governmental fund balances increased by \$46 thousand to \$5.1 million. The restricted portion of the fund balance totaled \$1.7 million and the unrestricted portion was \$3.4 million.

Proprietary Fund: The proprietary fund is used to account for construction of the wastewater system and operating activity of the wastewater system. The proprietary fund net position increased \$1.2 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At September 30, 2020, the government-wide financials fund had \$13,466,458 net of depreciation, invested in capital assets.

Capital Assets, net of depreciation, are as follows:

	2020	2019
Land	\$5,892,635	\$5,892,635
Buildings	466,798	609,869
Improvements other than Buildings	6,788,815	6,406,026
Equipment	170,317	125,920
Infrastructure	147,893	165,222
Total	<u>\$13,466,458</u>	<u>\$13,199,672</u>

The proprietary fund capital assets consisted of wastewater infrastructure totaling \$7,184,702.

	2020	2019
Wastewater Infrastructure	7,127,476	6,396,923
Wastewater Loan Origination	57,226	68,672
Total	<u>7,184,702</u>	<u>6,465,595</u>

DEBT

At September 30, 2020, The City had \$605,000 in Combination Tax and Limited Revenue Bonds of Obligation, Taxable Series 2013 outstanding as compared to \$670,000 at the end of the prior fiscal year. In 2013, the City issued \$1,000,000 Combination Tax and Limited Revenue Bonds of Obligation, Taxable Series 2013 to help fund the construction of the Convention Center at Drippings Springs Ranch Park. In 2015, the City refinanced \$7,410,000 of debt with General Obligation Refunding Bonds, Series 2015. The funds were used to construct the wastewater system. \$3,935,000 was outstanding at September 30, 2020.

At September 30, 2019, the City entered into \$23,500,000 in Combination Tax and Surplus Revenue Certificates of Obligation, Series 2019 to expand the wastewater system. The first principal payment of \$875,000 is due in fiscal year 2021.

**CITY OF DRIPPING SPRINGS, TEXAS
MANAGEMENT’S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

GENERAL FUND BUDGETARY HIGHLIGHTS

The largest single revenue source is Sales Tax Revenue collected and is estimated at \$3,000,662 for 2020. Other taxes and City Fees are budgeted at \$6,202,647 for a total of \$9,203,309. General Fund expenditures are budgeted at \$6,833,905.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES

An excellent school system, new housing developments, city parks and recreation areas, and hill country living continue to draw an influx of residents to Dripping Springs. This rapid growth accounts for the substantial increase in sales tax, Ad Valorem tax and building related fees. This additional revenue enables the City to complete projects outlined in the City Comprehensive Plan and Transportation Plan which are designed to address the needs of a growing population and provide a unique living experience for the citizens of Dripping Springs

CONTACTING THE CITY’S FINANCIAL MANAGEMENT

This financial report is intended to provide our citizens, taxpayers, customers, and creditors with a general overview of the City’s resources and to show the City’s accountability for the money it receives and disburses.

If you have questions about the report or need additional financial information, contact the City Administrator at the City of Dripping Springs.

CITY OF DRIPPING SPRINGS, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

	Primary Government Government Activities	Business - Type activity	Total	Component Unit-TIRZ
ASSETS				
Cash and Investments	\$4,998,909	\$8,956,411	\$13,955,320	409,801
Restricted Assets				
Cash and Cash Equivalents	96,178	23,671,506	23,767,684	
Property Taxes Receivable, Net or Estimated				
Uncollectible Taxes of \$175	32,369		32,369	
Sales Tax Receivable	282,412		282,412	
Accounts Receivable	218,355	488,907	707,262	
Land	5,892,635		5,892,635	
Buildings	1,153,982		1,153,982	
Improvements other than Buildings	8,661,159		8,661,159	
Machinery and Equipment	1,181,153		1,181,153	
Infrastructure	713,866	11,871,613	12,585,479	
Loan Origination Fees		171,686	171,686	
Accumulated Depreciation & Amortization	(4,136,337)	(4,858,597)	(8,994,934)	
Total Assets	\$19,094,681	\$40,301,526	\$59,396,207	409,801
Deferred Outflow of Resources Pension	(30,175)		(30,175)	
Deferred Outflow of Resources OPEB	5,232		5,232	
LIABILITIES				
Accounts Payable	\$22,625	\$3,050	\$25,675	
Accrued Expenses, Taxes & Retirement Payable	181,321		181,321	
Developer Deposits & other liabilities	312,232		312,232	
Wastewater & Reservation Deposits		585,431	585,431	
Combination Tax and Ltd Rev CO Tax'13 current	65,000		65,000	
General Oblgtn Refund Bonds Series '15 current		650,000	650,000	
Combination Tax and Surplus Rev COB 19-currnt		875,000	875,000	
Total Current Liabilities	\$581,178	\$2,113,481	\$1,819,659	0
Unearned Revenue	23,443		23,443	
Compensated Absences Payable	69,437		69,437	
Net Pension Liability	94,363		94,363	
Net OPEB Liability	23,536		23,536	
General Obligation Refunding Bonds Series 2015		3,285,000	3,285,000	
Combination Tax and Surplus Revenue COB 2019		22,625,000	22,625,000	
Combination Tax and Limited Revenue CO Tax'13	540,000		540,000	
Total Long Term Liabilities	750,779	25,910,000	26,660,779	0
Total Liabilities	1,331,957	28,023,481	28,480,438	0
Deferred Inflows of Resources	197,596		197,596	
NET POSITION				
Net Investment in Capital Assets	12,861,458	2,009,707	14,871,165	
Restricted	96,178	1,662,735	1,758,913	
Unrestricted	4,582,549	8,605,603	13,188,152	409,801
Total Net Position	\$17,540,185	\$12,278,045	\$29,818,230	409,801

The accompanying notes are an integral part of the financial statements

CITY OF DRIPPING SPRINGS, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Net (Expenses) Revenues and Changes in Net Position					Component Unit TIRZ
	Expenses	Program Revenues	Primary Governmental	Business-type Activities	Activities	
		Charges for Services	Governmental Activities			
Primary Government Governmental Activities						
General Government	\$5,614,217	\$387,996	(\$5,226,221)		(\$5,226,221)	
Parks and Recreation	654,317	403,103	(\$251,214)		(\$251,214)	
TIRZ expenses	-		-		-	1,107,159
Interest on Long-Term Debt	157,681		(\$27,805)	(129,876)	(\$157,681)	
Total Primary Government	\$6,426,215	\$791,099	(\$5,505,240)	(\$129,876)	(\$5,635,116)	
Business-type Activities						
Wastewater Fund	1,821,323	1,018,510		(802,813)	(\$802,813)	
Total Government	\$8,247,538	\$1,809,609	(\$5,505,240)	(\$932,689)	(\$6,437,929)	1,107,159
Taxes						
Sales Tax & Mixed Bev. Tax			3,121,509	0	3,121,509	
Property Taxes & Hotel tax			1,673,086	0	1,673,086	145,528
Development Fees			2,441,249	0	2,441,249	
Connection Fees				154,287	154,287	
Grant income			0	0	0	
Franchise Fees			0	274,357	274,357	
Interest Income			68,352	120,735	189,087	1,335
Impact fees			0	750,773	750,773	
Other Revenue			155,457	161,080	316,537	250,000
Donations			0		0	
Total General Revenues			7,459,653	1,461,232	8,920,885	396,863
Service Charges			0	0	0	
Transfers In			0	613,675	613,675	1,046,188
Transfers Out			(1,659,863)	0	(1,659,863)	
Total General Revenues, Transfer and Service Charges			5,799,790	2,074,907	7,874,697	1,443,051
Changes in Net Position			294,550	1,142,218	1,436,768	335,892
Beginning Net Position			17,245,635	11,135,827	28,381,462	73,909
Adjustment to Beginning Net Position			0	0	0	-
Adjusted Beginning Net Position			17,245,635	11,135,827	28,381,462	73,909
Ending Net Position			\$17,540,185	\$12,278,045	\$29,818,230	409,801

The accompanying notes are an integral part of the financial statements

CITY OF DRIPPING SPRINGS, TEXAS
BALANCE SHEET – GOVERNMENT FUNDS
SEPTEMBER 30, 2020

	General Fund	Debt Service Fund	Special Revenue Funds	Total Governmental Funds
ASSETS				
Cash and Investments	\$3,458,641		1,540,268	\$4,998,909
Restricted Cash	-	96,178		96,178
Accounts Receivable	218,355			218,355
Property Taxes Receivable, Net of Estimated Uncollectible Taxes of \$175	32,369			32,369
Sales Tax Receivable	282,412			282,412
Total Assets	\$3,991,777	\$96,178	1,540,268	\$5,628,223
LIABILITIES				
Accounts Payable	\$22,625		-	\$22,625
Employment Taxes & Retirement Payable	181,321			181,321
Unearned Revenue	55,812			55,812
Developer Deposits	312,232		-	312,232
Total Liabilities	571,990		-	571,990
FUND BALANCES				
Nonspendable	0	0		0
Restricted - Debt Service	0	96,178		96,178
Restricted - Hotel Motel Tax	-		71,993	71,993
Restricted - PEG Fund	0		112,632	112,632
Committed - Reserve Funds	0		1,310,195	1,310,195
Assigned - DSRP, Farmers Market	0	0	45,448	45,448
Unassigned	3,419,787			3,419,787
Total Fund Balances	3,419,787	96,178	1,540,268	5,056,233
Total Liabilities and Fund Balances	\$3,991,777	\$96,178	1,540,268	\$5,628,223

The accompanying notes are an integral part of the financial statements

**CITY OF DRIPPING SPRINGS, TEXAS
RECONCILIATION OF THE STATEMENT OF NET POSITION TO THE BALANCE SHEET -
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020**

Total Fund Balance - Governmental Funds	\$5,056,233
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Some revenues in the governmental funds are deferred because they are not collected within the prescribed time period after year end. On the accrual basis, however, those revenues would be recognized, regardless of when they are collected.	
	(18,304)
Deferred property taxes not collected within 60 days	32,369
Remove Deferred Outflows of Resources as they are not current assets	(30,175)
remove Deferred Inflows of Resources as they are not current liabilities	(197,596)
Capital assets used in the operation of governmental funds are not financial resources and, therefore, are not reported in the Governmental Fund Balance Sheet	
These assets consist of the following:	
Land	5,892,635
Building	1,153,982
Improvements other than Buildings	8,661,159
Machinery and Equipment	1,181,153
Infrastructure	713,866
Less: Accumulated Depreciation	(4,136,337)
Long-term liabilities are not due in the current period and therefore, are not reported in the Governmental Fund Balance Sheet	(605,000)
Net Pension Liability is not included in Governmental Funds	(94,363)
Compensated absences are not due and payable in the current period and therefore are not reported in the Governmental Fund Balance Sheet	(69,437)
Net Position of governmental activities	\$17,540,185

The accompanying notes are an integral part of the financial statements

CITY OF DRIPPING SPRINGS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	General Fund	Debt Service Fund	Special Revenue Funds	Total Governmental Funds
REVENUES				
Sales Taxes	\$3,121,509			\$3,121,509
Ad Valorem Taxes & Hotel Taxes	1,291,984		368,896	1,660,880
Franchise Fees	-			-
Charges for Services	387,996		-	387,996
Development Fees	2,441,249			2,441,249
Interest Income	47,933	1,655	18,764	68,352
Fines and Forfeits				-
Other Revenues	129,040	0	26,417	155,457
Grant Revenue	0			-
Park Revenues	42,076		213,201	255,277
Donations	0			-
Total Revenues	<u>7,461,787</u>	<u>1,655</u>	<u>627,278</u>	<u>8,090,720</u>
EXPENDITURES				
Administrative				
Personnel Services	2,047,026			2,047,026
Supplies and Operations	532,970			532,970
Contract Services	1,581,456		-	1,581,456
Capital Outlay	581,472		126,690	708,162
Miscellaneous	435,434	0	367,893	803,327
Total Administrative	<u>5,178,358</u>	<u>0</u>	<u>494,583</u>	<u>5,178,358</u>
Parks and Recreation				
Personnel Services	234,175			234,175
Supplies and Operations	94,920			94,920
Contract Services	0		-	0
Founders Day expenses	7,486			7,486
DSRP Expenses			254,901	254,901
Farmers Market			27,902	27,902
Total	<u>336,581</u>		<u>282,803</u>	<u>619,384</u>
Debt Service				
Principal - Taxable Certificates of Obligation		65,000		65,000
Interest - Taxable Certificates of Obligation		27,805		27,805
Total Debt Service	0	92,805		92,805
Total Expenditures	<u>5,514,939</u>	<u>92,805</u>	<u>777,386</u>	<u>6,385,130</u>
Excess Revenues Over (Under) Expenditures	<u>1,946,848</u>	<u>(91,150)</u>	<u>(150,108)</u>	<u>1,705,590</u>
Other Financing Sources (Uses)				
Transfer from General Fund	(355,663)	90,108	265,555	0
Transfer to TIRZ	(1,046,188)	0	-	(1,046,188)
Transfer to Wastewater Fund	(613,675)	0		(613,675)
Total Other Financing Sources (Uses)	<u>(2,015,526)</u>	<u>90,108</u>	<u>265,555</u>	<u>(1,659,863)</u>
Net Changes in Fund Balance	<u>(68,678)</u>	<u>(1,042)</u>	<u>115,447</u>	<u>45,727</u>
Fund Balance Beginning of Year	3,488,465	97,220	1,424,821	5,010,506
	0	0		0
Adjusted Fund Balance Beginning of Year	<u>3,488,465</u>	<u>97,220</u>	<u>1,424,821</u>	<u>5,010,506</u>
Fund Balance End of Year	<u>\$3,419,787</u>	<u>\$96,178</u>	<u>1,540,268</u>	<u>\$5,056,233</u>

The accompanying notes are an integral part of the financial statements

CITY OF DRIPPING SPRINGS, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2020

Net Changes in Fund Balance -- Governmental Fund	\$45,727
Amounts reported for governmental activities in the Statement of Activities are different because:	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Property taxes not collected	\$32,369
Less prior year	\$(20,163)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over the estimated useful lives and is reported as depreciation expense. This is the amount of depreciation expense for the current year.	(441,377)
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Activities.	65,000
Total OPEB expense is not recognized in governmental funds	(3,637)
Total Pension Expense is not recognized in governmental funds	(91,984)
Expenses related to capital outlays and land purchased are not included in governmental expenditures.	708,162
Various differences in Government-wide financial statements and governmental funds	453
The increase in compensated absences liability does not require the use of current financial resources but is recorded as an expense in the Statement of Activities	0
Changes in Net Position of Governmental Activities	<u>\$294,550</u>

The accompanying notes are an integral part of the financial statements

**CITY OF DRIPPING SPRINGS, TEXAS
STATEMENT OF NET POSITION PROPRIETARY FUND
SEPTEMBER 30, 2020**

	<u>Wastewater</u>
Assets	
Current Assets	
Cash and Cash Equivalents	\$8,956,411
Restricted Assets	
Cash and Cash Equivalents	23,671,506
Accounts Receivable	488,907
Capital Assets	
Infrastructure - Wastewater, less depreciation	7,184,702
Total Assets	<u><u>\$40,301,526</u></u>
Liabilities	
Accounts Payable	\$3,050
General Obligation Refunding Bonds Series 2015	3,935,000
Combination Tax and Surplus Revenue COB 2019	23,500,000
Wastewater & Reservation deposits	585,431
Total Liabilities	<u><u>28,023,481</u></u>
Net Position	
Net Investment in Capital Assets	2,009,707
Restricted for Debt Service	1,662,735
Unrestricted (Deficit)	8,605,603
Net Position	<u><u>\$12,278,045</u></u>

Cash and Cash Equivalents includes Impact Funds and also cash restricted for construction purposes from the Bond issue.

The accompanying notes are an integral part of the financial statements

CITY OF DRIPPING SPRINGS, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION PROPRIETARY FUND
SEPTEMBER 30, 2020

	Wastewater
Operating Income	
Charges for Services	1,018,510
Operating Expenses	(1,821,323)
Professional services	
Income (loss) from Operations	(802,813)
Nonoperating Revenues (Expenses)	
Sales Tax	613,675
Interest expense	(129,876)
Franchise Fees	274,357
Connection Fees	154,287
Other Income	161,080
Impact fees	750,773
Interest Income	120,735
Total Nonoperating Revenues (Expenses)	1,945,031
Changes in Net Position	1,142,218
Net Position - Beginning of Year	11,135,827
Net Position - End of Year	\$12,278,045

The accompanying notes are an integral part of the financial statements

CITY OF DRIPPING SPRINGS, TEXAS
STATEMENT OF CASH FLOWS / PROPRIETARY FUND
SEPTEMBER 30, 2020

	Wastewater
Cash Flows from Operating Activities	
Increase in Accounts Payable	2,886
Increase in Accounts Receivable	(176,426)
Decrease in Wastewater Deposits	2,713
Operating Expenses	(1,791,323)
Operating Income	1,018,510
Other Income	161,080
Depreciation & Amortization	519,065
Net Cash Provided (Used by Operating Activities)	(263,495)
Cash Flows From Capital and Related Financing Activities	
Impact Fees	750,773
Franchise Fees	274,357
Connection Fees	154,287
Sales taxes	613,675
Capital outlay & Land Purchase	(1,238,172)
Decrease in Restricted cash	689,055
Net Cash Provided by Capital and Related Financing Activities	1,243,975
Cash Flows From Noncapital Financing Activities and Transfers	
Payment on General Obligation Refunding Bonds Series 2015	(625,000)
Bond Proceeds 2019	-
Transfer from Other Funds	-
Net Cash from Noncapital Financing Activities	(625,000)
Cash Flows from Investing Activities	
Interest Expense	(129,876)
Interest Income	120,735
Net Cash from Investing Activities	(9,141)
Net Increase (Decrease) in Cash and Cash Equivalents	346,339
Cash and Cash Equivalents -- Beginning of Year	8,610,072
Cash and Cash Equivalents - End of Year	8,956,411

The accompanying notes are an integral part of the financial statements

CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the City of Dripping Springs, Texas relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standards-setting body for establishing governmental accounting and reporting principles. The more significant of the City's accounting and financial reporting policies and practices are described below.

In June, 1999 the Governmental Accounting Standards Board (GASB) approved Statement No.34, *Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments*. The basic financial statements now include a Management Discussion and Analysis (MD&A) section that provides an analysis of the City's overall financial position and results of operations; financial statements prepared using the full accrual basis of accounting for all City activities, including infrastructure, long-term debt, and fund financial statements focusing on major funds.

The City implemented the provisions of GASB Statement No. 34 beginning in the fiscal year ending September 30, 2004.

A. Reporting Entity

In defining the City for financial reporting purposes, management has considered all potential component units. The criteria for including organizations in the city's reporting entity as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Reporting Standards*, include whether the organization is legally separate; the City holds corporate powers of the organization; the City appoints a 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 or burden on the City; and there is fiscal dependency by the organization on the City. Based on these criteria, the City does not have any component units.

B. Basis of Presentation

Government-Wide Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report financial information on all non-fiduciary activities of the City. Basically, the effect of any inter-fund activity has been removed from the financial statements. These statements distinguish between governmental and business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and (2) operating or capital grants and contributions that are restricted to meeting the operational needs or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

Fund based financial statements are provided for the governmental funds. These statements present each major fund in a separate column on the fund financial statements, and non-major funds, if any, are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions are typically financed. The measurement focus on governmental funds is on the sources, uses and balances of current financial resources. The City has two major governmental funds, as follows:

CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Funds

The general fund is the main operating fund of the City. The fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law of contractual agreement to some other fund are accounted for in the general fund. General operating expenditures and capital improvement costs that are not paid from other funds are paid from the general fund.

The debt service fund is used to account for the resources accumulated and payment made for principal and interest on long-term debt obligations.

Proprietary Fund

Proprietary fund operating revenues result from exchange transactions associated with the principal activity of the fund. In an exchange transaction each party receives and gives up equal value. Non-operating revenues result from non-exchange transactions.

Fiduciary Funds

The City accounts for fiduciary assets held by the City in a custodial capacity as an agent on behalf of others. These funds are used to account for escrowed monies. Fiduciary funds are not included in the government-wide financial statements.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grant revenues are recognized as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible in the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within sixty days after year end. Expenditures are recorded when the liability is incurred, except for principal and interest on general long-term debt and compensated absences which are recognized as expenditures when they become due.

Sales tax and interest income are considered to be susceptible to accrual and have been recognized as revenues in the current fiscal period. All other revenue items are considered to be measurable and available only when payment is received by the City.

D. Cash and Cash Equivalents

Cash and investments (including restricted investments) with a maturity date of three months or less when purchased are considered to be cash equivalents.

E. Property Taxes

Property taxes are levied on October 1 on assessed values as of January 1 for all real and personal property located in the City. Taxes are due on January 1 and become delinquent on February 1 of the following year. On January 1, a lien attaches to property to secure payment of taxes, penalty and interest. Property taxes are considered available when they become due or past due and receivable within the current period.

**CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Capital Assets

Capital assets, which include property, plant, and equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at fair market value on the date donated repairs and maintenance are recorded as expenses.

Property, plant and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives.

Buildings	40 years
Machinery and Equipment	3-7 years
Infrastructure	15-25 years

G. Budgetary Data

The City Council adopts an annual budget for its governmental type funds which are prepared on the modified accrual basis of accounting. The original budgets for the fiscal year ending September 30, 2019 were adopted by the City Council on October 1, 2018 and the final amendments to the budgets were made on September 30, 2019. Budgets are prepared in conformity with GAAP using the modified accrual basis of accounting. The City does not utilize an encumbrance system, and all appropriations lapse at year end. As required by GASB Statement No 34, budgetary information for the general fund is presented as Required Supplementary Information.

H. Pensions

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City'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. Information regarding the City's Total Pension Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions.

I. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category.

**CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Pension contributions after measurement date – these contributions are deferred and recognized in the following fiscal year.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five-year period.
- Difference in expected and actual pension experience – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows or resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, this item is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and municipal court fines. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

J. Net Position

Net position represents the difference between assets, deferred inflows/outflows of resources and liabilities. Net position investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

K. Compensated Absences

Full time employees may accumulate vacation leave at the rate of five days per year for the first year, ten days for years 2, 3 and 4 and fifteen days per year for 5 years and thereafter. Vacation leave up to 120 hours can be carried over each year. Full time employees may accumulate sick leave at the rate of one-half day per month up to thirty days.

The liability for sick leave is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only when they mature as a result of employee resignation or retirement.

L. Interfund Activity

Transfer In and Transfers Out are netted and presented in a single Transfer line on the Government-wide Statement of Activities. Interfund receivables and payables are also netted and presented in a single line on the Government-wide Statement of Assets.

**CITY OF DRIPPING SPRINGS, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2020**

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

In the fund financial statements, the governmental fund reports reservation of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

3. DEPOSITS AND INVESTMENTS

Deposits – State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies or direct obligations of the State of Texas or its agencies and instrumentalities that have a fair market value of not less than the principal amount of the deposits. At September 30, 2020, the City’s deposits were fully insured or collateralized as required by state statutes. At fiscal year-end, the carrying amount of the City’s deposits was \$37,723,004 and the respective bank balances totaled \$38,781,266. Of the total bank balances, \$250,000 was insured by the Federal Deposit Insurance Corporation. The remainder was covered by collateral with a fair value of \$43,494,124 consisting of U.S. Government agency obligations with a fair value of \$43,494,124 and State of Texas instrumentality obligations with a fair value of \$43,494,124 Collateral is held by the city’s agent in the City’s name.

Investments – State statutes and city resolutions authorize the City’s investments. The City may invest in U.S. Government obligations or its agencies or instrumentalities, direct obligations of the State of Texas or its agencies or instrumentalities, collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States with ten years or less stated final maturity, (cannot be an inverse floater; a principal only or interest only), obligations of states, agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized investment firm not less than A or its equivalent rating, no-load SEC registered mutual funds with a weighted average stated maturity of less than two years that are invested in allowable securities, obligations of the State of Texas and its agencies, fully collateralized repurchase agreements and reverse repurchase agreements, prime domestic commercial paper, prime domestic bankers’ acceptances, insured or collateralized certificates of deposit, government pools and no-load SEC registered money market funds consisting of any of these securities listed.

The City did not have any investments during fiscal year ending September 30, 2020.

4. PROPERTY TAXES

Sec. 4. CITIES AND TOWNS WITH POPULATION OF 5,000 OR LESS: CHARTERED BY GENERAL LAW; TAXES; FINES, FORFEITURES, AND PENALTIES. Cities and towns having a population of five thousand or less may be chartered alone by general law. They may levy, assess and collect such taxes as may be authorized by law, but no tax for any purpose shall ever be lawful for any one year which shall exceed one and one-half per cent of the taxable property of such city; and all taxes shall be collectible only in current money, and all licenses and occupation taxes levied, and all fines, forfeitures and penalties accruing to said cities and towns shall be collectible only in current money.

The City is permitted, by Article XI, Section 5 of the State of Texas Constitution and the City Charter, to levy property taxes up to \$1.50 per \$100 of assessed valuation for general governmental services. Within the \$1.50 maximum levy, there is no legal limit upon the amount of property taxes which can be levied for debt service. The City’s Ad Valorem Tax Rate for 2019 was \$0.19 for maintenance & operations per \$100.00 assessed valuation. The adjusted original tax roll was \$1,298,987 on total taxable assessed value of \$763,212,103.

Property taxes as of September 30, 2020, are as follows:

	General Fund
Current Taxes Receivable	\$5,666
Delinquent & Rollback Taxes Receivable	26,703
	\$32,369

**CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

5. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2020 was as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Governmental Activities				
Capital Assets not Being Depreciated:				
Land	\$5,892,635	\$0	\$0	\$5,892,635
Capital Assets Being Depreciated:				
Buildings	1,153,982	0	0	1,153,982
Improvements Other Than Buildings	8,094,141	567,018		8,661,159
Machinery and Equipment and Vehicles	1,040,009	141,144	0	1,181,153
Infrastructure	713,866	0		713,866
Total Assets Being Depreciated	11,001,998	708,162	0	11,710,160
Less Accumulated Depreciation for:				
Buildings	544,113	143,071	0	687,184
Improvements Other Than Buildings	1,688,115	184,229		1,872,344
Machinery & Equipment & Vehicles	914,089	96,747		1,010,836
Infrastructure	548,644	17,329		565,973
Total Accumulated Depreciation	3,694,961	441,376	0	4,136,337
Total Capital Assets Being Depreciated, Net	7,307,037	266,786	0	7,573,823
	<u>\$13,199,672</u>	<u>\$266,786</u>	<u>\$0</u>	<u>13,466,458</u>
Proprietary Activities				
Wastewater Infrastructure	10,633,441	1,238,172	0	11,871,613
Loan Origination Fees	171,686	-		171,686
Less Accumulated Depreciation & Amort for:				
Wastewater Infrastructure & Intangibles	4,339,532	519,065	0	4,858,597
Total Capital Assets Being Depreciated, Net	6,465,595	719,107	0	7,184,702

**CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

5. CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged as a direct expense to programs of the primary government as follows:

Governmental Activities	
General and Administrative	241,791
Parks	199,945
Total	441,736
Proprietary Activities	
Water/Wastewater	519,065

6. LONG-TERM DEBT

At September 30, 2020, the City government has outstanding combination tax and limited revenue bonds from direct placements related to governmental activities totaling \$670,000, and general obligation refunding bonds and combination tax and surplus revenue certificates of obligation from direct placements related to business-type activities totaling \$4,560,000 and \$23,500,000, respectively.

1. \$7,410,000 General Obligation Refunding Bonds, Series 2015, Payments between \$540,063 and \$733,288 with interest payable semi-annually on June 1 and December 1 and principal payable annually on June 1. Term of loan expires June 1, 2026. The interest rates on the certificates range from 0.437% to 2.352%. Proceeds were used to refinance an existing loan to construct a wastewater utility system.
2. \$1,000,000 Combination Tax and Limited Revenue Certificates of Obligation, Taxable Series 2013, with interest payable semi-annually on March 1 and September 1 and principal annually on September 1. The interest rate on the Taxable Bonds of Obligation is 4.15%. The term of the loan expires September 1, 2028. Proceeds were used for the completion of the DSRP Convention Center.
3. \$23,500,000 Combination Tax and Surplus Revenue Certificates of Obligation, Series 2019, payments between \$933,553 and \$1,539,682 with interest payable semi-annually on June 1 and December 1. The interest rate on the certificates range from 0.04% to 0.61%. The term of the loan expires June 1, 2040. Proceeds will be used for Wastewater construction and improvements.

The following is a summary of long-term debt transactions for the year ended September 30, 2020

	Payable Beginning of Year	Additions	Reductio ns	Payable End of Year	Current portion
Governmental - Type Activities:					
Combination Tax and Limited Revenue Bonds of Obligation Taxable Series 2013	670,000	-	65,000	605,000	65,000
Total Governmental - Type Activities	670,000	-	65,000	605,000	65,000
Business-Type Activities:					
General Obligation Refunding Bonds Series 2015	4,560,000	-	625,000	3,935,000	650,000
Combination Tax and Surplus Revenue Certificates of Obligation, Series 2019	23,500,000	-		23,500,000	875,000
Total Business-Type Activities	28,060,000	-	625,000	27,435,000	1,525,000
Total Government	28,730,000	-	690,000	28,040,000	1,590,000

**CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

6. LONG-TERM DEBT (CONTINUED)

The bonds are payable from funds set aside before the end of the year to fund the next year's payment.

The principal and interest requirements on the above long-term debt at September 30, 2020 are as follows:

Bonds Outstanding	Fiscal Year	Principal	Interest	Total
\$1,000,000 Combination Tax and Limited Bonds	2021	65,000	25,108	90,108
	2022	70,000	22,410	92,410
	2023	70,000	19,505	89,505
	2024	75,000	16,600	91,600
	2025	75,000	13,488	88,488
	2026-2028	250,000	20,958	270,958
Total		605,000	118,069	723,069
\$7,410,000 General Obligation Refunding Bonds Series 2015	2021	650,000	79,182	729,182
	2022	665,000	68,288	733,288
	2023	655,000	56,232	711,232
	2024	655,000	43,498	698,498
	2025	655,000	29,900	684,900
	2026	655,000	15,406	670,406
		3,935,000	292,506	4,256,332
\$23,500,000 Combination Tax & Surplus Revenue Certificates of Obligation Series 2019	2021	875,000	58,553	933,553
	2022	900,000	58,553	958,553
	2023	925,000	58,553	983,553
	2024	955,000	58,553	1,013,553
	2025	985,000	58,553	1,043,553
	2026-2029	4,245,000	234,212	4,479,212
	2030-2034	6,055,000	270,816	6,325,816
	2035-2039	7,025,000	158,243	7,183,243
	2040	1,535,000	9,364	1,544,364
		23,500,000	965,400	24,465,400

**CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

7. OPERATING LEASE

The City has an outstanding lease agreement for a copier. The lease payment is \$501 per month. Total payments for the reporting period were \$6,014. The lease is subject to annual appropriation.

8. RISK MANAGEMENT

The City is exposed to various risks relating to injuries to employees and others, errors and omissions, and theft, damage or destruction of property. Since fiscal year ending September 30, 2005 the City had property and liability insurance with Texas Municipal League. Claims and settlements did not exceed insurance coverage.

9. PENSION PLAN

The City of Dripping Springs participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual report (CAFR) that can be obtained at www.tmr.com.

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

B. Benefits Provided

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

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

Employees covered by benefit terms.

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms.

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	25
Active employees	<u>26</u>
Total	52

**CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 9 – PENSION PLANS (continued)

C. Contributions

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

Employees for the City of Dripping Springs were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City of Dripping Springs were 6.46% and 6.46% in calendar years 2019 and 2020 respectively. The city's contributions to TMRS for the year ended September 30, 2020 were \$180,067 and were equal to the required contributions.

D. Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2019, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation 2.5% per year

Overall payroll growth 3.5 to 10.5% per year

Investment Rate of Return 6.75% net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB of account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2019, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2010 through December 31, 2015, first used in the December 31, 2018 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2018. These assumptions were first used in the December 31, 2015 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2019 valuation.

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

**CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 9 – PENSION PLANS (continued)

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 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 estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset class	Target allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	5.0%	8.50%
Total	100.0%	

Discount Rate

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

City of Dripping Springs
Schedule of Changes in Net Pension Liability and Related Ratios Current Period
September 30, 2020

A.	Total pension liability	
	1. Service Cost	\$ 163,515
	2. Interest (on the Total Pension Liability)	59,115
	3. Changes of benefit terms	-
	4. Difference between expected and actual experience	(6,464)
	5. Changes of assumptions	3,380
	6. Benefit payments, including refunds of employee contributions	<u>(13,212)</u>
	7. Net change in total pension liability	\$ 206,334
	8. Total pension liability - beginning	<u>800,622</u>
	9. Total pension liability - ending	<u><u>\$ 1,006,956</u></u>
B.	Plan fiduciary net position	
	1. Contributions - employer	\$ 92,626
	2. Contributions - employee	87,441
	3. Net investment income	100,230
	4. Benefit payments, including refunds of employee contributions	(13,212)
	5. Administrative Expense	(564)
	6. Other	<u>(18)</u>
	7. Net change in plan fiduciary net position	\$ 266,503
	8. Plan fiduciary net position - beginning	<u>646,090</u>
	9. Plan fiduciary net position - ending	<u><u>\$ 912,593</u></u>
C.	Net pension liability [A.9-B.9]	<u><u>\$ 94,363</u></u>
D.	Plan fiduciary net position as a percentage of the total pension liability [B.9 / A.9]	90.63%
E.	Covered-employee payroll	\$ 1,457,351
F.	Net pension liability as a percentage of covered employee payroll [C / E]	6.47%

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%)
City's net pension liability	\$249,303	\$94,363	\$(36,276)

Pension Plan Fiduciary Net Position

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

CITY OF DRIPPING SPRINGS
SCHEDULE OF PENSION EXPENSE
SEPTEMBER 30, 2020

1. Total Service Cost	\$ 163,515
2. Interest on the Total Pension Liability	59,115
3. Current Period Benefit Changes	-
4. Employee Contributions (Reduction of Expense)	(87,441)
5. Projected Earnings on Plan Investments (Reduction of Expense)	(43,611)
6. Administrative Expense	564
7. Other Changes in Fiduciary Net Position	17
8. Recognition of Current Year Outflow (Inflow) of Resources - Liabilities	(577)
9. Recognition of Current Year Outflow (Inflow) of Resources - Assets	(11,324)
10. Amortization of Prior Year Outflows (Inflows) of Resources - Liabilities	2,925
11. Amortization of Prior Year Outflows (Inflows) of Resources - Assets	<u>8,801</u>
12. Total Pension Expense	\$ 91,984

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

CITY OF DRIPPING SPRINGS
SCHEDULE OF OUTFLOWS AND INFLOWS - CURRENT AND FUTURE EXPENSE
SEPTEMBER 30, 2020

	Recognition Period (or amortization yrs)	Total (Inflow) or Outflow of Resources	2019 Recognized in current pension expense	Deferred (Inflow) Outflow in future expense
<u>Due to Liabilities:</u>				
Difference in expected and actual experience [actuarial (gains) or losses]	5.3400	\$ (6,464)	\$ (1,210)	\$ (5,254)
Difference in assumption changes [actuarial (gains) or losses]	5.5900	\$ 3,380	\$ 633	\$ 2,747
			<u>\$ (577)</u>	<u>\$ (2,507)</u>
<u>Due to Assets:</u>				
Difference in projected and actual earnings on pension plan investments [actuarial (gains) or losses]	5.0000	\$ (56,619)	\$ (11,324)	\$ (45,295)
			<u>\$ (11,324)</u>	<u>\$ (45,295)</u>
<u>Total:</u>				<u>\$ (47,802)</u>

Deferred Outflows and Deferred Inflows of Resources, by year, to be recognized in future pension expense as follows:

	Net deferred outflows (inflows) of resources
2020	\$ (4,260)
2021	(4,249)
2022	(712)
2023	(13,036)
2024	(199)
Thereafter	-
Total	<u>\$ (22,456)</u>

**CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 10 – SUPPLEMENTAL DEATH BENEFITS PLAN

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

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

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during the employees’ entire careers.

The City’s contributions to the TMRS SDBF for the years ended 2020, 2019, and 2018 equaled the required contributions each year.

TMRS records indicate the following percentages contributed by the City (as employer contributions) for the following fiscal years ending:

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2015	0.00%	0.00%	100%
2016	0.00%	0.00%	100%
2017	0.00%	2.66%	100%
2018	0.00%	7.06%	100%
2019	0.00%	6.46%	100%

**Net Other Post Employment Benefits Liability.
Actuarial Assumptions**

Actuarial assumptions were developed from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. These assumptions were adopted in 2015 and first used in the December 31, 2015 valuation.

All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.

The Mortality Experience Investigation Study covering 2009 through 2011 is used as the basis for the post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs). Mortality Rates for service employees uses the RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

**CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 10 – SUPPLEMENTAL DEATH BENEFITS PLAN

Inflation	2.50% per year
Overall payroll growth	3.50 to 10.5% per year including inflation
Discount rate	2.75%

Changes in the Net Other Post Employment Benefits Liability

	Increase (Decrease) Total OPEB Liability
Balance at 12/31/18	\$14,566
Changes for the year	
Service Cost	2,769
Interest on Total OPEB liability	589
Changes of benefit terms	0
Differences between expected and actual experience	(114)
Changes in assumption or other inputs	5,872
Benefit payments	<u>(146)</u>
Net changes	8,970
Total OPEB Liability – end of year	\$ 23,536
 Total OPEB Liability as a Percentage of Covered Payroll	 1.61%

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 current discount rate of 3.31% as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.31%) or -1 percentage point higher (4.31%) than the current rate. Because the SDBF is considered an unfunded trust, the relevant discount rate to calculate the total OPEB liability is based on the Fidelity Index’s 20 year Municipal GO AA Index.

	1% Decrease in Discount Rate (2.31%)	Discount Rate (3.31%)	1% Increase in Discount Rate (4.31%)
Total OPEB liability	\$30,555	\$23,536	\$18,434

**CITY OF DRIPPING SPRINGS
SCHEDULE OF OPEB EXPENSE
SEPTEMBER 30, 2020**

1. Total Service Cost	\$ 2,769
2. Interest on the Total OPEB Liability	589
3. Current Period Benefit Changes	-
4. Employer administrative costs	-
5. Recognition of deferred outflows/inflows of resources	-
6. Differences between expected and actual experience	(487)
7. Changes in assumptions or other inputs	766
8. Total OPEB Expense	\$ 3,637

**CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 10 – SUPPLEMENTAL DEATH BENEFITS PLAN

**CITY OF DRIPPING SPRINGS
SCHEDULE OF OPEB OUTFLOWS AND INFLOWS - CURRENT AND FUTURE EXPENSE
SEPTEMBER 30, 2020**

	Recognition Period (or amortization yrs)	Total (Inflow) or Outflow of Resources	2019 Recognized in current OPEB expense	Deferred (Inflow) Outflow in future expense
<u>Due to Liabilities:</u>				
Difference in expected and actual experience [actuarial (gains) or losses]	8.2000	\$ (114)	\$ (14)	\$ (100)
Change in assumptions [actuarial (gains) or losses]	8.2000	\$ 5,872	\$ 716	\$ 5,156
Contributions made subsequent to measurement date				
Total (excluding city provided Contributions made subsequent to measurement date)				<u>\$ 5,056</u>

Deferred Outflows and Deferred Inflows of Resources, by year, to be recognized in future OPEB expense as follows:

	Net deferred outflows (inflows) of resources
2020	\$ 279
2021	279
2022	279
2023	279
2024	120
Thereafter	<u>1,285</u>
Total	\$ 2,521

Other Information

Due to the SDBF being considered an unfunded OPEB plan, benefit payments are treated as being equal to the employer's yearly contributions for retirees. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits. In order to determine the retiree portion of the City's Supplemental Death Benefit Plan contributions (that which is considered OPEB), the City should perform the following calculation:

Total covered payroll * retiree Portion of SDB Contribution (Rate)

**CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

11. SUBSEQUENT EVENTS

Since 2010 the population within the City Limits of Dripping Springs has more than doubled to approximately 4,667. The Extraterritorial Jurisdiction houses approximately 40,000 and there are nearly 75,000 in the retail trade area. It is home to one of the top school districts in the state which has a definite impact on the population explosion.

Planned development in the next couple of years includes a variety of single family, multi-family residential, senior living and commercial projects currently being platted or under construction. The City is also working on development agreements for 3 large scale subdivisions for platting in the next two years. One development underway will host 228 acres of open space to include greenbelts, agricultural space, a golf course, residential home sites and commercial areas. Commercial projects continue to generate not only site development, subdivision and building permit fees but also sales tax and job creation. In Fiscal Year 2020 the city issued 826 residential building permits and 72 commercial building permits.

Many of these developments have wastewater capacity reserved through the City's South Regional Water Reclamation System. The City has secured a permit to expand the Water Reclamation System to accommodate the rapid residential and commercial growth in Dripping Springs as well secured funding for the expansion project from the Texas Water Development Board. The permit continues to be challenged in Court and both the City and the State of Texas are aggressively defending the issuance of the permit. Despite this challenge, the Texas Water Development Board is comfortable with the City moving forward with engineering design and easement acquisition for the expansion project.

Dripping Springs, also known as the Wedding Capital of Texas, continues to grow as a tourism destination. The City is home to many bed and breakfast establishments and three hotels with one currently under construction. It is home to five unique public parks. Dripping Springs Ranch Park is home to the County livestock show as well as many rodeos, horse shows, festivals, markets and other events throughout the year. The city was donated 300 acres of land that will become Rathgeber Natural Resource Park, and it will take a few years of planning and construction before it is open to the public. The City and its surrounding area is home to over 35 wineries and breweries and a host of restaurants and music venues.

A new Parkland Dedication Ordinance was adopted that includes a Parkland Development Fee to be paid by new residential development. A Sidewalk Cash in Lieu Fee and Mercer Street Historic District Parking in Lieu Fee were also established this year.

An increase in Property, Sales and Hotel Occupancy taxes and job opportunities in the area have been significantly impacted by the continued growth in Dripping Springs

**REQUIRED
SUPPLEMENTARY
INFORMATION**

CITY OF DRIPPING SPRINGS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET & ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
General Government				
Taxes - Ad Valorem, penalties, interest	1,292,527	1,292,527	1,304,191	11,664
Sales & mixed beverage tax	2,942,662	3,000,662	3,121,509	120,847
Alcohol permits	6,378	6,378	6,847	469
Rental Income	-	-	4,343	4,343
Total Taxes	4,241,567	4,299,567	4,436,890	137,323
Charges for Services				
Zoning, Sign and Other Fees	65,305	65,305	120,513	55,208
Building Code Fees	1,020,000	1,020,000	1,614,774	594,774
Health Permit Inspections	50,000	50,000	52,644	2,644
Municipal court revenues	250	250	-	(250)
Total Charges for Services	1,135,555	1,135,555	1,787,931	652,376
Development Fees				
Subdivision	451,700	451,700	293,125	(158,575)
Site Development	265,531	265,531	412,838	147,307
Total Development Fees	717,231	717,231	705,963	(11,268)
Other Revenues				
Transfer from capital improvements, GF	307,500	307,500	-	(307,500)
Hotel Occupancy tax	430,000	430,000	368,896	(61,104)
ESD Fire Inspections income	15,000	15,000	22,130	7,130
1% TWC fees	24,000	24,000	26,417	2,417
Balance forward	1,429,709	1,429,709	-	(1,429,709)
Other income	50,000	50,000	129,740	79,740
Fema dam repair	352,487	352,487	117,375	(235,112)
Transfer from Park dedication	267,460	267,460	152,074	(115,386)
Total Other Revenues	2,876,156	2,876,156	816,632	(2,059,524)
Interest Income	49,800	49,800	67,479	17,679
Total General Government Revenues	9,020,309	9,078,309	7,814,895	(1,263,414)

CITY OF DRIPPING SPRINGS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET & ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
Transfer from Parkland Dedication	269,700	269,700	-	(269,700)
Transfer from Landscaping Fund	7,500	8,900	-	(8,900)
Ag facility fees	2,555	2,555	0	(2,555)
pool and pavilion	40,000	40,000	-	(40,000)
Tomato Festival	-	-	-	-
Total Farmers Market	71,912	71,912	28,197	(43,715)
Riding Permits	12,000	12,000	9,904	(2,096)
Cleaning fees/staff fees	-	-	9,975	9,975
Park donations	5,000	5,000	6	(4,994)
Landscaping Fund balance forward	131,134	131,134	-	(131,134)
Park rental fees	1,500	1,500	-	(1,500)
Parkland fees	103,953	103,953	-	(103,953)
Total Park Revenues	645,254	646,654	48,082	598,572
Grant Revenue	-	-	-	-
DSRP Riding Series	80,000	80,000	61,126	(18,874)
DSRP merchandise sales	10,000	10,000	10,058	58
DSRP Stall Rentals	13,000	13,000	19,886	6,886
RV Site Rentals	22,500	22,500	12,090	(10,410)
Facility rentals	100,000	100,000	1,396	(98,604)
Equipment rental	6,000	6,000	4,545	(1,455)
Sponsored events/Rodeo Series	11,500	11,500	44,217	32,717
Other income	6,000	6,000	11,799	5,799
Interest income	1,000	1,000	873	(127)
Transfers to DSRP/balance forward	314,925	314,925	-	(314,925)
House rental income	4,000	4,000	-	(4,000)
Total DSRP Ranch Revenues	568,925	568,925	165,990	(391,005)
Founders Day	36,015	36,015	-	-
Craft Booths	6,500	6,500	-	(6,500)
Food Booths	1,100	1,100	-	(1,100)
BBQ Cookers	4,600	4,600	-	(4,600)
Carnival	9,500	9,500	-	(9,500)
Parade	3,750	3,750	-	(3,750)
Sponsorships	63,600	63,600	-	(63,600)
Electric	2,400	2,400	-	(2,400)
Parking Fees	1,700	1,700	-	(1,700)
Transfer from HOT	90,108	90,108	-	(90,108)
Total Founders Day Revenue	219,273	219,273	-	(219,273)
Total Park Revenues	1,433,452	1,434,852	214,072	(11,648)
Total General Fund Revenues	10,453,761	10,513,161	8,028,967	(2,484,194)

CITY OF DRIPPING SPRINGS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET & ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
GENERAL GOVERNMENT EXPENDITURES				
Capital Outlay			708,162	(708,162)
Salaries	1,515,898	1,515,898	1,650,279	(134,381)
Payroll Taxes	120,340	120,340	204,647	(84,307)
Health Insurance Employee Benefits	159,283	159,283	176,112	(16,829)
Retirement	89,145	89,145	102,428	(13,283)
Bad debt expense	5,000	5,000	325	4,675
Records management	580	580	840	(260)
Engineering	70,000	70,000	68,815	1,185
Office Supplies	25,000	25,000	24,764	236
Office Equipment/Software	149,450	149,450	139,982	9,468
Stephenson improvements & Land use plan transportation improvement projects	51,500	51,500	19,788	31,712
Street lights	669,620	669,620	-	669,620
Streets water	20,000	20,000	15,588	4,412
Office electric	3,000	3,000	3,981	(981)
Office water	4,500	4,500	4,331	169
Office water	650	650	523	127
Stephenson & Triangle Electric	2,000	2,000	1,230	770
Stephenson & Triangle Water	500	500	884	(384)
Dam repair	307,155	307,155	348,243	(41,088)
Street maintenance	175,515	175,515	50,163	125,352
Office maintenance repairs	10,960	10,960	10,940	20
Maintenance equipment	46,500	46,500	38,891	7,609
City hall remodel	10,000	10,000	5,492	4,508
Historic District, Lighting and HR consultants	32,500	32,500	13,658	18,842
Family violence center	7,000	7,000	7,000	-
Lighting compliance	2,000	2,000	1,716	284
Equipment maintenance & supplies	3,947	3,947	1,711	2,236
Economic development	5,000	5,000	5,000	-
Emergency Management	11,998	11,998	29,568	(17,570)
Emergency Equip Maint & Covid 19	7,400	7,400	22,920	(15,520)
Public relations	5,000	5,000	5,897	(897)
Website newsletter	4,000	4,000	1,500	2,500
Postage	3,500	3,500	2,498	1,002
TML insurance liability	14,769	14,769	15,026	(257)
TML insurance property	25,034	25,034	31,779	(6,745)
TML insurance workers comp	9,853	9,853	21,622	(11,769)
Dues fees pubs	22,000	22,000	19,748	2,252
Public notices	5,000	5,000	8,358	(3,358)
Election	5,700	5,700	-	5,700
Communications/Network	20,160	20,160	35,599	(15,439)
Total Contract Services	<u>3,621,457</u>	<u>3,621,457</u>	<u>3,800,008</u>	<u>(178,551)</u>

CITY OF DRIPPING SPRINGS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET & ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
Financial Services	140,000	140,000	149,428	(9,428)
City Attorney	175,000	175,000	107,250	67,750
Muni court	5,000	5,000	5,584	(584)
Building inspector	816,000	816,000	1,013,692	(197,692)
Health inspector	45,000	45,000	44,039	961
DSRP Salaries, Taxes, benefits, retirement	358,908	358,908	167,535	191,373
Architectural Consultant	5,000	5,000	4,373	627
Training CE	38,353	38,353	12,417	25,936
Code publication	8,500	8,500	12,393	(3,893)
Fleet maintenance & acquisition	39,000	39,000	6,532	32,468
Mileage	2,000	2,000	1,640	360
Miscellaneous	20,000	20,000	12,303	7,697
TIRZ Expenses	115,000	115,000	-	115,000
Contingencies	50,000	50,000	28,274	21,726
TXF to Reserve Fund	125,000	125,000	125,000	-
Sales Tax TXF to WWU	588,532	588,532	613,675	(25,143)
Eco D transfer	474,150	474,150	306,077	168,073
ECOD & Spas	65,472	65,472	586,070	(520,598)
Debt Service payments	92,805	92,805	92,805	-
TXF to DSRP	60,113	60,113	61,236	(1,123)
Total Administrative expenses	3,223,833	3,223,833	3,350,323	(126,490)
Park Master plans	-	-	-	-
Park Consultants	5,000	5,000	-	5,000
Pool Management	75,000	75,000	1,460	73,540
Pool equipment, park equip & supplies	8,000	8,000	16,950	(8,950)
Parkland Improvements	269,700	269,700	-	269,700
Founders Park, Charro & Sports Rec Improvements	277,200	269,700	-	269,700
Charro Ranch park supplies	1,550	1,550	-	1,550
Founders Park Supplies	6,000	6,000	600	5,400
Portable toilets	5,000	5,000	4,890	110
Electric	-	-	10,206	(10,206)
DSRP Tree planting	20,700	22,100	-	22,100
Founders park maintenance	40,500	40,500	17,409	23,091
S&R park maintenance	50,900	50,900	31,536	19,364
Charro ranch park maintenannce	12,800	12,800	13,093	(293)
Triangle veterans memorial park	12,700	12,700	441	12,259
general park maintenance	8,000	8,000	2,942	5,058
Total Parks	793,050	786,950	99,527	687,423
DSRP Operating expenses				
Advertising	500	500	529	(29)
Office supplies	3,000	3,000	1,053	1,947
Supplies and materials	20,000	20,000	19,293	707
Sponsored Events	40,000	40,000	32,592	7,408
RV Parking lot	50,000	50,000	50,000	-
Equipment rental	1,000	1,000	10,000	(9,000)
Drainage repairs	110,000	110,000	21,000	89,000
training & education	3,195	3,195	4,545	(1,350)

CITY OF DRIPPING SPRINGS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET & ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Portable toilets	800	800	780	20
Electric	60,000	60,000	54,123	5,877
Water	15,000	15,000	7,894	7,106
merchandise & concessions	5,000	5,000	9,594	(4,594)
Alarm	1,080	1,080	1,280	(200)
Equipment & Improvements	90,000	90,000	6,216	83,784
Communications	15,500	15,500	6,864	8,636
Lawn maintenance	12,000	12,000	12,000	-
Contract labor	10,400	10,400	10,400	-
General maintenance	47,250	47,250	44,656	2,594
Stall cleaning	2,000	2,000	600	1,400
other expenses	2,500	2,500	4,783	(2,283)
Dues fees subscriptions	1,000	1,000	1,072	(72)
propane	3,500	3,500	1,819	1,681
Contingencies	50,000	50,000	13,168	36,832
Mileage	1,500	1,500	341	1,159
Tree planting	20,700	20,700	15,500	5,200
Total DSRP expenses	565,925	565,925	330,102	235,823
Founders Day expenses				
Publicity	8,500	8,500	1,977	6,523
Rentals - Toilets	6,500	6,500	-	6,500
Security	20,000	20,000	-	20,000
Band	15,000	15,000	-	15,000
Electrical setup	4,600	4,600	-	4,600
Barricades & traffic plan	19,874	19,874	5,247	14,627
Electricity	1,800	1,800	-	1,800
Tents, Tables, & Chairs	4,500	4,500	-	4,500
Sponsorships	5,000	5,000	178	4,822
Parade	650	650	-	650
Flood plain study	-	-	-	-
Postage & Miscellaneous	7,000	7,000	83	6,917
Contingencies	31,141	31,141	-	31,141
Clean-up & waste disposal	4,600	4,600	-	4,600
Total Founders Day	129,165	129,165	7,485	121,680
Total Farmers Market Expenses	71,912	71,912	27,902	44,010
Total HOT, Parkland Project expenses	497,810	497,810	367,893	129,917
Total Parks & Recreation	2,057,862	2,051,762	832,909	1,218,853
Total Governmental Expenditures	8,903,152	8,897,052	7,983,240	913,812
Revenues Over (Under) Expenditures	1,550,609	1,616,109	45,727	(1,570,382)
Other Financing Sources (Uses)			-	
Net Changes in Fund Balance	1,550,609	1,616,109	45,727	(1,570,382)
Fund Balance Beginning of Year	5,010,506	5,010,506	5,010,506	
Adjustment to Beginning Fund Balance	-	-	-	
Adjusted Beginning Fund Balance	5,010,506	5,010,506	5,010,506	
Fund Balance End of Year	6,561,115	6,626,615	5,056,233	(1,570,382)

CITY OF DRIPPING SPRINGS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET & ACTUAL – PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
	-			
Solid Waste	36,000	36,000	36,414	414
ROW fees/Telephone franchise fees	15,000	15,000	12,922	(2,078)
Portion of Sales Tax	588,532	588,532	613,675	25,143
PEC	120,000	120,000	125,825	5,825
Texas gas franchise fees	3,600	3,600	3,542	(58)
Total Taxes & revenues	<u>763,132</u>	<u>763,132</u>	<u>792,378</u>	<u>29,246</u>
Charges for Services				
Wastewater sales	803,877	803,877	780,472	(23,405)
Late fees/return check Fees	3,000	3,000	10,537	7,537
Over Use fees	20,000	20,000	54,325	34,325
Cable	115,000	115,000	132,068	17,068
Total Charges for Services	<u>941,877</u>	<u>941,877</u>	<u>977,402</u>	<u>35,525</u>
Development Fees				
Transfer fees	124,008	124,008	7,039	(116,969)
Delayed connection fees	208,150	208,150	154,287	(53,863)
Line extensions			2,422	2,422
Reuse Fees	-	-	127,300	127,300
Total Development Fees	<u>332,158</u>	<u>332,158</u>	<u>291,048</u>	<u>(41,110)</u>
Other Revenues				
Transfer In for Debt Service	1,674,735	1,674,735	1,683,179	8,444
Prior year Balance Forward	31,902,943	31,902,943	-	(31,902,943)
Other income	30,000	30,000	161,080	131,080
Impact fees	909,600	909,600	750,773	(158,827)
Interest income	91,000	91,000	104,285	13,285
Total Other Revenues	<u>34,608,278</u>	<u>34,608,278</u>	<u>2,699,317</u>	<u>(31,908,961)</u>
Interest Income	-	-	-	-
Total Proprietary Fund Revenues	<u>36,645,445</u>	<u>36,645,445</u>	<u>4,760,145</u>	<u>(31,885,300)</u>

CITY OF DRIPPING SPRINGS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET & ACTUAL – PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
WASTEWATER UTILITY FUND EXPENDITURES				
Depreciation	0	0	507,619	(507,619)
Administrative expense	104,400	104,400	113,793	(9,393)
Auditing	10,000	10,000	10,000	-
Planning/Permitting	50,000	50,000	66,026	(16,026)
Chlorinator expenses	3,500	3,500	2,546	954
Engineering & surveying fees	20,000	20,000	39,488	(19,488)
Electricity	45,000	45,000	42,975	2,025
Phone	3,000	3,000	6,218	(3,218)
Supplies	3,000	3,000	11,013	(8,013)
Chemicals	8,000	8,000	6,892	1,108
Legal fees	30,000	30,000	20,293	9,707
Odor control	15,000	15,000	6,027	8,973
Lab testing	25,000	25,000	48,857	(23,857)
Meter calibrations	700	700	-	700
Water CCN application	5,000	5,000	-	5,000
Equipment	17,000	17,000	-	17,000
Other expense	5,000	5,000	27,641	(22,641)
CA 2nd phase irrigation fields	300,000	300,000	30,000	270,000
System repairs & maintenance	20,000	20,000	14,065	5,935
Reimburse Caliterra Oversize west intercep	500,000	500,000	-	500,000
Pump and haul	30,000	30,000	97,140	(67,140)
Drip Field Lawn repairs	20,000	20,000	10,497	9,503
Lift Station Repairs	15,000	15,000	32,583	(17,583)
2nd amendment to CIP 1881	5,000	5,000	-	5,000
Regulatory fees	3,500	3,500	1,878	1,622
Non-routine operations	50,000	50,000	63,459	(13,459)
TWDB Construction Phase Services	10,000	10,000	-	10,000
Wasteflow water measurement	9,000	9,000	7,080	1,920
Road Reconstruction	20,000	20,000	1,806	18,194
Jetting lines	10,000	10,000	20,173	(10,173)
TWDB 2019 Bond expenses,interest exp	2,407,140	2,407,140	129,876	2,277,264
WWTP repairs	30,000	30,000	23,601	6,399
Water and Sewer Expenses			173,737	(173,737)
Lift Station cleaning	4,000	4,000	4,732	(732)
Routine operations	87,000	87,000	47,704	39,296
Sludge hauling	80,000	80,000	80,428	(428)
WW lawn maintenance	10,000	10,000	10,879	(879)
Dues fees subscriptions	100	100	-	100
Transfer to Debt Service	2,417,611	2,417,611	1,662,735	754,876
Transfer to WW reserve	12,000	12,000	296,166	(284,166)
Total WW Utility Fund Expenditures	<u>6,384,951</u>	<u>6,384,951</u>	<u>3,617,927</u>	<u>2,767,024</u>
			-	-
Net Changes in Fund Balance	30,260,494	30,260,494	1,142,218	(29,118,276)
Fund Balance Beginning of Year	11,135,827	11,135,827	11,135,827	
Fund Balance End of Year	<u>41,396,321</u>	<u>41,396,321</u>	<u>12,278,045</u>	

City of Dripping Springs
Schedule of Changes in Net Pension Liability and Related Ratios
Last ten years (will ultimately be displayed)

Total pension liability	2014	2015	2016	2017	2018	2019
1. Service Cost	\$ 21,762	30,743	50,354	67,410	129,750	163,515
2. Interest (on the Total Pension Liability)	20,810	24,446	29,124	38,747	48,199	59,115
3. Changes of benefit terms	-			62,645	0	0
4. Difference between expected and actual experience	4,877	1,741	(4,706)	18,543	(14,071)	(6,464)
5. Changes of assumptions	-	15,501	-	-	-	3,380
6. Benefit payments, including refunds of employee contributions	-	-	-	(6,768)	(24,895)	(13,212)
7. Net change in total pension liability	\$ 47,449	72,431	74,772	180,577	138,983	206,334
8. Total pension liability - beginning	286,410	333,859	406,290	481,062	661,639	800,622
9. Total pension liability - ending	\$ 333,859	406,290	481,062	661,639	800,622	1,006,956
Plan fiduciary net position						
1. Contributions - employer	\$ 6,280	8,735	14,212	28,309	78,968	92,626
2. Contributions - employee	20,391	24,994	38,205	55,761	68,470	87,441
3. Net investment income	14,704	440	22,471	56,460	(16,201)	100,230
4. Benefit payments, including refunds of employee contributions	-	-	-	(6,768)	(24,895)	(13,212)
5. Administrative Expense	(153)	(268)	(253)	(292)	(313)	(564)
6. Other	(13)	(13)	(14)	(15)	(17)	(18)
7. Net change in plan fiduciary net position	\$ 41,209	33,888	74,621	133,455	106,012	266,503
8. Plan fiduciary net position - beginning	256,905	298,114	332,002	406,623	540,078	646,090
9. Plan fiduciary net position - ending	\$ 298,114	332,002	406,623	540,078	646,090	912,593
Net pension liability [A.9-B.9]	\$ 35,745	74,288	74,439	121,561	154,532	94,363
Plan fiduciary net position as a percentage of the total pension liability [B.9 / A.9]	89.29%	81.72%	84.53%	81.63%	80.70%	90.63%
Covered-employee payroll	\$ 407,828	499,885	764,092	984,086	1,141,163	1,457,351
Net pension liability as a percentage of covered employee payroll [C / E]	8.76%	14.86%	9.74%	12.35%	13.54%	6.47%

**City of Dripping Springs
Schedule of Contributions**

Last 10 Fiscal Years (will ultimately be displayed)

September 30, 2020

	2014	2015	2016	2017	2018	2019
Actually Determined Contribution	\$ 26,671	\$ 33,729	\$ 52,417	\$ 84,070	147,438	180,067
Contributions in relation to the actuarially determined contribution	<u>26,671</u>	<u>33,729</u>	<u>52,417</u>	<u>84,070</u>	<u>147,438</u>	<u>180,067</u>
Contribution deficiency (excess)	-	-	-	-		
Covered employee payroll	\$ 407,828	\$ 499,885	\$ 764,092	\$ 984,086	1,141,163	1,457,351
Contributions as a percentage of covered employee payroll	6.54%	6.75%	6.86%	8.54%	12.92%	12.36%

Noes to Schedule of Contributions

Valuation Date determined 12/31/2018
Notes

Valuation Date:
Notes

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	25 Years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experienced-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre Retirement: PUB 10 mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes There were no benefit changes during the year.

**OTHER
SUPPLEMENTARY
INFORMATION**

**NON-MAJOR GOVERNMENTAL FUND COMBINING
STATEMENTS – GOVERNMENTAL FUNDS**

CITY OF DRIPPING SPRINGS, TEXAS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

	Debt Service Fund	Special Revenue Funds	Total Nonmajor Governmental Funds
Revenue:			
Taxes:			
Hotel Motel Taxes		368,896	368,896
Park revenues		213,201	213,201
Other income	-	26,417	26,417
Interest income	1,655	18,764	20,419
Total Revenues:	<u>\$ 1,655</u>	<u>\$ 627,278</u>	<u>\$ 628,933</u>
Expenditures:			
Personnel Services	-	-	
Supplies and Operations			
Contract Services		-	-
Miscellaneous		367,893	367,893
DSRP Expenses		254,901	254,901
Farmers Market		27,902	27,902
Capital Outlay		126,690	126,690
Debt Service:			
Principal	65,000		65,000
Interest	27,805		27,805
Total Expenditures	<u>92,805</u>	<u>777,386</u>	<u>870,191</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(91,150)</u>	<u>(150,108)</u>	<u>(241,258)</u>
Other Financing Sources (Uses):			
Transfers (Out)/In	90,108	265,555	355,663
Total Other Financing Sources (Uses)	<u>90,108</u>	<u>265,555</u>	<u>355,663</u>
Net Change in Fund Balances	(1,042)	115,447	114,405
Fund Balances - Beginning	<u>\$ 97,220</u>	<u>\$ 1,424,821</u>	<u>\$ 1,522,041</u>
Fund Balances - Ending	<u>\$ 96,178</u>	<u>\$ 1,540,268</u>	<u>\$ 1,636,446</u>

CITY OF DRIPPING SPRINGS, TEXAS

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

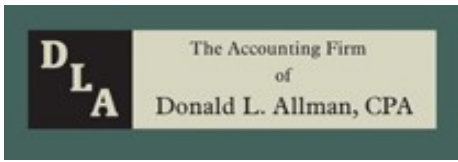
	Debt Service Fund	Special Revenue Funds	Total Nonmajor Governmental Funds
Revenue:			
Taxes:			
Hotel Motel Taxes		368,896	368,896
Park revenues		213,201	213,201
Other income	-	26,417	26,417
Interest income	1,655	18,764	20,419
Total Revenues:	<u>\$ 1,655</u>	<u>\$ 627,278</u>	<u>\$ 628,933</u>
Expenditures:			
Personnel Services	-	-	
Supplies and Operations			
Contract Services		-	-
Miscellaneous		367,893	367,893
DSRP Expenses		254,901	254,901
Farmers Market		27,902	27,902
Capital Outlay		126,690	126,690
Debt Service:			
Principal	65,000		65,000
Interest	27,805		27,805
Total Expenditures	<u>92,805</u>	<u>777,386</u>	<u>870,191</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(91,150)</u>	<u>(150,108)</u>	<u>(241,258)</u>
Other Financing Sources (Uses):			
Transfers (Out)/In	90,108	265,555	355,663
Total Other Financing Sources (Uses)	<u>90,108</u>	<u>265,555</u>	<u>355,663</u>
Net Change in Fund Balances	(1,042)	115,447	114,405
Fund Balances - Beginning	<u>\$ 97,220</u>	<u>\$ 1,424,821</u>	<u>\$ 1,522,041</u>
Fund Balances - Ending	<u>\$ 96,178</u>	<u>\$ 1,540,268</u>	<u>\$ 1,636,446</u>

CITY OF DRIPPING SPRINGS, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS (Continued)

	Hotel Motel Tax	PEG Fund	Reserve Fund	Dripping Springs Ranch Park	Farmers Market	Total Nonmajor Special Revenue Funds
ASSETS						
Assets:						
Cash and Cash Equivalents	\$ 71,993	\$ 112,632	\$ 1,310,195	9,422	36,026	\$ 1,540,268
Total Assets	<u>\$ 71,993</u>	<u>\$ 112,632</u>	<u>\$ 1,310,195</u>	<u>9,422</u>	<u>36,026</u>	<u>\$ 1,540,268</u>
LIABILITIES AND FUND BALANCES:						
Accounts payable				-		-
Deposits payable				-		-
Liabilities:				-		-
Fund Balances:						
Restricted - Hotel Motel Tax	71,993					71,993
Restricted - PEG Fund		112,632				112,632
Committed - Reserve Funds			1,310,195			1,310,195
Assigned - Dripping Springs Ranch Park				9,422		9,422
Assigned - Farmers Market					36,026	36,026
Unassigned	-	-	-	-	-	-
Total Fund Balance	<u>71,993</u>	<u>112,632</u>	<u>1,310,195</u>	<u>9,422</u>	<u>36,026</u>	<u>1,540,268</u>
 Total Liabilities and Fund Balance	 <u>\$ 71,993</u>	 <u>\$ 112,632</u>	 <u>\$ 1,310,195</u>	 <u>9,422</u>	 <u>36,026</u>	 <u>\$ 1,540,268</u>

**CITY OF DRIPPING SPRINGS, TEXAS
 COMBINING STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS (Continued)**

	Hotel Motel Tax	PEG Fund	Reserve Fund	Dripping Springs Ranch Park	Farmers Market	Total Nonmajor Special Revenue Funds
Revenue:						
Hotel Motel Tax	368,896					368,896
TWC Fees		26,417				26,417
Dripping Springs Ranch Park Revenues				185,003		185,003
Farmers Market					28,198	28,198
Interest income	\$ 1,566	\$ 1,186	\$ 14,699	873	440	\$ 18,764
Total Revenues	370,462	27,603	14,699	185,876	28,638	627,278
Expenditures:						
Hotel Motel Tourism Expenses	367,893					367,893
Dripping Springs Ranch Park Expenses				254,901		254,901
Capital Outlay				126,690		126,690
Farmers Market expenses					27,902	27,902
Total Expenditures	367,893	-	-	381,591	27,902	777,386
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,569	27,603	14,699	(195,715)	736	(150,108)
Other Financing Sources (Uses):						
Transfers	-		125,000	140,555		265,555
Total Other Financing Sources (Uses)	-	-	125,000	140,555		265,555
Net Change in Fund Balances	2,569	27,603	139,699	(55,160)	736	115,447
Fund Balances - Beginning	69,424	85,029	1,170,496	64,582	35,290	1,424,821
Fund Balances - Ending	\$ 71,993	\$ 112,632	\$ 1,310,195	9,422	36,026	\$ 1,540,268



CERTIFIED PUBLIC ACCOUNTANT

**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 Mayor & City Council
City of Dripping Springs, Texas

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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Dripping Springs, Texas as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Dripping Springs, Texas' basic financial statements, and have issued our report thereon dated January 15, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Dripping Springs, Texas' internal control over financial reporting (internal control) to determine the 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 of Dripping Springs, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Dripping Springs, Texas' 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 entity's financial statements will not be prevented, or detected and corrected on a 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Dripping Springs, Texas' 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 determination of financial statement amounts. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Donald L. Allman, CPA, PC

Georgetown, TX
January 15, 2021