

ANNUAL COMPREHENSIVE FINANCIAL REPORT
For Fiscal Year Ended September 30, 2021
CITY OF DRIPPING SPRINGS, TEXAS

CITY OF DRIPPING SPRINGS, TEXAS
 BASIC FINANCIAL STATEMENTS
 AND SUPPLEMENTAL SCHEDULES
 AND INDEPENDENT AUDITOR'S REPORT
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

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March 7, 2022

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

We are pleased to submit the Annual Comprehensive Financial Report (ACFR) of the City of Dripping Springs, Texas (the "City"), for the fiscal year ended September 30, 2021, which includes the Independent Auditor's Report. State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with the generally accepted accounting principles (GAAP) and audited in accordance with generally accepted audited standards by an independent firm of licensed public accountants. This report is published to fulfill those requirements for the fiscal year ended September 30, 2021 and to provide the Mayor and City Council, City staff, our Citizens, representatives of financial institutions, our bondholders and other interested parties with detailed information concerning the financial condition and activities of the City.

The City of Dripping Springs's financial statements have been audited by Donald L. Allman, CPA, PC a licensed Certified Public Accountant. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2021, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor's report is presented as the first component of the financial section of this report. Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis to accompany the basic financial statements. This letter of transmittal is designed to complement MD&A and should be read in conjunction with it.

City Profile

Location

The City, founded in 1981, is in northern Hays County primarily located along U.S. Highway 290 at its intersection of Hays County Ranch Road 12. The City encompasses about 22.45 square kilometers and has a population of 4,650.

Form of Government

Since incorporation the City has operated as a Type A General Law City with an Aldermanic Form of Government. The City Council is comprised of a Mayor and five Council Members. The Mayor and Council Members are elected At-Large, where Council Members are elected to Place. Places 1, 3 and 5 have terms expiring in odd years and Places 2, 4 and the Mayor have terms expiring in even years. The City Council appoints a City Administrator who is charged with implementing the policies of the Council as well as overseeing the day-to-day operations of City government.

The City Council has established and appointed members to numerous boards and commissions, including the Planning and Zoning Commission, Economic Development Committee, and Tax Increment Reinvestment Zone (TIRZ) No. 1 and No. 2 Board.

Services Provided

The City of Dripping Springs provides a full range of services from multiple departments including Building, Planning & Development, Communications, Emergency Management, Parks & Community Services, and Public Works, which is responsible for the construction and maintenance of streets and other infrastructure as well as Wastewater Collection and Treatment operations.

Economic Conditions and Outlook

Economic Condition

The City's proximity to the Austin area and its location along U.S. highway 290 has directly contributed to the City's healthy economic condition which has been marked by rapid population growth and development. The city's population has grown roughly 200% since the 2000 Census, and 160% since 2010 alone.

The City has seen a significant growth in residential development both within the corporate city limits and the extraterritorial jurisdiction (ETJ). Currently, over 1,400 acres are under construction or being platted for residential development. This represents nearly 1,300 new single-family residential developments. Additionally, the City has seen a number of new commercial developments permitted, included local business and chain retail.

Major Initiatives

A Temporary Development Moratorium was enacted on November 18, 2021, and was scheduled to run through November 27, 2021. Following public hearings where they received input from residents, builders and developers, the Council extended the Moratorium, stating it is an important step in maintaining responsible growth in the City. The Council recognized the impact of rapid growth on providing for responsible development, especially as it relates to density, transportation, and the provision of wastewater. Currently, the City has reached its wastewater capacity. It is also in the process of updating its Comprehensive Plan and Zoning Ordinance to accommodate land-use regulation issues.

In FY 2021, the City completed its Transportation Master Plan which has been developed to meet the future mobility needs of the City, identify deficiencies in the existing transportation network, and identify opportunities for improved connectivity throughout the City of Dripping Springs. Included in the FY 2022 budget is the development of a new Comprehensive Plan which will be used to guide the City through 2045.

The City has received the needed wastewater expansion permit from the Texas Commission on Environmental Quality (TCEQ). 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. The City was awarded funding from the Texas Water Development Board for the project in August 2019. The City is currently in the easement acquisition and design phase for the expansion. This permit represents the culmination of a long-term vision and goal of the City to lessen the reliance on ground water and treated surface water for irrigation. With the expansion to the City's Water Reclamation Plant, many new and existing developments in Dripping Springs will instead use the reclaimed water from the plant to irrigate open spaces, parkland and landscaping.

Financial Information

The City utilizes 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.

City Administration is responsible for establishing and maintaining internal controls designed to ensure that the assets of the City are protected from loss, theft, or misuse and to ensure that adequate accounting data is completed to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. Because the cost of internal controls should not outweigh their benefits, the City of Dripping Springs's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute assurance, that the financial statements will be free from material misstatement.

Other Information

Independent Audit

The Texas Local Government Code Sec. 103.001, requires the City to have its records and accounts audited annually by a certified public accountant who is licensed in this state or a public accountant who holds a permit to practice from the Texas State Board of Public Accountancy to conduct the audit and to prepare the annual financial statement. The independent auditors' report prepared by Donald L. Allman, CPA, PC is included in the financial section of this report.

Acknowledgements

The presentation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the finance department and all department head directors. We would like to express our appreciation to all members of the departments who assisted and contributed to the preparation of this report. We would also like to thank the Mayor and the City Council for their continued interest and support for maintaining the highest standards of professionalism in the management of the City of Dripping Springs financial operations. Furthermore, the work of the independent auditors from Donald L. Allman, CPA, PC, is greatly appreciated.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for interested parties. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director/City Treasurer, City of Dripping Springs, PO Box 384, Dripping Springs TX, 78620.

Respectfully submitted,



Shawn Cox

Finance Director/City Treasurer

City of Dripping Springs
Annual Comprehensive Financial Report
For the Year Ended September 30, 2021

Mayor

Bill Foulds, Jr.

Mayor Pro Tem

Taline Manassian

Council Members

Wade King

Geoffrey Tahuahua

April Harris Allison

Sherrie Parks

City Administrator

Michelle Fischer

Deputy City Administrator

Ginger Faught

Prepared By:
Shawn Cox, Finance Director



ORGANIZATIONAL
FLOWCHART

Areas of Oversight & Liaisons to Boards, Committees, & Commissions



Mayor Pro Tem Taline Manassian
Finance
Legislative Priorities Committee Member
TRZ No. 1 & 2 Board Member
Visitors Bureau Advisory Board Member
Economic Development Committee Member

Mayor Bill Foulds, Jr.
Utilities & Finance
Utility Commission Liaison
Legislative Priorities Committee Member

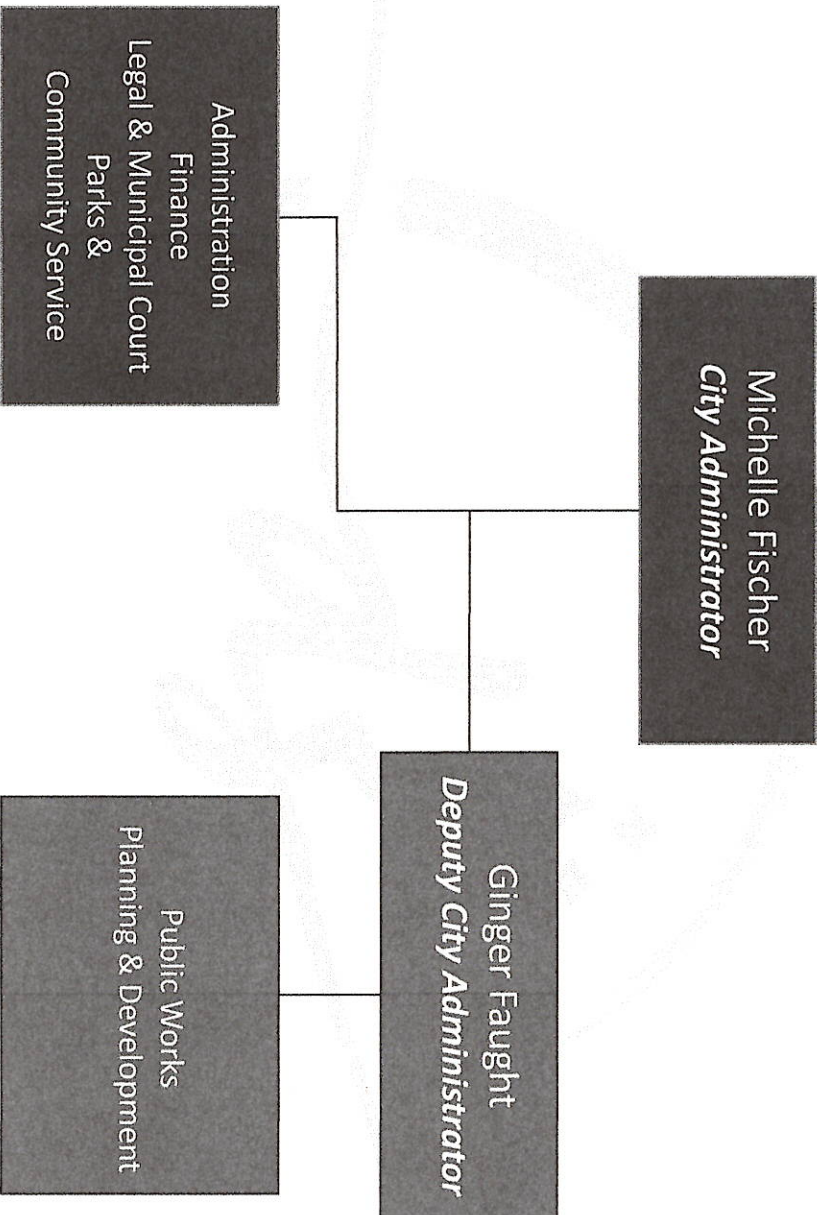
Council Member Sherrie Parks
Parks & Recreation, Community Services
Greater San Marcos Partnership Representative

Council Member Wade King

Council Member Geoffrey Tahuahua
Transportation & Streets

Council Member April Harris Allison
Public Health & Safety
Emergency Management Commission Liaison

Administration



Michelle Fischer
City Administrator

Finance

Finance Director-Shawn Cox (FT)
Accounting Clerk -
Penny Appleman (FT)
Accounts Receivable Clerk -
Alison Jamieson (FT)
Financial Advisor -
Chris Lane (1C), Andre Ayala (1C)
TIRZ Project Manager -
Keenan Smith (1C)
PID Administrator (1C)
TIRZ Administrator (1C)

**Legal & Municipal
Court**

Municipal Court Judge
Marilyn Miller (1C)
Special Counsels-Bojorquez Law
Firm, David Tuckfield, Andy Barret,
Jeff Chapman, Richard Donahue (1C)
Municipal Court Clerk -
Andrea Cunningham (FT)
Assistant City Attorney (Prosecutor) -
Ryan Turner (1C)

**Parks & Community
Services**

Director-Vacant (FT)
Community Events Coordinator -Caylie
Houchin (FT)
Farmers Market Manager-Charlie Reed (FT)
DSRP Manager - Enily Nelson (FT)
DSRP Assistant Manager-Lily Sellers (FT)
DSRP Event Center Coordinator-Johnna
Krantz (FT)
DSRP Lead Ranch Hand - Nick Spillar (FT)
DSRP Ranch Hands-Sheri Kapanka, Heather
Newman
Ranch Maintenance Worker Andrew
Thompson (FT)
DSRP Facility Specialist - Rune Jamieson
DSRP Customer Service Specialist-Thomas
Eubanks (PT)
Aquatics & Programs Coordinator-Mack
Rusick (FT)
Coyote Kids Camp Director -Vacant
(FT/seasonal)
FMP Lifeguards & Cashiers (FT and
PT/seasonal)
Park Planning Consultant -Brent Luck (1C)

Administration

Finance

Legal

Parks &

Community



Administration

City Secretary - Andrea Cunningham (FT)
Records Management Clerk -
Sherry Canady (PT)

City Attorney - Laura Mueller (FT)
Executive Assistant - Kevin Campbell
(FT)

Communications & Marketing Direct
Lisa Sullivan (FT)

Receptionist - Amy Kappler (FT)

Information Technology
Coordinator - Vacant (FT)

Emergency Management
Coordinator - Roman Baligad (FT)

Information Technology -
Percento Technologies (IC)

Michelle Fischer
City Administrator

Ginger Faught
Deputy City Administrator

Public Works & Planning & Development



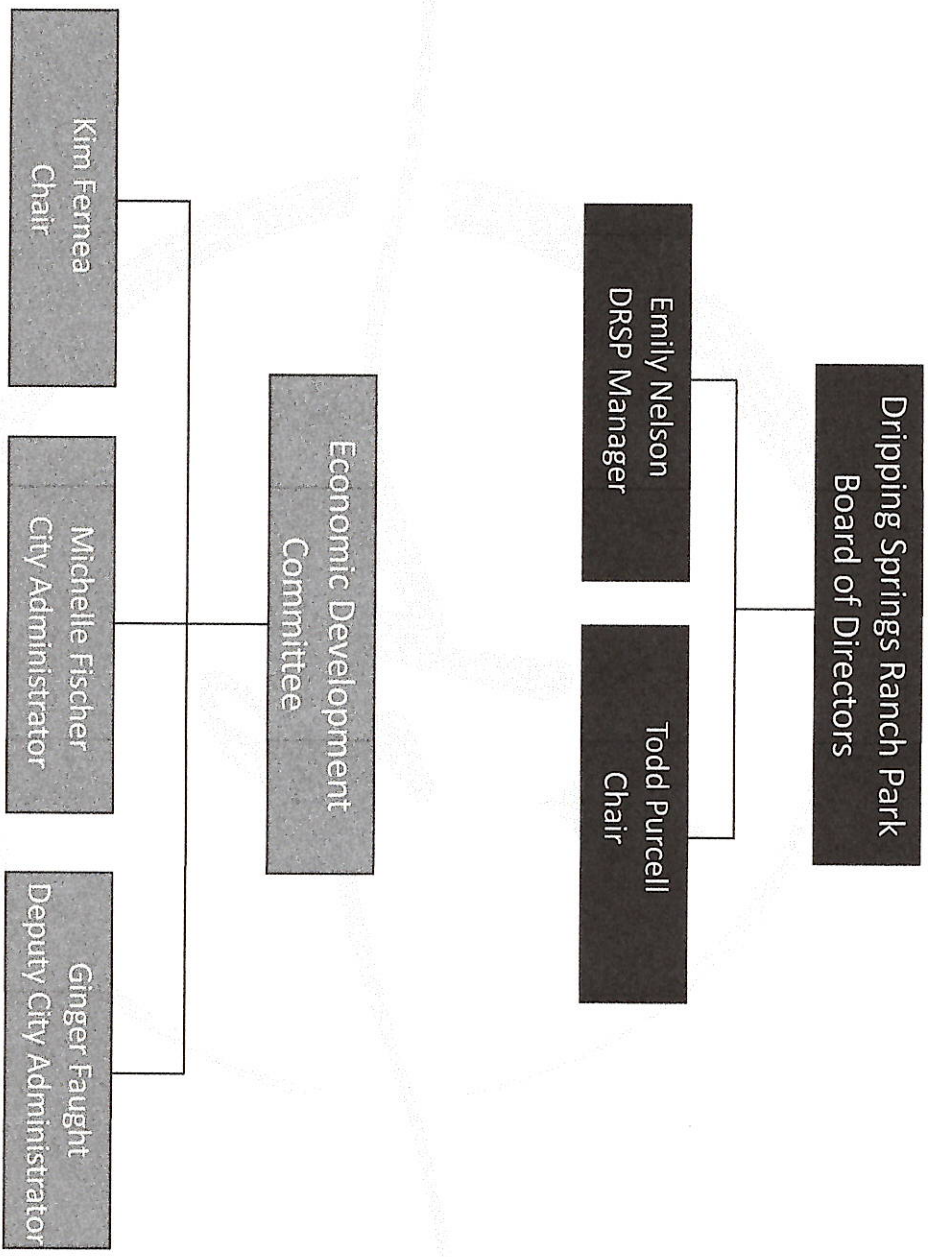
Public Works

- Executive Manager-**Ginger Faught (FT)**
- Public Works Director-**Aaron Reed (FT)**
- Utilities Superintendent--**Jesse Kennis (FT)**
- Utility Operator I-**Steve Rassette (FT)**
- Utility Operator II-**Marcus Vallejo (FT)**
- Public Works/Code Enforcement Inspector -
Shane Pevehouse (FT)
- Maintenance Director - **Craig Rice (FT)**
- Maintenance Workers-**Lead-Jim Bass, Sonny Garza (FT),**
Maintenance Workers - Bill Stevens, Riley Sublett (FT)
- Facility & Landscape Maintenance Worker - **Jahnathon Hill (FT)**
- Utilities Coordinator- **Sarah Cole (FT)**
- City Engineer - **Chad Gilpin, PE (IC)**
- Wastewater Utility Engineer - **CMA (IC)**
- Solid Waste - Waste Connections (IC)
- Landscape Maintenance - (IC)
- Traffic Engineering - **HDR (IC)**
- PW Design - **As Needed (IC)**

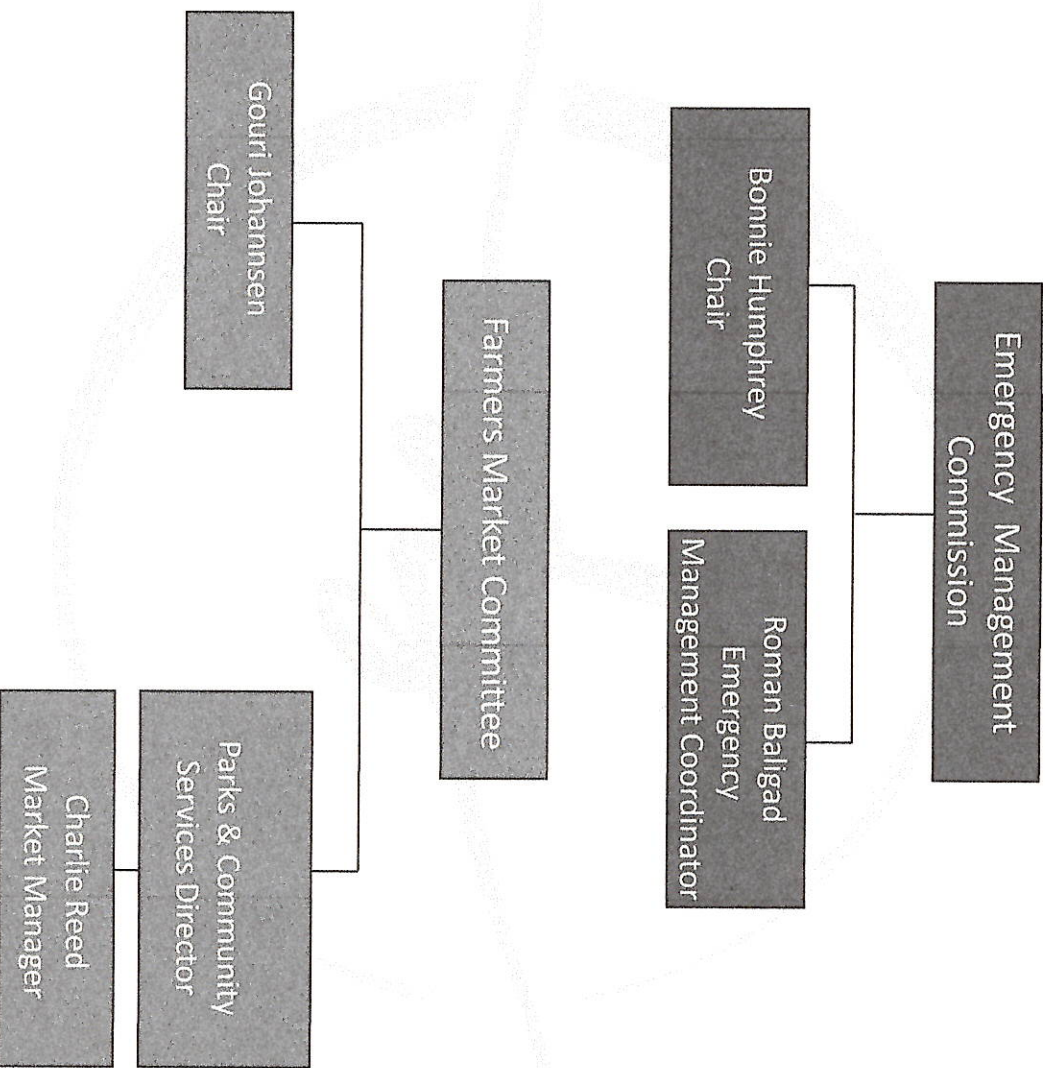
Planning & Development

- Planning Director - **Howard Koontz (FT)**
- Senior Planner - **Tony Carpenter (FT)**
- Planning Assistant - **Wanlan Rivera (FT)**
- Development Permit Coordinator - **Vacant (FT)**
- Building Official - **Sarah Cole (FT)**
- Building Permit Technician - **Brandon Elliott (FT)**
- Building Permit Technician - **Selina Romero (FT)**
- Residential Plans Examiner & Inspector -
Vacant (FT)
- Building Inspector - **Bureau Vertas (IC)**
- Environ Health and OSSF Inspector - **Kyle Dehart (IC)**
- Historic Preservation Officer - **Michelle Fischer**
- Sign Administrator - **Michelle Fischer, Sarah Cole**
(designee)
- Consultants: Engineering, Architect & Exterior Design,
Landscape Architect, Lighting

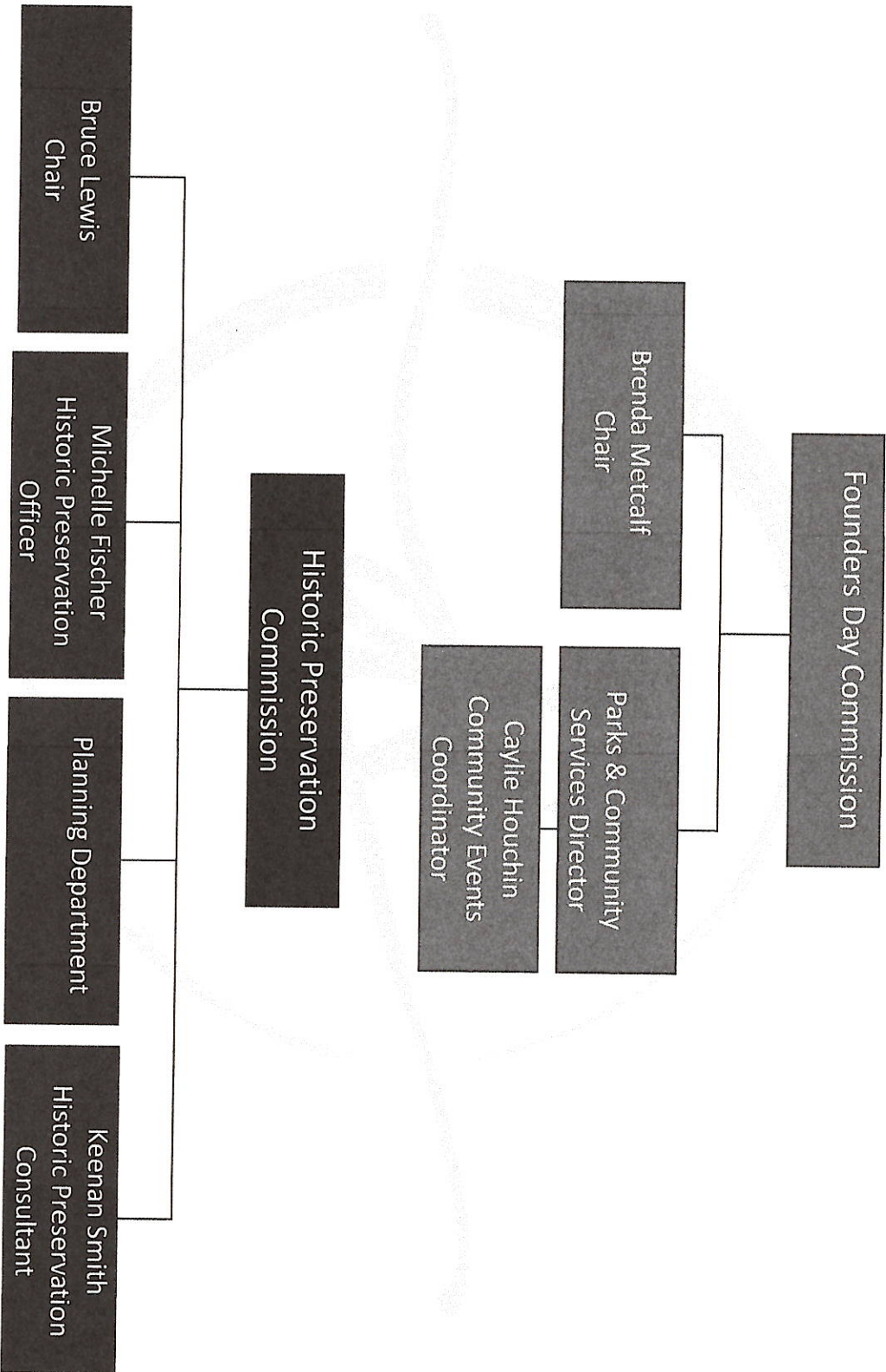
*Commissions,
Committees,
& Boards*



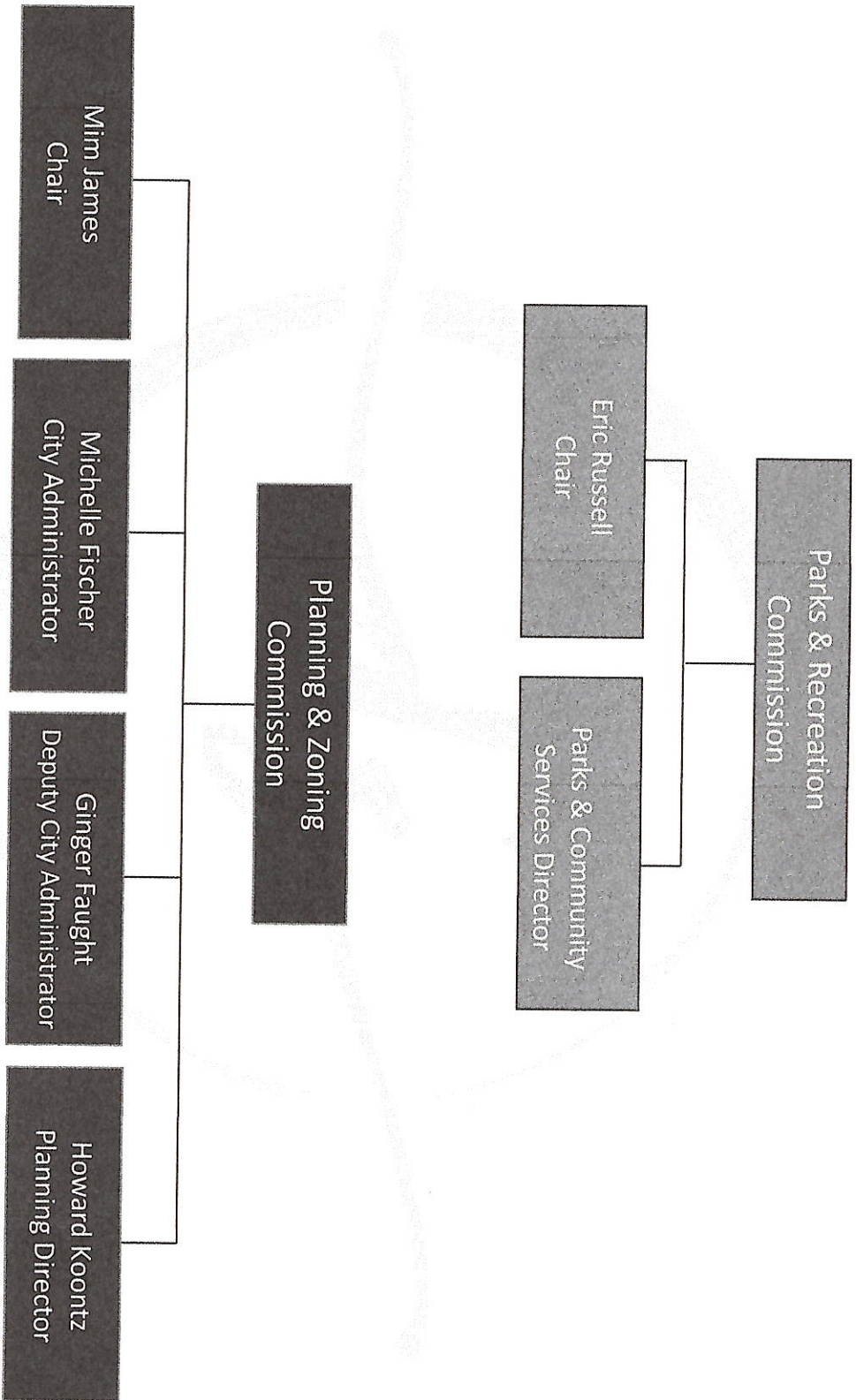
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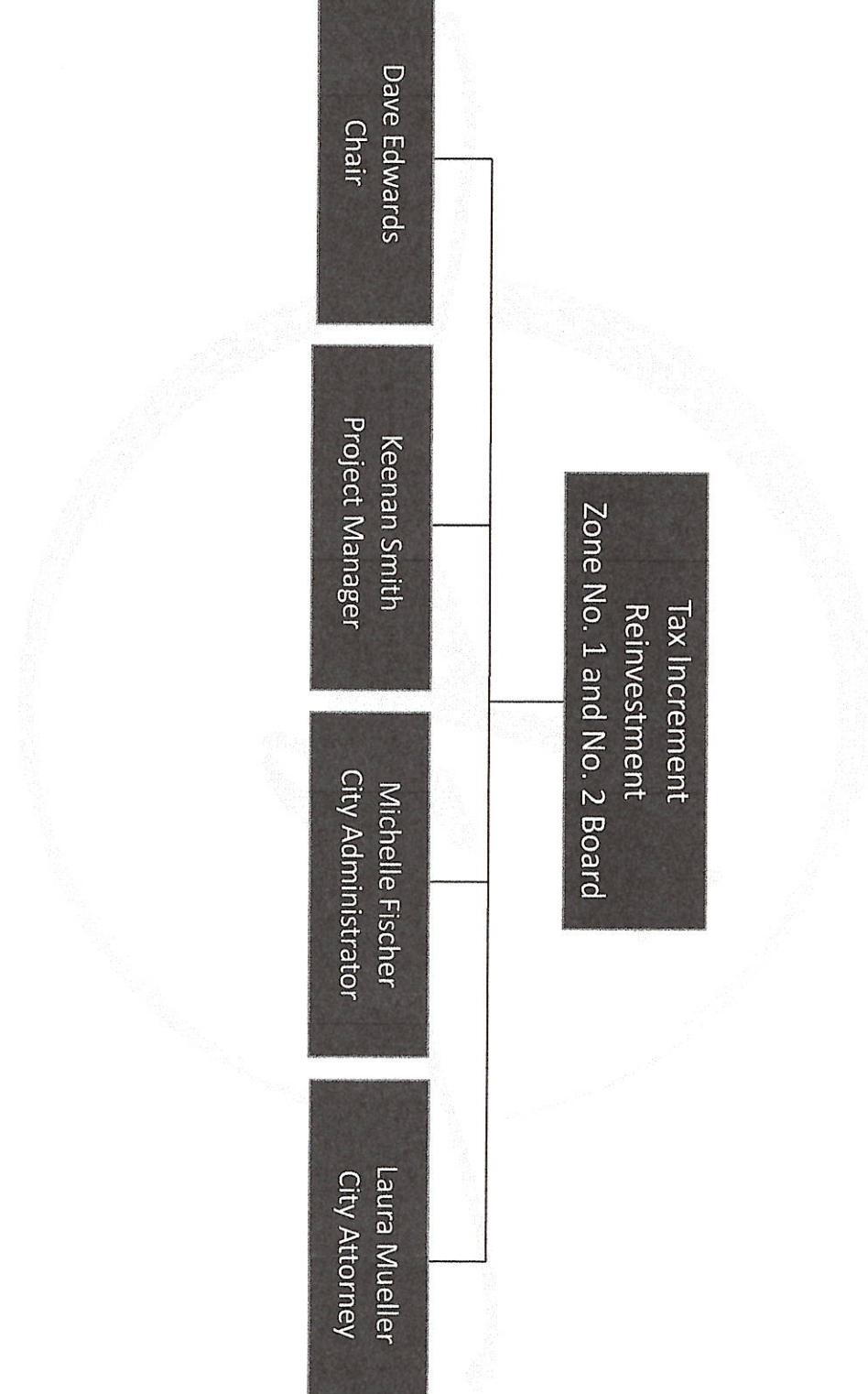
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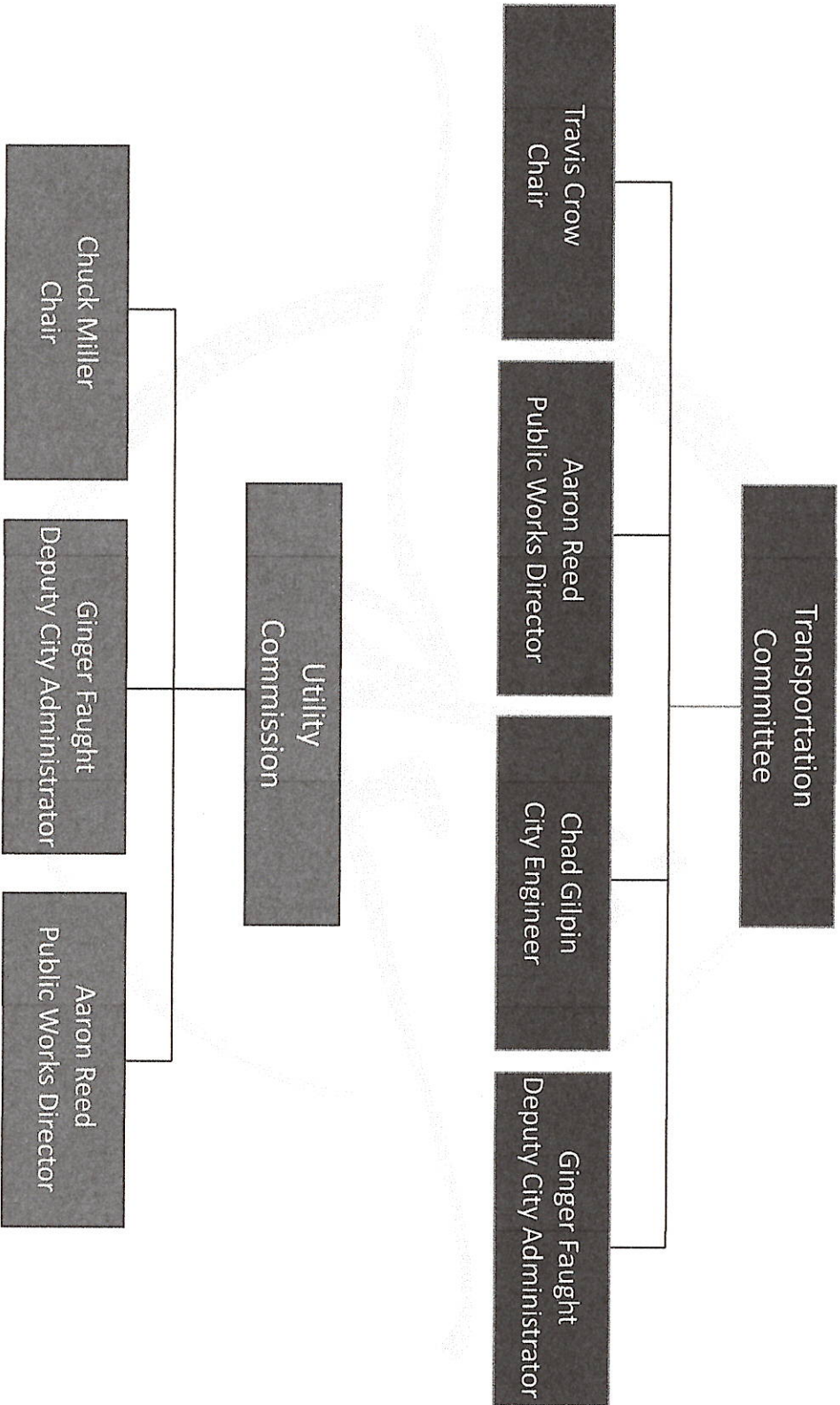
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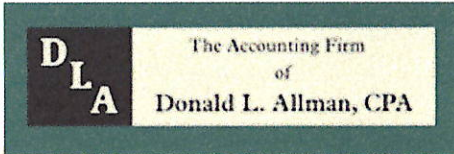
*Commissions,
Committees,
& Boards*



Commissions, Committees, & Boards



CITY OF DRIPPING SPRINGS, TEXAS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021



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, 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, 2021, 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Dripping Springs, Texas as of September 30, 2021, 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 March 7, 2022 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
March 7, 2022

**CITY OF DRIPPING SPRINGS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER, 30, 2021**

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, 2021. 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 \$34.2 million (net position). Of this amount, \$16.6 million was invested in capital assets, \$1.8 million was restricted, and \$15.8 million was unrestricted.
- The City's total net position increased by \$4.4 million for the year ended September 30, 2021.
- At September 30, 2021, the City's governmental funds reported a combined ending fund balance of \$7.6 million, an increase of \$2.4 million 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 2021, due to mostly an increase in property taxes, sales taxes and development fees. 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, 2021

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, 2021**

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	
	2021	2020	2021	2020	2021	2020
Current and Other Assets	8,956	5,628	32,665	33,116	41,621	38,744
Capital Assets	13,705	13,466	7,955	7,185	21,660	20,651
Total Assets	22,661	19,094	40,620	40,301	63,281	59,395
Deferred Outflows of Resources	(5)	(24)			(5)	(24)
Current Liabilities	1,377	581	2,208	2,113	3,585	2,694
Long-term Liabilities	786	751	24,345	25,910	25,131	26,661
Total Liabilities	2,163	1,332	26,553	28,023	28,716	29,355
Deferred Inflows of Resources	318	198			318	198
Net Position:						
Net Investment in Capital Assets	13,165	12,861	3,501	2,009	16,666	14,870
Restricted	92	96	1,692	1,663	1,784	1,759
Unrestricted	6,918	4,583	8,874	8,606	15,792	13,189
Total Net Position	20,175	17,540	14,067	12,278	34,242	29,818

The largest portion of the City's net position (49 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 5 percent of the City's net position. Unrestricted net position comprises 46 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, 2021**

CHANGES IN NET POSITION

Table 11

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

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues						
Program Revenues						
Charges for Services	723	791	1,215	1,018	1,938	1,809
General Revenues:						
Property Tax & Hotel Tax	2,192	1,673	0	0	2,192	1,673
Sales Tax	3,819	3,122	0	0	3,819	3,122
Franchise Taxes	0	0	291	274	291	274
Development fees	3,376	2,441	0	0	3,376	2,441
Interest Income	81	68	130	121	211	189
Other & Impact fees	293	155	1,290	1,065	1,583	1,220
Grant income	814	0	0	0	814	1
Donations	18	0	0	0	18	0
Total Revenues	11,316	8,250	2,926	2,478	14,242	10,729
Expenses						
General government	7,052	5,614	1,739	1,821	8,791	7,435
Parks and Recreation	864	654		0	864	654
Grant expenses			0	0	0	0
Interest on Long-term Debt	25	28	138	130	163	158
Total Expenses	7,941	6,296	1,877	1,951	9,818	8,247
Transfers In (Out)	-740	-1660	740	614	0	-1046
Contributions	0	0	0	0	0	0
Increase(Decrease) in Net Position	2,635	294	1,789	1,141	4,424	1,436
Net Position Beginning of Year	17,540	17,246	12,278	11,137	29,818	28,383
Prior Period Adjustment to Beginning Net Position	0	0	0	0	0	0
Adjusted Beginning Net Position	17,540	17,246	12,278	11,137	29,818	28,383
Ending Net Position	20,175	17,540	14,067	12,278	34,242	29,819

Total governmental revenues increased approximately \$3.3 million from the previous year. This increase was caused primarily by substantial increases in property taxes, sales taxes and development fees. Total governmental expenses increased about \$1.35 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, 2021**

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, 2021, the governmental fund balances increased by \$2.4 million to \$7.6 million. The restricted portion of the fund balance totaled \$2.1 million and the unrestricted portion was \$5.4 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 \$1.8 million to \$14 million total.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At September 30, 2021, the government-wide financials fund had \$13,705,155 net of depreciation, invested in capital assets.

Capital Assets, net of depreciation, are as follows:

	2021	2020
Land	\$5,930,814	\$5,892,635
Buildings	323,727	609,869
Improvements other than Buildings	7,096,854	6,406,026
Equipment	219,715	125,920
Infrastructure	134,045	165,222
Total	<u>\$13,705,155</u>	<u>\$13,199,672</u>

The proprietary fund capital assets consisted of wastewater infrastructure totaling \$7,955,257.

	2021	2020
Wastewater Infrastructure	7,934,477	7,127,476
Wastewater Loan Origination	20,780	57,226
Total	<u>7,955,257</u>	<u>7,184,702</u>

DEBT

At September 30, 2021, The City had \$540,000 in Combination Tax and Limited Revenue Bonds of Obligation, Taxable Series 2013 outstanding as compared to \$605,000 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. \$3,285,000 was outstanding at September 30, 2021.

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. The balance at September 30, 2021 is \$22,625,000.

**CITY OF DRIPPING SPRINGS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER, 30, 2021**

GENERAL FUND BUDGETARY HIGHLIGHTS

The largest single revenue source is Sales Tax Revenue collected and is estimated at \$3,686,351 for 2021. Other taxes and City Fees are budgeted at \$7,675,933 for a total of \$11,362,284. General Fund expenditures are budgeted at \$9,248,708.

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, 2021

	Primary Government			
	Government Activities	Business - Type activity	Total	Component Unit-TIRZ
ASSETS				
Cash and Investments	\$8,241,111	\$10,485,532	\$18,726,643	1,236,459
Restricted Assets				
Cash and Cash Equivalents	100,190	21,455,457	21,555,647	
Property Taxes Receivable	36,369		36,369	
Sales Tax Receivable	324,604		324,604	
Accounts Receivable	254,319	723,755	978,074	
Land	5,930,814		5,930,814	
Buildings	1,153,982		1,153,982	
Improvements other than Buildings	9,188,300		9,188,300	
Machinery and Equipment	1,357,997		1,357,997	
Infrastructure	713,866	13,219,941	13,933,807	
Loan Origination Fees		171,686	171,686	
Accumulated Depreciation & Amortization	(4,639,804)	(5,436,370)	(10,076,174)	
Total Assets	\$22,661,748	\$40,620,001	\$63,281,749	1,236,459
Deferred Outflow of Resources Pension	(20,576)		(20,576)	
Deferred Outflow of Resources OPEB	15,299		15,299	
LIABILITIES				
Accounts Payable	\$772,422	\$268,480	\$1,040,902	5,175
Accrued Expenses, Taxes & Retirement Payable	266,144		266,144	
Developer Deposits & other liabilities	267,896		267,896	
Wastewater & Reservation Deposits		374,316	374,316	
Combination Tax and Ltd Rev CO Tax'13 current	70,000		70,000	
General Oblgtn Refund Bonds Series '15 current		665,000	665,000	
Combination Tax and Surplus Rev COB 19-currnt		900,000	900,000	
Total Current Liabilities	\$1,376,462	\$2,207,796	\$2,684,258	5,175
Unearned Revenue	80,786		80,786	
Compensated Absences Payable	97,872		97,872	
Net Pension Liability	99,058		99,058	
Net OPEB Liability	38,216		38,216	
General Obligation Refunding Bonds Series 2015		2,620,000	2,620,000	
Combination Tax and Surplus Revenue COB 2019		21,725,000	21,725,000	
Combination Tax and Limited Revenue CO Tax'13	470,000		470,000	
Total Long Term Liabilities	785,932	24,345,000	25,130,932	500,000
Total Liabilities	2,162,394	26,552,796	27,815,190	505,175
Deferred Inflows of Resources	318,083		318,083	
NET POSITION				
Net Investment in Capital Assets	13,165,155	3,500,714	16,665,869	
Restricted	100,190	1,691,841	1,792,031	
Unrestricted	6,910,649	8,874,650	15,785,299	731,284
Total Net Position	\$20,175,994	\$14,067,205	\$34,243,199	731,284

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, 2021

	Net (Expenses) Revenues and Changes in Net Position					Component Unit TIRZ
	Expenses	Program Revenues	Primary Government		Business-type Activities	
		Charges for Services	Governmental Activities	Activities		
Primary Government Governmental Activities						
General Government	\$7,051,414	\$302,959	(\$6,748,455)		(\$6,748,455)	
Parks and Recreation	862,680	419,661	(\$443,019)		(\$443,019)	
TIRZ expenses	-		-		-	
Interest on Long-Term Debt	162,843		(\$25,108)	(137,735)	(\$162,843)	447,595
Total Primary Government	\$8,076,937	\$722,620	(\$7,216,582)	(\$137,735)	(\$7,354,317)	
Business-type Activities						
Wastewater Fund	1,739,938	1,154,346		(585,592)	(\$585,592)	
Total Government	\$9,816,875	\$1,876,966	(\$7,216,582)	(\$723,327)	(\$7,939,909)	447,595
Taxes						
Sales Tax & Mixed Bev. Tax			3,819,236	0	3,819,236	
Property Taxes & Hotel tax			2,192,485	0	2,192,485	759,920
Development Fees			3,375,669	0	3,375,669	
Connection Fees				61,650	61,650	
Grant income			814,240	0	814,240	
Franchise Fees			0	290,643	290,643	
Interest Income			80,587	130,222	210,809	8,181
Impact fees			0	1,173,608	1,173,608	
Other Revenue			292,741	116,104	408,845	28,977
Donations			17,693		17,693	
Total General Revenues			10,592,651	1,772,227	12,364,878	797,078
Service Charges			0	0	0	
Transfers In			0	740,260	740,260	-
Transfers Out			(740,260)	0	(740,260)	(28,000)
Total General Revenues, Transfer and Service Charges			9,852,391	2,512,487	12,364,878	769,078
Changes in Net Position			2,635,809	1,789,160	4,424,969	321,483
Beginning Net Position			17,540,185	12,278,045	29,818,230	409,801
Adjustment to Beginning Net Position			0		0	-
Adjusted Beginning Net Position			17,540,185	12,278,045	29,818,230	409,801
Ending Net Position			\$20,175,994	\$14,067,205	\$34,243,199	731,284

The accompanying notes are an integral part of the financial statements

CITY OF DRIPPING SPRINGS, TEXAS
BALANCE SHEET – GOVERNMENT FUNDS
SEPTEMBER, 30, 2021

	General Fund	Debt Service Fund	Special Revenue Funds	Total Governmental Funds
ASSETS				
Cash and Investments	\$6,189,714		2,051,397	\$8,241,111
Restricted Cash	-	100,190		100,190
Accounts Receivable	254,319			254,319
Property Taxes Receivable	36,369			36,369
Sales Tax Receivable	324,604			324,604
Total Assets	\$6,805,006	\$100,190	2,051,397	\$8,956,593
LIABILITIES				
Accounts Payable	\$758,868		13,554	\$772,422
Employment Taxes & Retirement Payable	266,144			266,144
Unearned Revenue	80,786			80,786
Developer Deposits	267,896		-	267,896
Total Liabilities	1,373,694		13,554	1,387,248
FUND BALANCES				
Nonspendable	0			0
Restricted - Debt Service	0	100,190		100,190
Restricted - Hotel Motel Tax	-		261,320	261,320
Restricted - PEG Fund	0		142,458	142,458
Committed - Reserve Funds	0		1,530,488	1,530,488
Assigned - DSRP, Farmers Market	0		103,577	103,577
Unassigned	5,431,312			5,431,312
Total Fund Balances	5,431,312	100,190	2,037,843	7,569,345
Total Liabilities and Fund Balances	\$6,805,006	\$100,190	2,051,397	\$8,956,593

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, 2021

Total Fund Balance - Governmental Funds	\$7,569,345
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.	(59,286)
Deferred property taxes not collected within 60 days	36,369
Remove Deferred Outflows of Resources as they are not current assets	(20,576)
remove Deferred Inflows of Resources as they are not current liabilities	(318,083)
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	5,930,814
Building	1,153,982
Improvements other than Buildings	9,188,300
Machinery and Equipment	1,357,997
Infrastructure	713,866
Less: Accumulated Depreciation	(4,639,804)
Long-term liabilities are not due in the current period and therefore, are not reported in the Governmental Fund Balance Sheet	(540,000)
Net Pension Liability is not included in Governmental Funds	(99,058)
Compensated absences are not due and payable in the current period and therefore are not reported in the Governmental Fund Balance Sheet	(97,872)
Net Position of governmental activities	\$20,175,994

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, 2021

	General Fund	Debt Service Fund	Special Revenue Funds	Total Governmental Funds
REVENUES				
Sales Taxes	\$3,819,236			\$3,819,236
Ad Valorem Taxes & Hotel Taxes	1,617,238		571,247	2,188,485
Franchise Fees	-			-
Charges for Services	302,959		-	302,959
Development Fees	3,375,669			3,375,669
Interest Income	55,047	1,710	23,830	80,587
Fines and Forfeits				-
Other Revenues	264,441	0	28,300	292,741
Grant Revenue	814,240			814,240
Park Revenues	66,450		353,211	419,661
Donations	0		-	-
Total Revenues	<u>10,315,280</u>	<u>1,710</u>	<u>976,588</u>	<u>11,293,578</u>
EXPENDITURES				
Administrative				
Personnel Services	2,299,825			2,299,825
Supplies and Operations	556,410			556,410
Contract Services	2,061,106		-	2,061,106
Capital Outlay	711,951		30,213	742,164
Miscellaneous	528,464	0	382,665	911,129
Total Administrative	<u>6,157,756</u>	<u>0</u>	<u>412,878</u>	<u>6,157,756</u>
Parks and Recreation				
Personnel Services	491,992			491,992
Supplies and Operations	159,220			159,220
Contract Services	0		-	0
Founders Day expenses	98			98
DSRP Expenses			370,752	370,752
Farmers Market			25,895	25,895
Total	<u>651,310</u>		<u>396,647</u>	<u>1,047,957</u>
Debt Service				
Principal - Taxable Certificates of Obligation		65,000		65,000
Interest - Taxable Certificates of Obligation		25,108		25,108
Total Debt Service	<u>0</u>	<u>90,108</u>		<u>90,108</u>
Total Expenditures	<u>6,809,066</u>	<u>90,108</u>	<u>809,525</u>	<u>7,708,699</u>
Excess Revenues Over (Under) Expenditures	<u>3,506,214</u>	<u>(88,398)</u>	<u>167,063</u>	<u>3,584,879</u>
Other Financing Sources (Uses)				
Transfer from General Fund	(422,922)	92,410	330,512	0
Transfer to TIRZ	(400,185)	0	-	(400,185)
Transfer to Wastewater Fund	(740,260)	0		(740,260)
Total Other Financing Sources (Uses)	<u>(1,563,367)</u>	<u>92,410</u>	<u>330,512</u>	<u>(1,140,445)</u>
Net Changes in Fund Balance	<u>1,942,847</u>	<u>4,012</u>	<u>497,575</u>	<u>2,444,434</u>
Fund Balance Beginning of Year	3,488,465	96,178	1,540,268	5,124,911
	0	0		0
Adjusted Fund Balance Beginning of Year	<u>3,488,465</u>	<u>96,178</u>	<u>1,540,268</u>	<u>5,124,911</u>
Fund Balance End of Year	<u>\$5,431,312</u>	<u>\$100,190</u>	<u>2,037,843</u>	<u>\$7,569,345</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, 2021

Net Changes in Fund Balance -- Governmental Fund	\$2,444,434
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	\$36,369
Less prior year	\$(32,369)
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.	(503,467)
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	(8,469)
Total Pension Expense is not recognized in governmental funds	(111,727)
Expenses related to capital outlays and land purchased are not included in governmental expenditures.	742,164
Various differences in Government-wide financial statements and governmental funds	-
	-24561
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	<u>28,435</u>
Changes in Net Position of Governmental Activities	<u>\$2,635,809</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, 2021**

	<u>Wastewater</u>
Assets	
Current Assets	
Cash and Cash Equivalents	\$10,485,532
Restricted Assets	
Cash and Cash Equivalents	21,455,457
Accounts Receivable	723,755
Capital Assets	
Infrastructure - Wastewater, less depreciation	7,955,257
Total Assets	<u><u>\$40,620,001</u></u>
Liabilities	
Accounts Payable	\$268,480
General Obligation Refunding Bonds Series 2015	3,285,000
Combination Tax and Surplus Revenue COB 2019	22,625,000
Wastewater & Reservation deposits	374,316
Total Liabilities	<u><u>26,552,796</u></u>
Net Position	
Net Investment in Capital Assets	3,500,714
Restricted for Debt Service	1,691,841
Unrestricted (Deficit)	8,874,650
Net Position	<u><u>\$14,067,205</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, 2021

	Wastewater
Operating Income	
Charges for Services	1,154,346
Operating Expenses	(1,739,938)
Professional services	
Income (loss) from Operations	(585,592)
Nonoperating Revenues (Expenses)	
Sales Tax	740,260
Interest expense	(137,735)
Franchise Fees	290,643
Connection Fees	61,650
Other Income	116,104
Impact fees	1,173,608
Interest Income	130,222
Total Nonoperating Revenues (Expenses)	2,374,752
Changes in Net Position	1,789,160
Net Position - Beginning of Year	12,278,045
Net Position - End of Year	\$14,067,205

The accompanying notes are an integral part of the financial statements

CITY OF DRIPPING SPRINGS, TEXAS
STATEMENT OF CASH FLOWS / PROPRIETARY FUND
SEPTEMBER, 30, 2021

	Wastewater
Cash Flows from Operating Activities	
Increase in Accounts Payable	250,226
Increase in Accounts Receivable	(219,644)
Increase in Wastewater Deposits	(211,115)
Operating Expenses	(1,739,938)
Operating Income	1,154,346
Other Income	116,104
Depreciation & Amortization	577,773
Net Cash Provided (Used by Operating Activities)	(72,248)
Cash Flows From Capital and Related Financing Activities	
Impact Fees	1,173,608
Franchise Fees	290,643
Connection Fees	61,650
Sales taxes	740,260
Capital outlay & Land Purchase	(1,348,328)
Decrease in Restricted cash	2,216,049
Net Cash Provided by Capital and Related Financing Activities	3,133,882
Cash Flows From Noncapital Financing Activities and Transfers	
Payment on General Obligation Refunding Bonds Series 2015	(650,000)
Payment on General Obligation Refunding Bonds Series 2019	(875,000)
Transfer from Other Funds	-
Net Cash from Noncapital Financing Activities	(1,525,000)
Cash Flows from Investing Activities	
Interest Expense	(137,735)
Interest Income	130,222
Net Cash from Investing Activities	(7,513)
Net Increase (Decrease) in Cash and Cash Equivalents	1,529,121
Cash and Cash Equivalents -- Beginning of Year	8,956,411
Cash and Cash Equivalents - End of Year	10,485,532

The accompanying notes are an integral part of the financial statements

CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER, 30, 2021

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, 2021

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, 2021

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, 2021 were adopted by the City Council on August 22, 2020 and the final amendments to the budgets were made on September 7, 2021. 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, 2021

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 statements 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 six 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, 2021**

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, 2021, 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 \$40,282,290 and the respective bank balances totaled \$41,403,773. 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, 2021.

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 2020 was \$0.19 for maintenance & operations per \$100.00 assessed valuation. The adjusted original tax roll was \$1,614,916 on total taxable assessed value of \$849,955,789.

Property taxes as of September 30, 2021, are as follows:

	General Fund
Current Taxes Receivable	\$11,786
Delinquent & Rollback Taxes Receivable	24,583
	\$36,369

CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER, 30, 2021

5. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2021 was as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Governmental Activities				
Capital Assets not Being Depreciated:				
Land	\$5,892,635	\$38,179	\$0	\$5,930,814
Capital Assets Being Depreciated:				
Buildings	1,153,982	0	0	1,153,982
Improvements Other Than Buildings	8,661,159	527,141		9,188,300
Machinery and Equipment and Vehicles	1,181,153	176,844	0	1,357,997
Infrastructure	713,866	0		713,866
Total Assets Being Depreciated	11,710,160	703,985	0	12,414,145
Less Accumulated Depreciation for:				
Buildings	687,184	143,071	0	830,255
Improvements Other Than Buildings	1,872,344	219,102		2,091,446
Machinery & Equipment & Vehicles	1,010,836	127,446		1,138,282
Infrastructure	565,973	13,848		579,821
Total Accumulated Depreciation	4,136,337	503,467	0	4,639,804
Total Capital Assets Being Depreciated, Net	7,573,823	200,518	0	7,774,341
	\$13,466,458	\$238,697	\$0	13,705,155
Proprietary Activities				
Wastewater Infrastructure	11,871,613	1,348,328	0	13,219,941
Loan Origination Fees	171,686	-		171,686
Less Accumulated Depreciation & Amort for:				
Wastewater Infrastructure & Intangibles	4,858,597	577,773	0	5,436,370
Total Capital Assets Being Depreciated, Net	7,184,702	770,555	0	7,955,257

CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER, 30, 2021

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	296,180
Parks	<u>207,287</u>
Total	<u>503,467</u>
Proprietary Activities	
Water/Wastewater	<u>577,773</u>

6. LONG-TERM DEBT

At September 30, 2021, 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, 2021.

	Payable Beginning of Year	Adds	Reductions	Payable End of Year	Current portion
Combination Tax and Limited Revenue Bonds of Obligation Taxable Series 2013	605,000	-	65,000	540,000	70,000
Total Governmental - Type Activities	<u>605,000</u>	<u>-</u>	<u>65,000</u>	<u>540,000</u>	<u>70,000</u>
Business-Type Activities:					
General Obligation Refunding Bonds Series 2015	3,935,000	-	650,000	3,285,000	665,000
Combination Tax and Surplus Revenue Certificates of Obligation, Series 2019	23,500,000	-	875,000	22,625,000	900,000
Total Business-Type Activities	<u>27,435,000</u>	<u>-</u>	<u>1,525,000</u>	<u>25,910,000</u>	<u>1,565,000</u>
Total Government	<u>28,040,000</u>	<u>-</u>	<u>1,590,000</u>	<u>26,450,000</u>	<u>1,635,000</u>

**CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER, 30, 2021**

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, 2021 are as follows:

Bonds Outstanding	Fiscal Year	Principal	Interest	Total
\$1,000,000 Combination	2022	70,000	22,410	92,410
Tax and Limited Bonds	2023	70,000	19,505	89,505
Taxable Series 2013	2024	75,000	16,600	91,600
	2025	75,000	13,488	88,488
	2026	80,000	11,329	91,329
	2027-2028	170,000	9,629	179,629
Total		540,000	92,961	632,961
\$7,410,000 General Obligation				
Refunding Bonds Series 2015	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
		3,285,000	213,324	3,498,324
\$23,500,000 Combination Tax &				
Surplus Revenue Certificates of	2022	900,000	58,553	958,553
Obligation Series 2019	2023	925,000	58,553	983,553
	2024	955,000	58,553	1,013,553
	2025	985,000	58,553	1,043,553
	2026	1,015,000	58,553	1,073,553
	2027-2029	3,230,000	175,659	3,405,659
	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
		22,625,000	906,847	23,531,847

**CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER, 30, 2021**

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, 2020 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	28
Active employees	<u>35</u>
Total	64

CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER, 30, 2021

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% and 6% in calendar years 2020 and 2021 respectively. The city's contributions to TMRS for the year ended September 30, 2021 were \$229,584, and were equal to the required contributions.

D. Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2020, 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, 2020 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, 2020, 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 2018 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, 2021**

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, 2021

A.	Total pension liability	
	1. Service Cost	\$ 215,769
	2. Interest (on the Total Pension Liability)	74,816
	3. Changes of benefit terms	-
	4. Difference between expected and actual experience	12,809
	5. Changes of assumptions	-
	6. Benefit payments, including refunds of employee contributions	(12,910)
	7. Net change in total pension liability	\$ 290,484
	8. Total pension liability - beginning	1,006,956
	9. Total pension liability - ending	<u>\$ 1,297,440</u>
B.	Plan fiduciary net position	
	1. Contributions - employer	\$ 114,507
	2. Contributions - employee	115,077
	3. Net investment income	69,581
	4. Benefit payments, including refunds of employee contributions	(12,910)
	5. Administrative Expense	(448)
	6. Other	(18)
	7. Net change in plan fiduciary net position	\$ 285,789
	8. Plan fiduciary net position - beginning	912,593
	9. Plan fiduciary net position - ending	<u>\$ 1,198,382</u>
C.	Net pension liability [A.9-B.9]	<u>\$ 99,058</u>
D.	Plan fiduciary net position as a percentage of the total pension liability [B.9 / A.9]	92.37%
E.	Covered-employee payroll	\$ 1,917,948
F.	Net pension liability as a percentage of covered employee payroll [C / E]	5.16%

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	\$304,799	\$99,058	\$(72,402)

Pension Plan Fiduciary Net Position

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

**CITY OF DRIPPING SPRINGS
SCHEDULE OF PENSION EXPENSE
SEPTEMBER 30, 2021**

1. Total Service Cost	\$ 215,769
2. Interest on the Total Pension Liability	74,816
3. Current Period Benefit Changes	-
4. Employee Contributions (Reduction of Expense)	(115,077)
5. Projected Earnings on Plan Investments (Reduction of Expense)	(61,600)
6. Administrative Expense	448
7. Other Changes in Fiduciary Net Position	17
8. Recognition of Current Year Outflow (Inflow) of Resources - Liabilities	3,210
9. Recognition of Current Year Outflow (Inflow) of Resources - Assets	(1,596)
10. Amortization of Prior Year Outflows (Inflows) of Resources - Liabilities	2,348
11. Amortization of Prior Year Outflows (Inflows) of Resources - Assets	(6,608)
12. Total Pension Expense	<u>\$ 111,727</u>

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, 2021

	Recognition Period (or amortization yrs)	Total (Inflow) or Outflow of Resources	2020 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]	3.9900	\$ 12,809	\$ 3,210	\$ 9,599
Difference in assumption changes [actuarial (gains) or losses]	3.9900	\$ -	\$ -	\$ -
			\$ 3,210	\$ 9,599
<u>Due to Assets:</u>				
Difference in projected and actual earnings on pension plan investments [actuarial (gains) or losses]	5.0000	\$ (7,981)	\$ (1,596)	\$ (6,385)
			\$ (1,596)	\$ (6,385)
<u>Total:</u>				\$ 3,214

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

	Net deferred outflows (inflows) of resources
2021	\$ (2,635)
2022	902
2023	(11,453)
2024	(1,796)
2025	-
Thereafter	-
Total	\$ (14,982)

**CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER, 30, 2021**

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
2016	0.00%	0.00%	100%
2017	0.00%	0.00%	100%
2018	0.00%	2.66%	100%
2019	0.00%	7.06%	100%
2020	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, 2021**

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 12/31/19	\$23,536
Changes for the year	
Service Cost	6,329
Interest on Total OPEB liability	732
Changes of benefit terms	0
Differences between expected and actual experience	1,190
Changes in assumption or other inputs	6,621
Benefit payments	(192)
Net changes	14,680
Total OPEB Liability – end of year	\$ 38,216

Total OPEB Liability as a Percentage of Covered Payroll 1.99%

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	\$49,812	\$38,216	\$29,694

**CITY OF DRIPPING SPRINGS
SCHEDULE OF OPEB EXPENSE
SEPTEMBER 30, 2021**

1. Total Service Cost	\$ 6,329
2. Interest on the Total OPEB Liability	732
3. Current Period Benefit Changes	-
4. Employer administrative costs	-
5. Recognition of deferred outflows/inflows of resources	-
6. Differences between expected and actual experience	(315)
7. Changes in assumptions or other inputs	1,723
8. Total OPEB Expense	\$ 8,469

**CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER, 30, 2021**

NOTE 10 – SUPPLEMENTAL DEATH BENEFITS PLAN

**CITY OF DRIPPING SPRINGS
SCHEDULE OF OPEB OUTFLOWS AND INFLOWS - CURRENT AND FUTURE EXPENSE
SEPTEMBER 30, 2021**

	Recognition Period (or amortization yrs)	Total (Inflow) or Outflow of Resources	2020 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, 2021

11. SUBSEQUENT EVENTS

Since 2020 the population within the City Limits of Dripping Springs has more than doubled to 4,650. The Extraterritorial Jurisdiction houses approximately 40,000 and there are nearly 75,000 in the retail trade area. Dripping Springs is home to one of the top school districts in the state which has a definite impact on the population explosion.

A Temporary Development Moratorium was enacted on November 18, 2021, and was scheduled to run through November 27, 2021. Following public hearings where they received input from residents, builders and developers, the Council extended the Moratorium, stating it is an important step in maintaining responsible growth in the City. The Council recognized the impact of rapid growth on providing for responsible development, especially as it relates to density, transportation, and the provision of wastewater. Currently, the City has reached its wastewater capacity. It is also in the process of updating its Comprehensive Plan and Zoning Ordinance to accommodate land-use regulation issues.

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 5 large scale subdivisions for platting in the next year. 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 2021 the City issued 1,034 residential building permits and 51 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.

CITY OF DRIPPING SPRINGS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET & ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER, 30, 2021

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
General Government				
Taxes - Ad Valorem, penalties, interest	1,595,318	1,636,354	1,621,238	(15,116)
Sales & mixed beverage tax	3,236,075	3,686,351	3,819,236	132,885
Alcohol permits	5,000	5,000	4,806	(194)
Rental Income	-	-	2,100	2,100
Total Taxes	4,836,393	5,327,705	5,447,380	119,675
Balance forward		411,620		
Charges for Services				
Zoning, Sign and Other Fees	65,000	65,000	65,925	925
Building Code Fees	1,000,000	1,650,000	2,282,971	632,971
Health Permit Inspections	45,000	88,000	94,415	6,415
Municipal court revenues	250	250	-	(250)
Total Charges for Services	1,110,250	1,803,250	2,443,311	640,061
Cares Act funds		107,058	107,058	-
CLFR funds		707,181	707,182	-
Development Fees - Subdivision	622,200	500,000	537,562	37,562
Site Development	194,900	378,280	496,116	117,836
Total Development Fees	817,100	878,280	1,033,678	155,398
Other Revenues				
Transfer from capital improvements, GF	208,504	2,200	-	(2,200)
Hotel Occupancy tax	430,500	625,923	571,247	140,747
ESD Fire Inspections income	10,000	10,000	55,806	45,806
1% TWC fees	27,200	27,200	28,300	1,100
Ag Facility fees	25,760	19,950	-	(19,950)
Other income	40,000	60,000	86,773	26,773
Fema dam repair	75,000	205,967	205,967	-
solid waste	36,000	39,700	39,746	46
Total Other Revenues	852,964	990,940	987,839	192,322
Interest Income	48,200	63,000	79,859	16,859
Total General Government Revenues	7,664,907	9,581,853	10,806,307	1,124,315

CITY OF DRIPPING SPRINGS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET & ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER, 30, 2021

	<u>Budgeted Amounts</u>			Variance with
	Original	Final	Actual Amounts	Final Budget Positive (Negative)
Transfer from Parkland Dedication	172,200	97,000	56,335	(40,665)
Transfer from Landscaping Fund	106,877	125,061	-	(125,061)
Programs and Events	48,825	16,056	26,284	10,228
pool and pavilion	13,900	11,872	4,280	(7,592)
Aquatics Program	33,950	20,952	42,036	21,084
Total Farmers Market	63,449	80,116	46,697	(33,419)
Riding Permits	-	1,300	-	(1,300)
Cleaning fees/staff fees	-	4,078	-	(4,078)
Park donations	25,000	13,509	27,063	13,554
Parkland Dedication balance forward	140,131	133,535	-	(133,535)
Park rental fees	1,650	4,500	8,130	3,630
Parkland fees	80,000	77,239	-	(77,239)
Total Park Revenues	685,982	585,218	210,825	374,393
Grant Expenses	-	-	-	-
DSRP Riding Series	10,000	10,000	11,612	1,612
DSRP merchandise sales	15,000	20,883	28,185	7,302
DSRP Stall Rentals	22,000	30,639	39,040	8,401
RV Site Rentals	18,000	13,730	20,580	6,850
Facility rentals	112,000	57,075	51,572	(5,503)
Equipment rental	5,000	8,218	10,268	2,050
Sponsored events/Rodeo Series	89,000	95,935	118,085	22,150
Other income	5,000	11,978	13,424	1,446
Interest income	1,000	-	729	729
Transfers to DSRP/balance forward	193,528	198,012	130,512	(67,500)
Cleaning fees/staff fees	10,000	4,425	3,916	(509)
Total DSRP Ranch Revenues	480,528	450,895	427,923	(40,287)
Founders Day	-	-	-	-
Craft Booths	6,500	-	-	-
Food Booths	1,100	-	-	-
BBQ Cookers	4,600	-	-	-
Carnival	9,500	-	-	-
Parade	3,750	-	-	-
Sponsorships	63,600	-	-	-
Electric	2,400	-	-	-
Parking Fees	1,700	-	-	-
Balance forward	26,393	19,607	-	(19,607)
Total Founders Day Revenue	119,543	19,607	-	(19,607)
Total Park Revenues	1,286,053	1,055,720	638,748	321,801
Total General Fund Revenues	8,950,960	10,637,573	11,445,055	807,482

CITY OF DRIPPING SPRINGS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET & ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER, 30, 2021

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
GENERAL GOVERNMENT EXPENDITURES				
Capital Outlay	0		38,179	(38,179)
Salaries	1,819,122	1,831,548	1,736,593	94,955
Payroll Taxes	144,347	144,721	186,867	(42,146)
Health Insurance Employee Benefits	182,998	203,668	275,232	(71,564)
Retirement	106,662	104,590	101,133	3,457
Bad debt expense	5,000	2,571	2,571	-
Records management	1,000	1,000	840	160
Engineering	70,000	60,000	88,896	(28,896)
Office Supplies	25,000	25,000	22,507	2,493
Office Equipment/Software	176,195	321,818	270,206	51,612
Stephenson improvements & Land use plan	5,500	500	281	219
transportation improvement projects	367,004	367,004	417,014	(50,010)
Street lights	20,000	20,000	17,968	2,032
Streets water	4,000	4,000	3,722	278
Office electric	4,000	4,300	4,775	(475)
Office water	650	500	539	(39)
Stephenson & Triangle Electric	1,500	1,200	1,512	(312)
Stephenson & Triangle Water	500	500	947	(447)
Special Projects	184,000	65,401	-	65,401
Street maintenance	425,000	132,913	131,636	1,277
Office maintenance repairs	10,860	11,000	15,904	(4,904)
Maintenance equipment	9,000	9,000	6,382	2,618
City hall remodel	5,000	5,000	753	4,247
Historic District, Lighting and HR consultants	19,000	19,000	5,215	13,785
Family violence center	7,000	7,000	7,000	-
Lighting compliance	2,000	2,000	1,000	1,000
Equipment maintenance & supplies	7,775	7,775	1,319	6,456
Economic development	5,000	5,000	5,000	-
Emergency Management	4,390	6,000	17,002	(11,002)
Emergency Equip Maint & Covid 19	10,767	16,396	20,670	(4,274)
Public relations	5,000	6,000	9,880	(3,880)
Website newsletter	4,425	4,425	6,625	(2,200)
Postage	3,500	3,000	3,029	(29)
TML insurance liability	14,769	17,771	15,160	2,611
TML insurance property	25,034	32,235	34,846	(2,611)
TML insurance workers comp	22,026	22,026	22,417	(391)
Dues fees pubs	30,000	30,000	24,530	5,470
Public notices	6,000	6,000	7,060	(1,060)
Election/city sponsored events	7,000	4,541	4,258	283
Communications/Network	25,000	25,000	21,065	3,935
Total Contract Services	3,766,024	3,530,403	3,530,533	(130)

CITY OF DRIPPING SPRINGS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET & ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER, 30, 2021

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
Financial Services	60,800	119,085	119,085	-
Special Counsel & Consultants	74,000	80,000	54,453	25,547
Muni court	15,500	7,200	4,100	3,100
Building inspector	800,000	1,320,000	1,746,480	(426,480)
Health inspector	45,000	55,000	48,092	6,908
DSRP Salaries, Taxes, benefits, retirement	413,247	404,528	404,528	-
Architectural Consultant	5,000	5,000	4,781	219
Training CE	38,979	35,000	24,780	10,220
Code publication	6,047	6,047	3,227	2,820
Fleet maintenance & acquisition	52,350	98,150	94,306	3,844
Mileage	2,000	1,500	947	553
Miscellaneous	10,000	10,000	4,771	5,229
Transfers to DSRP and Capital Improvement Fund	-	481,915	43,286	438,629
Contingencies/Covid & Miscellaneous	50,000	60,000	103,042	(43,042)
TXF to Reserve Fund	162,329	200,000	200,000	-
Sales Tax TXF to WWU	635,615	723,770	740,260	(16,490)
Transfer AV to TIF	169,379	150,185	-	150,185
ECOD & Spas	508,492	402,000	402,404	(404)
Debt Service payments	-	-	-	-
Transfer to TIRZ	250,000	250,000	400,185	(150,185)
Total Administrative expenses	3,298,738	4,409,380	4,398,727	10,653
Aquatics and Camp Staff expenses	105,413	72,308	87,464	(15,156)
Park dues fees subscriptions	2,719	1,754	1,710	44
parks activity guides	5,000	4,724	4,724	-
Pool equipment, park equip & supplies	19,378	16,157	19,140	(2,983)
Parkland Improvements	58,500	40,000	-	40,000
Founders Park, Charro & Sports Rec Improvements	113,700	72,197	79,914	(7,717)
Charro Ranch park supplies	200	-	1,634	(1,634)
parks phone network	7,650	6,698	-	6,698
Portable toilets	5,780	5,000	5,520	(520)
Electric	9,250	5,120	14,227	(9,107)
water	18,475	25,450	59,868	(34,418)
Founders park maintenance	17,250	24,000	19,805	4,195
S&R park maintenance	14,020	27,000	26,360	640
Charro ranch park maintenannce	10,945	12,500	13,226	(726)
Triangle veterans memorial park	800	800	556	244
general park maintenance	44,329	4,550	-	4,550
Total Parks	433,409	245,950	246,684	(734)
DSRP Operating expenses				
Advertising	700	466	-	466
Office supplies	5,100	10,111	16,286	(6,175)
Supplies and materials	30,000	26,600	1,637	24,963
Sponsored Events	49,000	25,375	47,975	(22,600)
DSRP on call	12,400	10,400	6,200	4,200
Equipment rental	1,000	1,000	-	1,000
Portable toilets	-	780	780	-
training & education	5,000	1,000	481	519

CITY OF DRIPPING SPRINGS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET & ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER, 30, 2021

Camp Staff	-	36,000	-	36,000
Electric	60,000	65,000	65,493	(493)
Water	10,000	8,550	8,085	465
merchandise & concessions	7,000	11,200	11,229	(29)
Alarm	1,080	6,200	6,199	1
Equipment & Improvements	36,300	28,350	40,018	(11,668)
Communications	12,000	21,503	9,219	12,284
Lawn maintenance	25,000	25,000	20,250	4,750
HCLE	13,200	5,000	-	5,000
General maintenance	60,000	91,250	71,785	19,465
Stall cleaning	2,000	700	1,186	(486)
other expenses	20,500	26,000	24,874	1,126
Dues fees subscriptions	5,983	4,054	10,987	(6,933)
propane	3,000	2,000	2,017	(17)
Contingencies	50,000	37,500	9,582	27,918
Mileage	500	250	18	232
Fleet maintenance & acquisition	45,068	53,500	43,633	9,867
Total DSRP expenses	454,831	497,789	397,934	99,855
Founders Day expenses				
Publicity	8,500	294	98	196
Rentals - Toilets	6,500	-	-	-
Security	20,000	-	-	-
Band	15,000	-	-	-
Electrical setup	4,600	-	-	-
Barricades & traffic plan	19,874	-	-	-
Electricity	1,800	-	-	-
Tents, Tables, & Chairs	4,500	-	-	-
Sponsorships	5,000	-	-	-
Parade	650	-	-	-
Flood plain study	-	-	-	-
Postage & Miscellaneous	7,000	-	-	-
Contingencies	21,519	-	-	-
Clean-up & waste disposal	4,601	-	-	-
Total Founders Day	119,544	294	98	196
Total Farmers Market Expenses	63,449	58,281	25,895	32,386
Total HOT, Parkland Project expenses	628,460	506,611	400,750	105,861
Total Parks & Recreation	1,699,693	1,308,925	1,071,361	237,564
Total Governmental Expenditures	8,764,455	9,248,708	9,000,621	248,087
Revenues Over (Under) Expenditures	186,505	1,388,865	2,444,434	1,055,569
Other Financing Sources (Uses)	-	-	-	-
Net Changes in Fund Balance	186,505	1,388,865	2,444,434	1,055,569
Fund Balance Beginning of Year	5,124,911	5,124,911	5,124,911	-
Adjustment to Beginning Fund Balance	-	-	-	-
Adjusted Beginning Fund Balance	5,124,911	5,124,911	5,124,911	-
Fund Balance End of Year	5,311,416	6,513,776	7,569,345	1,055,569

CITY OF DRIPPING SPRINGS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET & ACTUAL – PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER, 30, 2021

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES		-		
ROW fees/Telephone franchise fees	15,000	6,250	5,698	(552)
Portion of Sales Tax	635,615	723,770	740,260	16,490
PEC	120,000	140,000	137,534	(2,466)
Texas gas franchise fees	3,000	3,000	6,035	3,035
Total Taxes & revenues	<u>773,615</u>	<u>873,020</u>	<u>889,527</u>	<u>16,507</u>
Charges for Services				
Water/Wastewater sales	794,113	900,991	1,044,953	143,962
Late fees/return check Fees	4,000	9,800	13,285	3,485
Over Use fees	66,068	92,500	88,068	(4,432)
Cable	134,500	140,000	141,375	1,375
Total Charges for Services	<u>998,681</u>	<u>1,143,291</u>	<u>1,287,681</u>	<u>144,390</u>
Development Fees				
Transfer fees	3,500	8,970	8,040	(930)
Delayed connection fees	159,200	150,250	61,650	(88,600)
Line extensions			-	-
Reuse Fees	1,743	-	-	-
Total Development Fees	<u>164,443</u>	<u>159,220</u>	<u>69,690</u>	<u>(89,530)</u>
Other Revenues				
Transfer In for Debt Service	8,795,000	1,530,573	245,573	(1,285,000)
Prior year Balance Forward	7,638,325	8,834,189	-	(8,834,189)
Other income	35,000	142,000	116,104	(25,896)
Impact fees	242,560	1,211,508	1,173,608	(37,900)
Interest income	45,000	123,700	100,109	(23,591)
Total Other Revenues	<u>16,755,885</u>	<u>11,841,970</u>	<u>1,635,394</u>	<u>(10,206,576)</u>
Interest Income	36,200	-	30,114	30,114
Total Proprietary Fund Revenues	<u>18,728,824</u>	<u>14,017,501</u>	<u>3,912,406</u>	<u>(10,105,095)</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, 2021

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
WASTEWATER UTILITY FUND EXPENDITURES				
Depreciation	0	0	541,327	(541,327)
Administrative expense	110,400	116,000	126,121	(10,121)
Auditing	10,000	10,000	10,000	-
Planning/Permitting	50,000	59,000	66,293	(7,293)
Chlorinator expenses	3,500	2,000	-	2,000
Sewer planning	25,000	6,000	-	6,000
Electricity	45,000	62,259	63,991	(1,732)
Phone	6,000	6,500	3,223	3,277
Supplies	10,000	6,000	2,549	3,451
Chemicals	8,000	8,000	6,593	1,407
Legal fees & consultants	710,000	740,000	192,977	547,023
Odor control	12,500	12,500	-	12,500
Lab testing	25,000	25,000	20,124	4,876
Meter calibrations	700	700	-	700
Transfer to water fund	12,000	12,000	-	12,000
Parallel West Interceptor & construction	190,500	79,000	66,490	12,510
Other expense	5,000	12,000	12,000	-
Equipment	4,000	4,000	4,062	(62)
System repairs & maintenance	20,000	10,000	33,983	(23,983)
Reimburse Caliterra Oversize west intercep	-	-	-	-
Engineering & Surveying	-	-	90,261	(90,261)
Drip Field Lawn repairs	30,000	25,000	30,935	(5,935)
Lift Station Repairs	20,000	40,000	53,913	(13,913)
2nd amendment to CIP 1881	5,000	-	-	-
Regulatory fees	3,500	2,440	-	2,440
Non-routine operations	50,000	175,000	199,317	(24,317)
TWDB Construction Phase Services	7,525,000	-	-	-
Wasteflow water measurement	9,000	9,000	-	9,000
Road Reconstruction	10,000	1,000	-	1,000
Jetting lines	15,000	15,000	-	15,000
TWDB 2019 Bond expenses,interest exp	-	-	-	-
WWTP repairs	32,500	51,248	55,005	(3,757)
Capital Projects	2,815,000	377,510	384,180	(6,670)
Lift Station cleaning	9,000	9,000	13,392	(4,392)
Routine operations	80,000	80,000	63,779	16,221
Sludge hauling	80,000	80,000	77,030	2,970
WW lawn maintenance	-	-	5,701	(5,701)
Dues fees subscriptions	-	200	-	200
Transfer to Debt Service	4,109,452	3,444,684	-	3,444,684
Transfer to WW reserve	12,000	-	-	-
Total WW Utility Fund Expenditures	16,053,052	5,481,041	2,123,246	3,357,795
Net Changes in Fund Balance	2,675,772	8,536,460	1,789,160	(6,747,300)
Fund Balance Beginning of Year	12,278,045	12,278,045	12,278,045	
Fund Balance End of Year	14,953,817	20,814,505	14,067,205	

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

	2015	2016	2017	2018	2019	2020
Total pension liability						
1. Service Cost	30,743	50,354	67,410	129,750	163,515	215,769
2. Interest (on the Total Pension Liability)	24,446	29,124	38,747	48,199	59,115	74,816
3. Changes of benefit terms			62,645	0	0	0
4. Difference between expected and actual experience	1,741	(4,706)	18,543	(14,071)	(6,464)	12,809
5. Changes of assumptions	15,501	-	-	-	3,380	-
6. Benefit payments, including refunds of employee contributions	-	-	(6,768)	(24,895)	(13,212)	(12,910)
7. Net change in total pension liability	72,431	74,772	180,577	138,983	206,334	290,484
8. Total pension liability - beginning	333,859	406,290	481,062	661,639	800,622	1,006,956
9. Total pension liability - ending	406,290	481,062	661,639	800,622	1,006,956	1,297,440
Plan fiduciary net position						
1. Contributions - employer	8,735	14,212	28,309	78,968	92,626	114,507
2. Contributions - employee	24,994	38,205	55,761	68,470	87,441	115,077
3. Net investment income	440	22,471	56,460	(16,201)	100,230	69,581
4. Benefit payments, including refunds of employee contributions	-	-	(6,768)	(24,895)	(13,212)	(12,910)
5. Administrative Expense	(268)	(253)	(292)	(313)	(564)	(448)
6. Other	(13)	(14)	(15)	(17)	(18)	(18)
7. Net change in plan fiduciary net position	33,888	74,621	133,455	106,012	266,503	285,789
8. Plan fiduciary net position - beginning	298,114	332,002	406,623	540,078	646,090	912,593
9. Plan fiduciary net position - ending	332,002	406,623	540,078	646,090	912,593	1,198,382
Net pension liability [A.9-B.9]	74,288	74,439	121,561	154,532	94,363	99,058
Plan fiduciary net position as a percentage of the total pension liability [B.9 / A.9]	81.72%	84.53%	81.63%	80.70%	90.63%	92.37%
Covered-employee payroll	499,885	764,092	984,086	1,141,163	1,457,351	1,917,948
Net pension liability as a percentage of covered employee payroll [C / E]	14.86%	9.74%	12.35%	13.54%	6.47%	5.16%

**City of Dripping Springs
Schedule of Contributions**

Last 10 Fiscal Years (will ultimately be displayed)

September 30, 2021

	2015	2016	2017	2018	2019	2020
Actually Determined Contribution	\$ 33,729	\$ 52,417	\$ 84,070	147,438	180,067	229,584
Contributions in relation to the actuarially determined contribution	<u>33,729</u>	<u>52,417</u>	<u>84,070</u>	<u>147,438</u>	<u>180,067</u>	<u>229,584</u>
Contribution deficiency (excess)	-	-	-			
Covered employee payroll	\$ 499,885	\$ 764,092	\$ 984,086	1,141,163	1,457,351	1,917,948
Contributions as a percentage of covered employee payroll	6.75%	6.86%	8.54%	12.92%	12.36%	11.97%

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.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

**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
ASSETS			
Assets:			
Cash and Cash Equivalents	\$ 100,190	\$ 2,051,397	\$ 2,151,587
Receivables (net of allowances for uncollectibles)	-	-	-
Total Assets	<u>\$ 100,190</u>	<u>\$ 2,051,397</u>	<u>\$ 2,151,587</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts Payable		13,554	13,554
Deposits Payable		\$ -	\$ -
Total Liabilities	<u>-</u>	<u>13,554</u>	<u>13,554</u>
Fund Balances:			
Restricted Fund Balances:			
Restricted for Debt Service	100,190	-	100,190
Restricted - Hotel Motel Tax		261,320	261,320
Restricted - PEG Fund		142,458	142,458
Committed - Reserve Funds		1,530,488	1,530,488
Assigned - Dripping Springs Ranch Park		45,749	45,749
Assigned - Farmers Market		57,828	57,828
Unassigned			
Total Fund Balance	<u>100,190</u>	<u>2,037,843</u>	<u>2,138,033</u>
Total Liabilities and Fund Balance	<u>\$ 100,190</u>	<u>\$ 2,051,397</u>	<u>\$ 2,151,587</u>

CITY OF DRIPPING SPRINGS, TEXAS

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

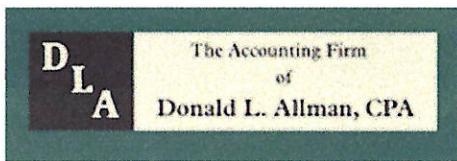
	Debt Service Fund	Special Revenue Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Revenue:			
Taxes:			
Hotel Motel Taxes		571,247	571,247
Park revenues		353,211	353,211
Other income	-	28,300	28,300
Interest income	1,710	23,830	25,540
Total Revenues:	<u>\$ 1,710</u>	<u>\$ 976,588</u>	<u>\$ 978,298</u>
Expenditures:			
Personnel Services	-	-	
Supplies and Operations			
Contract Services		-	-
Miscellaneous		382,665	382,665
DSRP Expenses		370,752	370,752
Farmers Market		25,895	25,895
Capital Outlay		30,213	30,213
Debt Service:			
Principal	65,000		65,000
Interest	25,108		25,108
Total Expenditures	<u>90,108</u>	<u>809,525</u>	<u>899,633</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(88,398)</u>	<u>167,063</u>	<u>78,665</u>
Other Financing Sources (Uses):			
Transfers (Out)/In	92,410	330,512	422,922
Total Other Financing Sources (Uses)	<u>92,410</u>	<u>330,512</u>	<u>422,922</u>
Net Change in Fund Balances	4,012	497,575	501,587
Fund Balances - Beginning	<u>\$ 96,178</u>	<u>\$ 1,540,268</u>	<u>\$ 1,636,446</u>
Fund Balances - Ending	<u>\$ 100,190</u>	<u>\$ 2,037,843</u>	<u>\$ 2,138,033</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	\$ 261,320	\$ 142,458	\$ 1,530,488	59,303	57,828	\$ 2,051,397
Total Assets	<u>\$ 261,320</u>	<u>\$ 142,458</u>	<u>\$ 1,530,488</u>	<u>59,303</u>	<u>57,828</u>	<u>\$ 2,051,397</u>
LIABILITIES AND FUND BALANCES:						
Accounts payable				13,554		13,554
Deposits payable				-		-
Liabilities:				13,554		13,554
Fund Balances:						
Restricted - Hotel Motel Tax	261,320					261,320
Restricted - PEG Fund		142,458				142,458
Committed - Reserve Funds			1,530,488			1,530,488
Assigned - Dripping Springs Ranch Park				45,749		45,749
Assigned - Farmers Market					57,828	57,828
Unassigned	-	-	-	-	-	-
Total Fund Balance	<u>261,320</u>	<u>142,458</u>	<u>1,530,488</u>	<u>45,749</u>	<u>57,828</u>	<u>2,037,843</u>
Total Liabilities and Fund Balance	<u>\$ 261,320</u>	<u>\$ 142,458</u>	<u>\$ 1,530,488</u>	<u>59,303</u>	<u>57,828</u>	<u>\$ 2,051,397</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	571,247					571,247
TWC Fees		28,300				28,300
Dripping Springs Ranch Park Revenues				306,051		306,051
Farmers Market					47,160	47,160
Interest income	\$ 745	\$ 1,526	\$ 20,293	729	537	\$ 23,830
Total Revenues	571,992	29,826	20,293	306,780	47,697	976,588
Expenditures:						
Hotel Motel Tourism Expenses	382,665					382,665
Dripping Springs Ranch Park Expenses				370,752		370,752
Capital Outlay				30,213		30,213
Farmers Market expenses					25,895	25,895
Total Expenditures	382,665	-	-	400,965	25,895	809,525
Excess (Deficiency) of Revenues Over (Under) Expenditures	189,327	29,826	20,293	(94,185)	21,802	167,063
Other Financing Sources (Uses):						
Transfers	-		200,000	130,512		330,512
Total Other Financing Sources (Uses)	-	-	200,000	130,512		330,512
Net Change in Fund Balances	189,327	29,826	220,293	36,327	21,802	497,575
Fund Balances - Beginning	71,993	112,632	1,310,195	9,422	36,026	1,540,268
Fund Balances - Ending	\$ 261,320	\$ 142,458	\$ 1,530,488	45,749	57,828	\$ 2,037,843



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, 2021, 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 March 7, 2022.

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
March 7, 2022