

CITY OF DRIPPING SPRINGS, TEXAS



DRIPPING SPRINGS
Texas

**FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION**

For the Fiscal Year Ended
September 30, 2024

CITY OF DRIPPING SPRINGS, TEXAS

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Dripping Springs, Texas (the City), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

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

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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2025 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Austin, Texas
March 21, 2025

Draft



CITY OF DRIPPING SPRINGS, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Dripping Springs, Texas (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2024. We encourage readers to consider the information presented here in conjunction with the City's financial statements, which follow this section.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$106,564,699 (net position). The unrestricted net position, which represents the amounts available to meet the City's ongoing obligations to citizens and creditors, was \$24,548,061.
- The City's total net position increased by \$15,506,888. The increase is primarily due to increase interest income and capital contributions of \$12,503,254 during the current period.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$13,957,383, a decrease of \$1,040,824 in comparison with the prior year. Of this amount, \$7,322,162, or 52%, is available for spending at the City's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$7,335,916, or approximately 64% of total general fund expenditures.

Overview of the Financial Statements

The discussion and analysis serves as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of 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.

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. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

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

The Tax Increment Reinvestment Zone Number One and Tax Increment Reinvestment Zone Number Two are included as blended component units.

CITY OF DRIPPING SPRINGS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

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 reports most of its basic services in governmental funds. Governmental funds use the modified accrual basis of accounting (a method that measures the receipt and disbursement of cash and other financial assets that can be readily converted to cash) and they report balances that are available for future spending. Governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. We describe the accounting differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in the reconciliation schedules found within the governmental fund statements.

The City maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Dripping Springs Ranch Park Fund which are considered to be major funds. Data from the other eight governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules of this report.

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.

Proprietary Funds – The City uses a proprietary (business-type) fund to account for its water and wastewater operations. The full-accrual basis of accounting is used the proprietary type fund.

Notes to the Financial Statements

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

Other Information

In addition to the basic financial statements and the accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide other postemployment benefits, pension information and general fund budgetary comparisons. Required supplementary information can be found in the City's Annual Financial Report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and supporting schedules can be found in the City's Annual Financial Report.

CITY OF DRIPPING SPRINGS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Government-Wide Financial Analysis

Statement of Net Position - Net position serves as one useful indicator of a government's financial position. The City's net position increased from \$91,057,811 to \$106,564,699. The \$78,328,661 portion of the City's net position consists of net investment in capital assets; land, buildings, infrastructure, and equipment, less any outstanding debts used to acquire these assets. The City uses capital assets to provide services to the citizens they serve; consequently, these assets are not available for future spending.

City of Dripping Springs, Texas
 Summary of Statement of Net Position
 As of September 30, 2024 and 2023

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Current and other assets	\$ 16,211,743	\$ 18,040,998	\$ 61,329,607	\$ 57,174,580	\$ 77,541,350	\$ 75,215,578
Capital assets, net	38,949,264	31,742,237	37,250,295	31,360,678	76,199,559	63,102,915
Total Assets	55,161,007	49,783,235	98,579,902	88,535,258	153,740,909	138,318,493
Deferred Outflows	220,540	255,645	28,040	23,402	248,580	279,047
Other liabilities	2,223,653	3,020,585	1,851,333	932,970	4,074,986	3,953,555
Long-term Liabilities	769,631	886,544	42,518,850	42,638,344	43,288,481	43,524,888
Total Liabilities	2,993,284	3,907,129	44,370,183	43,571,314	47,363,467	47,478,443
Deferred Inflows	54,405	56,146	6,918	5,140	61,323	61,286
Net Position						
Net investment in capital assets	38,581,538	31,287,254	39,747,123	31,663,857	78,328,661	62,951,111
Restricted	3,687,977	3,153,813	-	-	3,687,977	3,153,813
Unrestricted	10,064,343	11,634,538	14,483,718	13,318,349	24,548,061	24,952,887
Total Net Position	\$ 52,333,858	\$ 46,075,605	\$ 54,230,841	\$ 44,982,206	\$ 106,564,699	\$ 91,057,811

The largest portion of the City's net position (74%) is reflected in its net investment in 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 3% of the City's net position. Unrestricted net position comprises 22% 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 (continued)

Statement of Activities - The City's overall net position increased \$15,506,888 from the prior fiscal year. The reasons for this overall increase are discussed below.

City of Dripping Springs, Texas
Changes in Net Position
Years Ended September 30, 2024 and 2023

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Revenues						
Program revenues:						
Charges for Services	\$ 4,170,884	\$ 4,957,154	\$ 4,256,433	\$ 3,496,106	\$ 8,427,317	\$ 8,453,260
Operating grants and contributions	27,315	-	-	-	27,315	-
Capital grants and contributions	8,174,964	15,717,883	4,328,290	12,986,896	12,503,254	28,704,779
General revenues:						
Property taxes	3,332,892	3,228,063	-	-	3,332,892	3,228,063
Other taxes	5,149,211	4,901,368	1,303,383	1,251,125	6,452,594	6,152,493
Interest Income	390,415	199,830	2,462,174	1,765,244	2,852,589	1,965,074
Miscellaneous	581,189	750,439	1,332,007	15,899	1,913,196	766,338
Total Revenues	21,826,870	29,754,737	13,682,287	19,515,270	35,509,157	49,270,007
Expenses						
General government	4,789,618	4,434,116	-	-	4,789,618	4,434,116
Development services	1,910,251	1,976,157	-	-	1,910,251	1,976,157
Public safety	87,303	201,774	-	-	87,303	201,774
Public works	3,672,526	2,280,867	-	-	3,672,526	2,280,867
Parks and community	3,833,241	3,344,837	-	-	3,833,241	3,344,837
Interest on debt	18,556	19,265	-	-	18,556	19,265
Water and wastewater	-	-	5,690,774	4,268,232	5,690,774	4,268,232
Total Expenses	14,311,495	12,257,016	5,690,774	4,268,232	20,002,269	16,525,248
Increase in Net Position						
Before Transfers	7,515,375	17,497,721	7,991,513	15,247,038	15,506,888	32,744,759
Transfers	(1,257,122)	29,911	1,257,122	(29,911)	-	-
Change in Net Position	6,258,253	17,527,632	9,248,635	15,217,127	15,506,888	32,744,759
Net Position, Beginning	46,075,605	28,547,973	44,982,206	29,765,079	91,057,811	58,313,052
Net Position, Ending	\$ 52,333,858	\$ 46,075,605	\$ 54,230,841	\$ 44,982,206	\$ 106,564,699	\$ 91,057,811

Net position in governmental activities increased \$6.3 million over prior year mainly due to a significant increase in revenues offset by an increase in expenses. Total governmental revenues decreased approximately \$7.9 million from the previous year. This decrease was caused primarily by developer contributions of \$8.2 million in the current year, compared to \$15.7 million in the prior year. Total governmental expenses increased approximately \$2.1 million over the previous year. The increases were due mainly to increased general government, public works, and parks and community expenses.

CITY OF DRIPPING SPRINGS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Net position in business-type activities increased million over prior year mainly due to an increase in interest income and other revenues, including a capital contributions of \$4.3 million offset by an increase in expenses. Total business-type revenues decreased approximately \$5.8 million from previous year. The decrease in revenues is due to a \$4.3 million dollar contribution from developers, compared to \$13.0 million in the prior year. Business-type expenses increased significantly from the prior year due to increased payroll costs and general maintenance expenses.

Financial Analysis of the City's Funds

Governmental Funds - The City has ten governmental funds - the general fund, the debt service fund, and eight special revenue funds. For the year ended September 30, 2024, the governmental fund balances decreased by \$1.0 million to \$14.0 million. The restricted portion of the fund balance totaled \$3.7 million; \$2.9 million in fund balance is committed; and \$7.3 million in fund balance is unassigned. The General Fund accounts for all the unassigned portion of fund balance at year-end, outside of a deficit of \$13,754 in the nonmajor governmental funds.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, *unassigned fund balance* amounted to \$7.3 million, a decrease of \$2.2 million from the prior fiscal year. This decrease was due to an increase in public works and culture and recreation expenses. As measure of the General Fund's liquidity, it may be useful to compare total fund balance, to total fund expenditures. Total fund balance represents 64% of total General Fund expenditures.

The fund balance of the Dripping Springs Ranch Park Fund was \$124,979, an increase of \$20,419 from the prior fiscal year.

Proprietary Fund - The proprietary fund is used to account for operating activity of the water and wastewater system. The proprietary fund net position increased million to \$54.2 million total. The increase is due to increase in investment income and over \$4.3 million in developer contributions.

Capital Assets and Debt Administration

Capital Assets - At September 30, 2024, the City had \$76,199,559, net of depreciation/amortization, invested in capital assets. Capital assets increased by \$13,096,644 million in the current year. The increase is due to developer contributions offset by depreciation/amortization during the year. Capital Assets, net of depreciation/amortization, are as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Land	\$ 5,930,814	\$ 5,930,814	\$ -	\$ -	\$ 5,930,814	\$ 5,930,814
Buildings	540,993	578,269	3,272,519	-	3,813,512	578,269
Improvements	5,701,490	6,006,921	-	-	5,701,490	6,006,921
Machinery and equipment	435,020	388,682	79,605	115,788	514,625	504,470
Infrastructure	26,276,580	18,752,875	33,249,043	30,426,547	59,525,623	49,179,422
RTU Lease asset	-	-	649,128	818,343	649,128	818,343
RTU SBITA asset	64,367	84,676	-	-	64,367	84,676
Totals	\$ 38,949,264	\$ 31,742,237	\$ 37,250,295	\$ 31,360,678	\$ 76,199,559	\$ 63,102,915

More information on capital assets can be found in Note 5 to the financial statements.

CITY OF DRIPPING SPRINGS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Debt – Bonded debt increased \$1,770,000 during the year. The increase is due to issuance of tax notes, less principal payments made during the year on the bonds. Bonded debt for the City is as follows:

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
General Obligation Bonds	\$ -	\$ -	\$ 1,310,000	\$ 1,965,000	\$ 1,310,000	\$ 1,965,000
Certificates of Obligation	325,000	400,000	39,820,000	39,820,000	40,145,000	40,220,000
Tax Notes	-	-	2,500,000	-	2,500,000	-
Totals	\$ 325,000	\$ 400,000	\$ 43,630,000	\$ 41,785,000	\$ 43,955,000	\$ 42,185,000

More information on debt can be found in Note 6 to the financial statements.

General Fund Budgetary Highlights

The largest single revenue source is Sales Tax Revenue collected and were estimated at \$4.7 million for 2024. Licenses and permits were budgeted at \$2.7 million while property taxes were budgeted at \$3.3 million. Overall, the City’s actual revenues were approximately \$680,000 under budget. General Fund expenditures were budgeted at \$12,568,797 for fiscal year 2024. For the year ended September 30, 2024, the City’s actual expenditures were \$11,393,723, \$1,175,075 under legally adopted appropriations.

Economic Factors and Next Year's Budget And Rates

For Fiscal Year 2023-2024, the City’s total appraised property value rose \$456,102,382 from \$1,457,515,214 to \$1,913,617,596. As a result, the City was able to lower its tax rate from \$.1778 to \$.1718 per \$100 valuation. Additionally, it is anticipated that commercial and residential growth will continue, further improving the City’s ability to provide unique living experience for Dripping Springs’s residents. For this fiscal year, the City anticipates completing its Comprehensive Plan - Reimagine Dripping Springs, which when completed will establish priorities for the area’s future land use and major development projects.

Similar to Fiscal Year 2022-2023, the City’s provision of utilities has continued to expand. In Fiscal Year 2022-2023, continued to provide retail water services, in addition to wastewater services. While the City anticipates providing retail water service to over 6,500 LUE’s (living unit equivalents) only 44 were active by the end of the fiscal year.

Additionally, the City anticipated resolving all issues related to its approved TCEQ Wastewater Discharge permit, allowing the City to begin construction to expand its existing wastewater system. This construction has already been fully funded through the Texas Water Development Board.

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.

BASIC FINANCIAL STATEMENTS



CITY OF DRIPPING SPRINGS, TEXAS

STATEMENT OF NET POSITION

September 30, 2024

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 14,975,864	\$ 13,080,642	\$ 28,056,506
Restricted assets - cash and cash equivalents	-	44,958,115	44,958,115
Receivables (net of allowance for uncollectibles)	1,308,314	3,218,415	4,526,729
Internal balances	(72,435)	72,435	-
Capital assets not subject to depreciation/amortization	5,930,814	-	5,930,814
Capital assets, net of accumulated depreciation/amortization	<u>33,018,450</u>	<u>37,250,295</u>	<u>70,268,745</u>
Total Assets	<u>55,161,007</u>	<u>98,579,902</u>	<u>153,740,909</u>
Deferred Outflows of Resources			
Pension related	207,673	26,404	234,077
OPEB related	12,867	1,636	14,503
Total Deferred Outflows of Resources	<u>220,540</u>	<u>28,040</u>	<u>248,580</u>
Liabilities			
Current Liabilities:			
Accounts payable	1,640,922	717,582	2,358,504
Accrued liabilities	1,108	-	1,108
Accrued interest payable	1,080	130,252	131,332
Deposits payable	74,675	1,003,499	1,078,174
Unearned revenue	505,868	-	505,868
Non-current liabilities:			
Due within one year	338,420	3,076,153	3,414,573
Due in more than one year	431,211	39,442,697	39,873,908
Total Liabilities	<u>2,993,284</u>	<u>44,370,183</u>	<u>47,363,467</u>
Deferred Inflows of Resources			
Pension related	35,359	4,496	39,855
OPEB related	19,046	2,422	21,468
Total Deferred Inflows of Resources	<u>54,405</u>	<u>6,918</u>	<u>61,323</u>
Net Position			
Net Investment in capital assets	38,581,538	39,747,123	78,328,661
Restricted for:			
Debt service	101,453	-	101,453
Development	3,416,041	-	3,416,041
Culture and recreation	170,483	-	170,483
Unrestricted	<u>10,064,343</u>	<u>14,483,718</u>	<u>24,548,061</u>
Total Net Position	<u>\$ 52,333,858</u>	<u>\$ 54,230,841</u>	<u>\$ 106,564,699</u>

CITY OF DRIPPING SPRINGS, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2024

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary Government:							
Governmental Activities:							
General government	\$ 4,789,618	\$ 746,727	\$ 27,315	\$ -	\$ (4,015,576)	\$ -	\$ (4,015,576)
Development	1,910,251	2,715,090	-	-	804,839	-	804,839
Public safety	87,303	-	-	-	(87,303)	-	(87,303)
Public works	3,672,526	-	-	8,174,964	4,502,438	-	4,502,438
Culture and recreation	3,833,241	709,067	-	-	(3,124,174)	-	(3,124,174)
Interest on long-term debt	18,556	-	-	-	(18,556)	-	(18,556)
Total Governmental Activities	14,311,495	4,170,884	27,315	8,174,964	(1,938,332)	-	(1,938,332)
Business-type Activities:							
Water and wastewater	5,690,774	4,256,433	-	4,328,290	-	2,893,949	2,893,949
Total Business-type Activities:	5,690,774	4,256,433	-	4,328,290	-	2,893,949	2,893,949
Total Primary Government	\$ 20,002,269	\$ 8,427,317	\$ 27,315	\$ 12,503,254	\$ (1,938,332)	\$ 2,893,949	\$ 955,617
General Revenues and Transfers:							
Taxes:							
Property taxes					3,332,892	-	3,332,892
Sales and use taxes					4,955,999	937,810	5,893,809
Other taxes					193,212	365,573	558,785
Unrestricted Investment earnings					390,415	2,462,174	2,852,589
Miscellaneous					581,189	1,332,007	1,913,196
Transfers					(1,257,122)	1,257,122	-
Total General Revenues and Transfers					8,196,585	6,354,686	14,551,271
Change in Net Position					6,258,253	9,248,635	15,506,888
Net Position, Beginning					46,075,605	44,982,206	91,057,811
Net Position, Ending					\$ 52,333,858	\$ 54,230,841	\$ 106,564,699

CITY OF DRIPPING SPRINGS, TEXAS
BALANCE SHEET GOVERNMENTAL FUNDS
September 30, 2024

	General	Dripping Springs Ranch Park	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Current Assets:				
Cash and cash equivalents	\$ 8,186,119	\$ 237,373	\$ 6,552,373	\$ 14,975,865
Property Taxes Receivable	31,787	-	-	31,787
Sales Tax Receivable	318,118	-	-	318,118
Other Receivables	836,789	-	121,620	958,409
Total Assets	\$ 9,372,813	\$ 237,373	\$ 6,673,993	\$ 16,284,179
Liabilities:				
Accounts payable	\$ 1,390,988	\$ 102,724	\$ 147,211	\$ 1,640,923
Accrued liabilities	1,108	8,791	-	9,899
Due to other funds	41,262	879	30,294	72,435
Unearned revenues	505,868	-	-	505,868
Developer deposits	65,884	-	-	65,884
Total Liabilities	2,005,110	112,394	177,505	2,295,009
Deferred Inflows of Resources				
Unavailable revenue - property taxes	31,787	-	-	31,787
Total Deferred Inflows of Resources	31,787	-	-	31,787
Fund Balances:				
Restricted for:				
Debt service	-	-	102,534	102,534
Development	-	-	3,416,041	3,416,041
Culture and recreation	-	124,979	45,504	170,483
Committed:				
Reserve	-	-	2,946,163	2,946,163
Unassigned:	7,335,916	-	(13,754)	7,322,162
Total Fund Balances	7,335,916	124,979	6,496,488	13,957,383
Total Liabilities and Fund Balances	\$ 9,372,813	\$ 237,373	\$ 6,673,993	\$ 16,284,179

CITY OF DRIPPING SPRINGS, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
September 30, 2024

Total Fund Balance - Governmental Funds \$ 13,957,383

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 38,949,264

Certain other long-term assets (property taxes) are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the statement of net position. 31,787

Some liabilities and deferred outflows and inflows are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the statement of net position.

Bonds payable	(325,000)
SBITA payable	(42,726)
Interest payable	(1,080)
Compensated absences	(250,239)
Deferred inflows/outflows related to pensions	172,314
Deferred inflows/outflows related to OPEB	(6,179)
Net pension liability	(117,071)
Total OPEB liability	<u>(34,595)</u>

Net Position of Governmental Activities \$ 52,333,858

Draft

CITY OF DRIPPING SPRINGS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2024

	General	Dripping Springs Ranch Park	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Taxes:				
Ad Valorem Taxes	\$ 2,828,567	\$ -	\$ 496,067	\$ 3,324,634
Sales and use taxes	3,751,240	-	1,204,759	4,955,999
Franchise taxes	61,203	-	29,954	91,157
Mixed drink tax	102,055	-	-	102,055
Licenses and permits	2,721,898	-	-	2,721,898
Intergovernmental revenues	50	-	-	50
Charges for services	740,497	301,717	80,785	1,122,999
Interest Income	215,193	8,170	172,632	395,995
Donations	3,904	-	25,150	29,054
Miscellaneous	477,250	410,501	12,056	899,807
Total Revenues	<u>10,901,857</u>	<u>720,388</u>	<u>2,021,403</u>	<u>13,643,648</u>
Expenditures				
Current:				
General government	3,220,837	-	-	3,220,837
Public safety	87,864	-	-	87,864
Public works	3,775,389	-	-	3,775,389
Development	1,914,461	-	589,605	2,504,066
Culture and recreation	2,380,716	990,169	362,253	3,733,138
Debt Service:				
Principal	12,257	-	75,000	87,257
Interest and fiscal charges	2,199	-	16,600	18,799
Total Expenditures	<u>11,393,723</u>	<u>990,169</u>	<u>1,043,458</u>	<u>13,427,350</u>
Excess of Revenues				
Over Expenditures	(491,866)	(269,781)	977,945	216,298
Other Financing Sources (Uses)				
Transfers in	164,117	322,345	835,726	1,322,188
Transfers out	(1,840,550)	(32,145)	(706,615)	(2,579,310)
Total Other Financing Sources (Uses)	<u>(1,676,433)</u>	<u>290,200</u>	<u>129,111</u>	<u>(1,257,122)</u>
Change in Fund Balance	(2,168,299)	20,419	1,107,056	(1,040,824)
Fund Balances, Beginning	<u>9,504,215</u>	<u>104,560</u>	<u>5,389,432</u>	<u>14,998,207</u>
Fund Balances, Ending	<u>\$ 7,335,916</u>	<u>\$ 124,979</u>	<u>\$ 6,496,488</u>	<u>\$ 13,957,383</u>

CITY OF DRIPPING SPRINGS, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2024

Net Changes in Fund Balance -- Governmental Fund	\$ (1,040,824)
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p> <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation/amortization expense.</p>	
	142,993
<p>Developers contributions are not reported in governmental funds.</p>	
	8,174,964
<p>Depreciation and amortization expense on capital assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation and amortization expense is not reported as expenditures in the governmental funds.</p>	
	(1,110,930)
<p>Certain revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds.</p>	
	8,258
<p>Governmental funds report repayment of principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which repayments exceed proceeds.</p>	
Debt Service principal	87,257
Total OPEB expense is not recognized in governmental funds	(2,451)
Total Pension Expense is not recognized in governmental funds	27,811
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:</p>	
Increase in compensated absences	(29,068)
Increase in accrued interest	243
	<u>6,258,253</u>
Changes in Net Position of Governmental Activities	<u>\$ 6,258,253</u>

CITY OF DRIPPING SPRINGS, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
September 30, 2024

	<u>Water and Wastewater</u>
Assets	
Current Assets:	
Cash and cash equivalents	\$ 13,080,642
Restricted cash, cash equivalents	44,958,115
Accounts receivable, net of allowance for doubtful accounts	3,218,415
Due from other funds	<u>72,435</u>
Total Current Assets	<u>61,329,607</u>
Noncurrent Assets:	
Capital assets:	
Buildings	3,444,757
Infrastructure	42,683,319
Equipment	185,739
Right-to-use lease asset	846,075
Less accumulated depreciation/amortization	<u>(9,909,595)</u>
Total Noncurrent Assets	<u>37,250,295</u>
Total Assets	<u>98,579,902</u>
Deferred Outflows of Resources	
Pension related	26,404
OPEB related	<u>1,636</u>
Total Deferred Outflows of Resources	<u>28,040</u>
Liabilities	
Current liabilities:	
Accounts payable	717,582
Accrued interest payable	130,252
Customer deposits	1,003,499
Bonds payable - current	655,000
Certificates of obligation - current	1,865,000
Tax notes	355,000
Lease payable - current	<u>162,873</u>
Total Current Liabilities	<u>4,889,206</u>
Noncurrent Liabilities:	
Compensated absences	38,280
Bonds payable	655,000
Certificates of obligation	36,125,000
Tax notes	2,145,000
Lease payable	498,414
Net pension liability	14,885
Total OPEB liability	<u>4,398</u>
Total Noncurrent Liabilities	<u>39,480,977</u>
Total Liabilities	<u>44,370,183</u>
Deferred Inflows of Resources	
Deferred inflows related to pensions	4,496
Deferred inflows related to OPEB	<u>2,422</u>
Total Deferred Inflows of Resources	<u>6,918</u>
Net Position	
Net investment in capital assets	39,747,123
Unrestricted	<u>14,483,718</u>
Total Net Position	<u>\$ 54,230,841</u>

Draft

CITY OF DRIPPING SPRINGS, TEXAS

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

PROPRIETARY FUND

For the Year Ended September 30, 2024

	<u>Water and Wastewater</u>
Operating Revenues	
Charges for services	\$ 4,256,433
Sales taxes	937,810
Miscellaneous	1,697,580
Total Operating Revenues	<u>6,891,823</u>
Operating Expenses	
Personnel	648,058
Supplies and materials	207,339
Contractual services	870,591
Other services	220,480
Repairs and maintenance	1,412,102
Depreciation/amortization	1,883,430
Total Operating Expenses	<u>5,242,000</u>
Operating Income	<u>1,649,823</u>
Non-Operating Revenues (Expenses)	
Interest expense	(448,774)
Interest Income	2,462,174
Total Non-Operating Expenses	<u>2,013,400</u>
Income Before Contributions and Transfers	<u>3,663,223</u>
Contributions and Transfers	
Capital contributions	4,328,290
Transfers in	1,257,122
Total Contributions and Transfers	<u>5,585,412</u>
Change in Net Position	9,248,635
Net Position, Beginning	<u>44,982,206</u>
Net Position, Ending	<u>\$ 54,230,841</u>

Draft

CITY OF DRIPPING SPRINGS, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended September 30, 2024

	<u>Water and Wastewater</u>
Cash Flows from Operating Activities	
Receipts from customers	\$ 3,416,718
Other receipts	2,635,390
Payments to suppliers and service providers	(2,367,210)
Payment to employees for salaries and benefits	<u>(628,915)</u>
Net Cash Provided by Operating Activities	<u>3,055,983</u>
Cash Flows From Noncapital Financing Activities	
Transfers from other funds	<u>1,257,122</u>
Net Cash Provided by Noncapital Financing Activities	<u>1,257,122</u>
Cash Flows From Capital and Related Financing Activities	
Principal paid on capital debt	(2,485,000)
Principal paid on lease	(156,497)
Acquisition and construction of capital assets	(3,444,757)
Proceeds from issuance of bonds	2,500,000
Interest paid on capital debt	<u>(455,990)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(4,042,244)</u>
Cash Flows from Investing Activities	
Interest Income	<u>2,462,174</u>
Net Cash Provided by Investing Activities	<u>2,462,174</u>
Change in Cash and Cash Equivalents	2,733,035
Cash and cash equivalents, beginning	<u>55,305,722</u>
Cash and Cash Equivalents, Ending	<u><u>\$ 58,038,757</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income	\$ 1,649,823
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation/amortization expense	1,883,430
Increase in accounts receivable	(1,421,992)
Increase in pension related deferred outflows of resources	(4,140)
Increase in OPEB related deferred outflows of resources	(498)
Increase in accounts payable	343,302
Increase in deposits payable	582,277
Increase in compensated absences	21,980
Decrease in net pension liability	(1,908)
Increase in net OPEB liability	1,931
Increase in pension related deferred inflows of resources	1,536
Increase in OPEB related deferred inflows of resources	<u>242</u>
Net cash provided by operating activities	<u><u>\$ 3,055,983</u></u>
Schedule of Non-Cash Capital and Related Financing Activities:	
Contributions of capital assets	\$ 4,328,290



CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

The City of Dripping Springs, Texas (the City) provides a full range of municipal services including public safety, public works, development, culture and recreation, and general administrative services. In addition, the City provides water and wastewater service as a proprietary function of the City. The accounting policies of the City of Dripping Springs conform to generally accepted accounting principles issued by the Governmental Accounting Standards Board which is the recognized financial accounting standard setting body for governmental entities. The notes to the financial statements are an integral part of the City's basic financial statements.

The City is a general law city governed by an elected mayor and a five-member City Council. The City's financial statements include its component units. The accompanying basic financial statements comply with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," in that the financial statements include all organizations, activities, functions and component units for which the City (the primary government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the City's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the City.

Blended Component Units

The City of Dripping Springs Tax Increment Reinvestment Zone No. 1 (TIRZ#1) is fiscally dependent on the City, as the City approves their budgets and any debt issuances; TIRZ#1 qualifies for blending because the City's Council controls the Board as they appoint the majority of the Board. TIRZ#1 is also financially dependent on the City. TIRZ#1 is reported as a blended component unit of the City and it does not issue separate financial statements.

The City of Dripping Springs Tax Increment Reinvestment Zone No. 2 (TIRZ#2) is fiscally dependent on the City, as the City approves their budgets and any debt issuances; TIRZ#2 qualifies for blending because the City's Council controls the Board as they appoint the majority of the Board. TIRZ#2 is also financially dependent on the City. TIRZ#2 is reported as a blended component unit of the City and it does not issue separate financial statements.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements.

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Position reports the assets and liabilities of the primary government. The net position section of this statement represents the residual amount of assets less their associated liabilities. The net position section is divided into three categories. The first category is Net Investment in Capital Assets, which includes all capital assets, net of accumulated depreciation, less any outstanding debt associated with the assets. Capital assets cannot readily be sold and converted into cash. The second category is Restricted Net Position, which includes those assets that have a constraint placed on their use. The constraints are either: 1) externally imposed by creditors, such as through debt covenants, grantors, contributors, or laws and regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. The final section is Unrestricted Net Position, and this represents net position that generally can be used for any purpose. However, they are not necessarily in a spendable form, like cash.

CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

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

Separate fund financial statements are provided for governmental and proprietary funds. Major individual governmental funds and the enterprise fund are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation

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

Governmental Funds

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service principal and interest expenditures on general long-term debt, including subscription-based technology arrangements (SBITA) liabilities, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund - is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The General Fund balance is available for any purpose, provided it is expended or transferred in accordance with the legally adopted budget of the City.

Dripping Springs Ranch Park – is one for the City's special revenue funds. It accounts for all financial resources for the Dripping Springs Ranch Park, a park and event center.

Nonmajor governmental funds include the debt service fund, which accounts for the accumulation of resources that are for the payment of principal and interest on the City's general long-term debt. The City also reports seven special revenue funds that are considered nonmajor. These funds account for specific revenue sources that are restricted or committed to expenditures for particular purposes.

CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

Proprietary Funds

Proprietary funds are those used to account for the City's ongoing organizations and activities which are similar to those found in the private sector. The measurement focus is upon capital maintenance and upon determination of net position and changes in net position.

The City has one proprietary fund and it is reported as a major fund.

The Water Wastewater Fund - The fund accounts for the activities for which outside users are charged a fee roughly equal to the cost of providing water and wastewater services.

Budgetary Information

The City Mayor submits an annual budget to the City Council. In September, the City Council adopts annual fiscal year budgets for specific City funds. Budgets for the General Fund are adopted on a basis consistent with U.S. generally accepted accounting principles. The budget is properly amended throughout the year.

The appropriated budget is prepared by fund, function, and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Assets, Liabilities, Deferred Inflows/Outflows of Resources and Fund Balances/Net Position

Deposits and Investments

For purposes of the Statement of Cash Flows, the City's cash and cash investments are considered to be cash on hand, demand deposits, and highly liquid investments with original maturities of three months or less from the date of acquisition. The depository bank pays the City interest on all funds on deposit.

As of September 30, 2024, the City does not hold any investments and only has interest bearing cash accounts.

Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

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

Property Taxes (continued)

Allowances for uncollectible tax receivables are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of September 30, 2024, the City does not have an allowance for uncollectible tax receivables as the total balance of the taxes receivable is not significant to the financial statements.

Restricted Assets

In accordance with applicable covenants of bond issues or other agreements, appropriate assets have been restricted.

Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets, right-to-use lease assets, and right-to-use SBITA assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. The City has established a lease and SBITA recognition threshold of \$5,000 and \$5,000 respectively. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized but are charged to operations as incurred. Improvements and betterments which materially extend the useful lives of capital assets are capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of the capital assets of business-type activities is included a part of the capitalized value of the assets constructed. Contributions of capital assets from external sources are recorded as capital contribution revenue. Property, plant, equipment, the right-to-use lease assets, and right-to-use SBITA assets of the primary government are depreciated/amortized using the straight-line method over the following estimated useful lives:

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Buildings	15-40 years
Building improvements	15-40 years
Infrastructure	10-40 years
Machinery and equipment	5-10 years
Right-to-use lease asset	Lease Term
Right-to-use SBITA asset	Subscription Term

Compensated Absences

It is the City’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation is accrued depending on level of employment and years of service. Vacation can be accrued depending on years of service with the City. Accrued vacation is paid upon retirement or termination. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they are matured, for example, unused reimbursable leave payable as a result of employee resignations and retirements.

CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

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

Long-term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

Leases

The City is a lessee for a noncancellable lease of equipment. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the proprietary fund financial statements. The City recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Subscription-Based Information Technology Arrangements (SBITA)

The City is under contract for SBITA for various software. The agreement/contract are noncancellable and the City recognizes a SBITA liability and an intangible right-to-use SBITA asset in the government-wide financial statements. The City recognizes SBITA liabilities with an initial, individual value of \$5,000 or more.

At the commencement of the SBITA, the City initially measures the SBITA liability at the present value of payments expected to be made during the SBITA term. Subsequently, the SBITA liability is reduced by the principal portion of SBITA payments made. The SBITA asset is initially measured as the initial amount of the SBITA liability, adjusted for payments made at or before the SBITA commencement date, plus certain initial direct costs. Subsequently, the SBITA asset is amortized on a straight-line basis over its useful life. Key estimates and judgments related to SBITA include how the City determines (1) the discount rate it uses to discount the expected SBITA payments to present value, (2) SBITA term, and (3) SBITA payments.

CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

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

Subscription-Based Information Technology Arrangements (SBITA) (continued)

- The City uses the interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for SBITAs.
- The SBITA term includes the noncancellable period of the SBITA and payments included in the measurement of the SBITA liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its SBITA and will remeasure the SBITA asset and liability if certain changes occur that are expected to significantly affect the amount of the SBITA liability.

SBITA assets are reported with other capital assets and SBITA liabilities are reported with long-term debt on the statement of net position.

Pensions and Other Post-Employment Benefits (OPEB)

The City has Pension and OPEB for supplemental death benefits fund (SDBF) with the Texas Municipal Retirement System (TMRS). For purposes of measuring the net pension and total OPEB liability from TMRS, pension/OPEB related deferred outflows and inflows of resources, and pension/OPEB expense, City specific information about its Fiduciary Net Position in 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 to TMRS 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 and Total OPEB Liabilities is obtained from TMRS through reports prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statements No. 68 and 75. The OPEB for health benefits is an unfunded plan. The same actuaries used for pensions and OPEB from TMRS are used to provide the reporting information for the OPEB for health benefits.

Deferred Outflows/Inflows of Resources

Deferred outflows and inflows of resources are reported in the financial position as described below:

A *deferred outflow of resources* is a consumption of a government's net assets (a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the government that is applicable to a future reporting period. The City has two items that qualify for reporting in this category:

- Deferred outflows of resources for pension – Reported in the government-wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results 1) differences between projected and actual earnings on pension plan investments; 2) changes in actuarial assumptions; 3) differences between expected and actual actuarial experiences and 4) changes in the City's proportional share of pension liabilities. The deferred outflows of resources related to pensions resulting from City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The deferred outflows resulting from differences between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The remaining pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.

CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

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

Deferred Outflows/Inflows of Resources (continued)

- Deferred outflows of resources for other post-employment benefits (OPEB) other than pension – Reported in the government wide financial statement of net position, this deferred outflow results from OPEB plan contributions made after the measurement date of the total OPEB liability and the results of 1) differences between projected and actual earnings on OPEB plan investments; 2) changes in actuarial assumptions; 3) differences between expected and actual actuarial experiences and 4) changes in the City’s proportional share of OPEB liabilities. The deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the next fiscal year. The deferred outflows resulting from differences between projected and actual earnings on OPEB investments will be amortized over a closed five-year period. The remaining postemployment related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with OPEB through the OPEB plan.

Deferred Outflows/Inflows of Resources (continued)

A *deferred inflow of resources* is an acquisition of a government's net assets (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the government that is applicable to a future reporting period. The City has three items that qualify for reporting in this category:

- Deferred inflows of resources for unavailable revenues - Reported only in the governmental funds balance sheet, unavailable revenues from property taxes arise under the modified accrual bases of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Deferred inflows of resources for pension – reported in the government-wide financial statement of net position, these deferred inflows result primarily from 1) changes in actuarial assumptions; 2) differences between expected and actual actuarial experiences and 3) changes in the City’s proportional share of pension liabilities. These pension related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.
- Deferred inflows of resources for OPEB – Reported in the government wide financial statement of net position, this deferred inflow results primarily from 1) changes in actuarial assumptions; and 2) differences between expected and actual actuarial experiences. These OPEB related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with OPEB through the OPEB plan.

Fund Balance

The City has adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions*. The objective of the statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing government fund type definitions. The statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications, under GASB 54 are Nonspendable, Restricted, Committed, Assigned, and Unassigned.

These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Fund balance can have different levels of constraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the General Fund. The General Fund should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance.

CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

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

Fund Balance (continued)

In accordance with GASB 54, the City classifies governmental fund balances as follows:

- *Committed fund balance* – includes amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority (City Council). Commitments may be changed or lifted only by the government taking the same formal action (resolution) that imposed the constraint originally (i.e. park acquisition and improvement, recreation, etc).
- *Restricted fund balance* - fund balance includes amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation. Restrictions may be changed or lifted only with the consent of the resource providers.
- *Unassigned fund balance* – is the residual classification of the general fund and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose.

Order of Expenditure of Funds – When multiple categories of fund balance are available for expenditure, the City will start with the most restricted category and spend those funds first before moving down to the next category with available funds. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

Net Position

Restricted – The City restricts net position to serve different purposes. In the City’s governmental funds, net position is restricted for the retirement of long-term debt, development, and parks and community.

Note 2 - Deposits and Investments

The investment policy of the City is governed by State statute and a Council adopted City Investment Policy. Major controls stipulated in the Investment Policy include: depository limitations require Federal Deposit Insurance Corporation (“FDIC”) insurance or full 100 percent collateralization; depositories are limited to Texas banking institutions; all collateral for repurchase agreements and deposits held by independent third party trustees; all settlement is delivery versus payment; all authorized investments are defined; and diversification guidelines are set as are maximum maturity and maximum weighted average maturity.

CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 2 - Deposits and Investments (continued)

State statutes require all time and demand deposits to be fully insured or collateralized. Cash and cash equivalents are considered to be cash on hand, demand deposits with banks and other financial institutions, and any other kind of account that has the general characteristics of demand deposits where funds may be added or withdrawn at any time without penalty or prior notice. Cash equivalents are defined as liquid investments that are both readily convertible to known amounts of cash and so near their maturity, they present insignificant risk or changes in value because of changes in interest rates.

At September 30, 2024, the carrying amount of deposits was \$73,061,998 and the respective bank balances were \$73,239,174. The City's bank balances were fully insured or collateralized with securities held by the City's agent in the City's name.

Custodial Credit Risk for Deposits: State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the City complied with this law for the year ended September 30, 2024, it had no custodial credit risk for deposits.

The *Public Funds Investment Act* (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety or principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the state maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

As of September 30, 2024, the City does not hold any investments.

Note 3 - Property Taxes

The appraisal of property within the City is the responsibility of the Hays Central Appraisal District (the Appraisal District). The Appraisal District is required under the Property Tax Code to appraise all property within the county on the basis of 100% of its market value. The value of real property within the Appraisal District must be reviewed every five years; however, the City may, at its own expense, require annual reviews of appraised values. The City may challenge appraised values established by the Appraisal District through various appeals and, if necessary, take legal action. Under this legislation, the City continues to set tax rates on City property. The Texas Legislature enacted new legislation for property taxes which calculates the no new revenue tax rate (the rate will raise the same amount of property tax revenue from same properties as prior year). The voter approved rate is the highest tax rate the City may adopt without holding an election. The City's property taxes are levied annually in October on the basis of the Appraisal District's assessed values as of January 1 of that calendar year. Appraised values are established by the Appraisal District at market value, assessed at 100% of appraised value and certified by the Appraisal District Board of Review. The City property taxes are billed and collected by the City's Tax Assessor/Collector. Such taxes are applicable to the fiscal year in which they are levied and become delinquent with an enforceable lien on property on February 1 of the current calendar year.

CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 3 - Property Taxes (continued)

Within the \$2.50 maximum levy, there is no legal limit upon the amount of property taxes, which can be levied for debt service. The property tax rates to finance general governmental services for fiscal year 2024 was \$0.1718 per \$100 of assessed valuation. The 2023 assessed value and total tax levy as adjusted through September 30, 2024 were \$1,949,376,449 and \$3,352,983, respectively.

Property taxes are levied by October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. The Appraisal District establishes appraised values. Taxes are levied by the City Council based on the appraised values and operating needs of the City.

Note 4 - Receivables

Receivables as of September 30, 2024 for the City’s individual major funds and nonmajor funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Receivables			
Property taxes	\$ 31,787	\$ -	\$ 31,787
Sales taxes	318,118	-	318,118
Developers	816,663	-	816,663
Other	20,126	121,620	141,746
Less: Allowance for uncollectible	-	-	-
Net Receivables	<u>\$ 1,186,694</u>	<u>\$ 121,620</u>	<u>\$ 1,308,314</u>

	<u>Water and Wastewater Fund</u>	<u>Total Proprietary Funds</u>
Receivables		
Sales tax	\$ 79,529	\$ 79,529
Customer	3,138,886	3,138,886
Less: Allowance for uncollectible	-	-
Net Receivables	<u>\$ 3,218,415</u>	<u>\$ 3,218,415</u>

CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 5 - Capital Assets

Capital assets activity for the year ended September 30, 2024, was as follows:

	Balance October 1, 2023	Additions	Retirements and Transfers	Balance September 30, 2024
Governmental activities:				
Capital Assets, Not being Depreciated/Amortized				
Land	\$ 5,930,814	\$ -	\$ -	\$ 5,930,814
Total Capital Assets, Not being Depreciated/Amortized	5,930,814	-	-	5,930,814
Capital Assets being Depreciated/Amortized:				
Buildings	1,075,825	-	-	1,075,825
Improvements other than buildings	9,236,290	-	-	9,236,290
Machinery and equipment	1,763,948	142,993	-	1,906,941
Infrastructure	20,093,554	8,174,964	-	28,268,518
Right-to-use SBITA asset	101,543	-	-	101,543
Total Capital Assets being Depreciated/Amortized	32,271,160	8,317,957	-	40,589,117
Less Accumulated Depreciation/Amortization for:				
Buildings	(497,556)	(37,276)	-	(534,832)
Improvements other than buildings	(3,229,369)	(305,431)	-	(3,534,800)
Machinery and equipment	(1,375,266)	(96,656)	-	(1,471,922)
Infrastructure	(1,340,679)	(651,258)	-	(1,991,937)
Right-to-use SBITA asset	(16,867)	(20,309)	-	(37,176)
Total Accumulated Depreciation/Amortization	(6,459,737)	(1,110,930)	-	(7,570,667)
Total Capital Assets being Depreciated/Amortized, Net	25,811,423	7,207,027	-	33,018,450
Governmental Activities Capital Assets, Net	\$ 31,742,237	\$ 7,207,027	\$ -	\$ 38,949,264
Business-Type Activities:				
Business-Type Assets, being Depreciated/Amortized				
Buildings	\$ -	\$ 3,444,757	\$ -	\$ 3,444,757
Infrastructure	38,355,029	4,328,290	-	42,683,319
Machinery and equipment	185,739	-	-	185,739
Right-to-use lease asset	846,075	-	-	846,075
Total Capital Assets being Depreciated/Amortized	39,386,843	7,773,047	-	47,159,890
Less Accumulated Depreciation/Amortization for:				
Buildings	-	(172,238)	-	(172,238)
Infrastructure	(7,928,482)	(1,505,794)	-	(9,434,276)
Machinery and equipment	(69,951)	(36,183)	-	(106,134)
Right-to-use lease asset	(27,732)	(169,215)	-	(196,947)
Total Accumulated Depreciation/Amortization	(8,026,165)	(1,883,430)	-	(9,909,595)
Business Type Activities Capital Assets, Net	\$ 31,360,678	\$ 5,889,617	\$ -	\$ 37,250,295

CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 5 - Capital Assets (continued)

Depreciation/amortization was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General government	\$ 674,681
Public works	43,626
Parks and recreation	392,623
Total Governmental Activities	<u>\$ 1,110,930</u>
Business-type Activities:	
Water and Wastewater	\$ 1,883,430
Total Business-type Activities	<u>\$ 1,883,430</u>

Net investment in capital assets at September 30, 2024 is calculated as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Capital Assets, Net	\$ 38,949,264	\$ 37,250,295
Less:		
Bonds payable	325,000	39,300,000
Notes payable	-	2,500,000
SBITA liability	42,726	-
Lease liability	-	661,287
Plus:		
Unspent bond proceeds	-	44,958,115
Net Investment in Capital Assets	<u>\$ 38,581,538</u>	<u>\$ 39,747,123</u>

CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 6 - Long-Term Liabilities

The City issues general obligation bonds, certificates of obligation bonds, and contractual obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental which includes blended component units and business-type activities. These issues are direct obligations and pledge the full faith and credit of the City.

<u>General Obligation Bonds</u>	<u>Original Borrowings</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Balance at September 30, 2024</u>	
				<u>Governmental</u>	<u>Business-Type</u>
General Obligation Refunding Bonds, Series 2015	\$ 7,410,000	2026	0.437 - 2.352%	\$ -	\$ 1,310,000
Total General Obligation Bonds				<u>\$ -</u>	<u>\$ 1,310,000</u>

<u>Certificates of Obligation</u>	<u>Final Maturity</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Balance at September 30, 2024</u>	
				<u>Governmental</u>	<u>Business-Type</u>
Combination Tax and Limited Revenue Certificates of Obligation, Series 2013	\$ 1,000,000	2028	4.15%	\$ 325,000	\$ -
Combination Tax and Surplus Revenue Certificates of Obligation, Series 2019	23,500,000	2040	0.04 - 0.61%	-	19,845,000
Combination Tax and Revenue Certificates of Obligation, Series 2022	19,895,000	2042	0.61 - 2.01%	-	18,145,000
Total Certificates of Obligation				<u>\$ 325,000</u>	<u>\$ 37,990,000</u>

<u>Tax Notes</u>	<u>Original Borrowings</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Balance at September 30, 2024</u>	
				<u>Governmental</u>	<u>Business-Type</u>
City of Dripping Springs, Texas Tax Note, Series 2024	\$ 2,500,000	2026	4.44%	\$ -	\$ 2,500,000
Total General Obligation Bonds				<u>\$ -</u>	<u>\$ 2,500,000</u>

During the fiscal year, the City issued \$2,500,000 in Tax Note, Series 2024. The note carries an interest rate of 4.44% and matures in 2026. Proceeds from the notes will be used for constructing, reconstructing and improving streets, roads, bridges, alleys and sidewalks, and related drainage, utility relocation, signalization, landscaping, lighting and signage for said projects, and the acquisition of land and rights-of-way therefore.

CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 6 - Long-Term Liabilities (continued)

Changes in the City’s long-term liabilities for the year ended September 30, 2024 are as follows:

	Balance October 1 2023	Additions	Reductions	Balance September 30 2024	Amounts Due Within One Year
Governmental Activities:					
Bonds Payable:					
Certificates of obligation	\$ 400,000	\$ -	\$ (75,000)	\$ 325,000	\$ 75,000
Total Bonds Payable	400,000	-	(75,000)	325,000	75,000
SBITA payable	54,983	-	(12,257)	42,726	13,181
Compensated absences	221,171	29,068	-	250,239	250,239
Net pension liability	183,446	-	(66,375)	117,071	-
Total OPEB liability	26,944	7,651	-	34,595	-
Total Governmental Activities	\$ 886,544	\$ 36,719	\$ (153,632)	\$ 769,631	\$ 338,420
Business-type Activities:					
Bonds Payable:					
General obligation bonds	\$ 1,965,000	\$ -	\$ (655,000)	\$ 1,310,000	\$ 655,000
Certificates of obligation	39,820,000	-	(1,830,000)	37,990,000	1,865,000
Tax Notes	-	2,500,000	-	2,500,000	355,000
Total Bonds Payable	41,785,000	2,500,000	(2,485,000)	41,800,000	2,875,000
Lease payable	817,784	-	(156,497)	661,287	162,873
Compensated absences	16,300	21,980	-	38,280	38,280
Net pension liability	16,793	-	(1,908)	14,885	-
Total OPEB liability	2,467	1,931	-	4,398	-
Total Business-type Activities	\$ 42,638,344	\$ 2,523,911	\$ (2,643,405)	\$ 42,518,850	\$ 3,076,153

Long-term liabilities applicable to the City’s governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. Compensated absences generally are paid by the General Fund for the governmental activities.

General Obligation Bonds and Certificates of Obligation

General Obligation Bonds are direct obligations issued on a pledge of the general taxing power for the payment of the debt obligations of the City. General Obligations bonds and Certificates of Obligation require the City to compute, at the time other taxes are levied, the rate of tax required to provide (in each year bonds are outstanding) a fund to pay interest and principal maturity. The City is in compliance with this requirement.

Fiscal Year	Governmental Activities	
	Certificates of Obligation	
	Principal	Interest
2025	\$ 75,000	\$ 13,488
2026	80,000	10,375
2027	85,000	7,055
2028	85,000	3,528
	\$ 325,000	\$ 34,446

CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 6 - Long-Term Liabilities (continued)

General Obligation Bonds and Certificates of Obligation (continued)

Fiscal Year	Business-type Activities							
	General Obligation Bonds		Certificates of Obligation		Tax Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 655,000	\$ 29,901	\$ 1,865,000	\$ 370,442	\$ 355,000	\$ 131,042	\$ 2,875,000	\$ 531,385
2026	655,000	15,406	1,905,000	360,322	390,000	95,238	2,950,000	470,966
2027	-	-	1,945,000	349,731	410,000	77,922	2,355,000	427,653
2028	-	-	1,990,000	338,211	430,000	59,718	2,420,000	397,929
2029	-	-	2,035,000	325,035	445,000	40,626	2,480,000	365,661
2030-2034	-	-	10,920,000	1,372,356	470,000	20,868	11,390,000	1,393,224
2035-2039	-	-	12,350,000	805,874	-	-	12,350,000	805,874
2040-2042	-	-	4,980,000	147,050	-	-	4,980,000	147,050
	<u>\$ 1,310,000</u>	<u>\$ 45,307</u>	<u>\$ 37,990,000</u>	<u>\$ 4,069,021</u>	<u>\$ 2,500,000</u>	<u>\$ 425,414</u>	<u>\$41,800,000</u>	<u>\$ 4,539,742</u>

Lease Payable

The City entered into a six-year lease agreement as lessee for the acquisition and use of WWTP equipment. An initial lease liability was recorded in the amount of \$817,784. As of September 30, 2024 the value of the lease liability was \$661,287. The lease has an interest rate of 4%. The equipment has a six-year estimated useful life. The value of the right-to-use asset as of the end of the current fiscal year was \$846,075 and had accumulated amortization of \$196,947.

The future principal and interest lease payments as of September 30, 2024, were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 162,873	\$ 23,487	\$ 186,360
2026	169,509	16,851	186,360
2027	176,415	9,945	186,360
2028	152,490	2,810	155,300
Total	<u>\$ 661,287</u>	<u>\$ 53,093</u>	<u>\$ 714,380</u>

SBITA Payable

The City entered into a five-year SBITA agreement for the acquisition of software. An initial SBITA liability was recorded in the amount of \$54,983. As of September 30, 2024, the value of the SBITA liability was \$42,726. The SBITA has an interest rate of 4%. The software has a five-year estimated useful life. The value of the right-to-use asset as of the end of the current fiscal year was \$101,543 and had accumulated amortization of \$37,176.

The future principal and interest SBITA payments as of September 30, 2024, were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 13,181	\$ 1,709	\$ 14,890
2026	14,355	1,182	15,537
2027	15,190	608	15,798
Total	<u>\$ 42,726</u>	<u>\$ 3,499</u>	<u>\$ 46,225</u>

CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 7 - Interfund Receivables, Payables and Transfers

The composition of interfund transfers for the year are as follows:

Transfers From	Transfers To				Totals
	General	Dripping Springs Ranch Park	Nonmajor Governmental Funds	Water and Wastewater Fund	
General Fund	\$ -	\$ -	\$ 583,428	\$ 1,257,122	\$ 1,840,550
Dripping Springs Ranch Park	-	-	32,145	-	32,145
Nonmajor Governmental	164,117	322,345	220,153	-	706,615
Totals	\$ 164,117	\$ 322,345	\$ 835,726	\$ 1,257,122	\$ 2,579,310

During the year, transfers are used to (1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due and (2) move general fund resources to provide an annual subsidy to other funds.

Note 8 - Defined-Benefit Pension Plans

Plan Description and Provisions

The City participates as one of 895 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available annual comprehensive financial report (annual report) that can be obtained at www.tmr.com.

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

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

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

The City has approved an annually repeating (automatic) basis a monetary credit referred to as an updated service credit (USC) which is a theoretical amount which takes into account salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest at 5% until retirement. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer match plus employer-financed monetary credits, such as USC, with interest were used to purchase an annuity. Additionally, City provides on an annually repeating (automatic) basis cost of living adjustments (COLA) for retirees equal to a percentage of the change in the consumer price index (CPI).

CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 8 - Defined-Benefit Pension Plans (continued)

Plan Description and Provisions (continued)

A summary of plan provisions for the City are as follows:

Employee deposit rate:	7%
Matching ratio (City to employee):	2 to 1
Years required for vesting:	5
Service retirement eligibility:	20 years at any age, 5 years at age 60 and above
Updated Service Credit:	100% Repeating Transfers
Annuity Increase to retirees:	70% of CPI Repeating
Supplemental death benefit – active employees and retirees	Yes

Benefits Provided

At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	44
Active employees	<u>57</u>
Total	<u>103</u>

Contributions

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

Employees for the City were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City were 6% in calendar years 2024 and 2023.

Net Pension Liability

The City’s net pension liability was measured as of December 31, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 8 - Defined-Benefit Pension Plans (continued)

Actuarial Assumptions (continued)

The total pension liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

Inflation:	2.50%
Overall payroll growth:	3.6% to 11.85% including inflation
Investment Rate of Return:	6.75%, net of pension plan investment expense, including inflation

Salary increases are assumed to occur once a year on January 1 so that the pay used for the period year following the valuation is equal to the reported pay for the prior year. Salaries are assumed to increase on a graduated service-based scale.

Actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for annuity purchase rates is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2024 are summarized in the table below:

<u>Asset Class</u>	<u>Strategic Target Allocation Index</u>
Core fixed income	6.0%
Non-Core fixed income	20.0%
Global public equity	35.0%
Real Estate	12.0%
Hedge funds	5.0%
Other public & private mark	12.0%
Private equity	10.0%
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, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 8 - Defined-Benefit Pension Plans (continued)

Changes in the Net Pension Liability

	Total Pension Liability	Increase (Decrease) Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2022	\$ 1,988,067	\$ 1,787,828	\$ 200,239
Changes for the Year:			
Service cost	392,995	-	392,995
Interest	147,248	-	147,248
Difference between expected and actual experience	31,703	-	31,703
Changes in assumptions	(23,307)	-	(23,307)
Contributions - employer	-	202,358	(202,358)
Contributions - employee	-	206,839	(206,839)
Net investment income	-	209,050	(209,050)
Benefit payments, including refunds, of employee contributions	(6,216)	(6,216)	-
Administrative expense	-	(1,316)	1,316
Other charges	-	(9)	9
Net changes	542,423	610,706	(68,283)
Balance at 12/31/2023	\$ 2,530,490	\$ 2,398,534	\$ 131,956

Sensitivity of the Net Pension Liability

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 to 5.75%	Current Single Rate Assumption 6.75%	1% Increase to 7.75%
City's net pension liability	\$ 524,599	\$ 131,956	\$ (190,890)

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 the following location: [TMRS 2023 ACFR](#).

CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 8 - Defined-Benefit Pension Plans (continued)

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

For the year ended September 30, 2024, the City recognized pension expense of \$205,771 related to the TMRS plan.

At September 30, 2024, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actuarial assumptions and actual experience	\$ 24,657	\$ (21,728)
Changes in actuarial assumptions used	215	(18,127)
Differences between projected and actual investment earnings	32,485	-
Contributions subsequent to the measurement date	176,720	-
Total	\$ 234,077	\$ (39,855)

Deferred outflows of resources resulting from contributions subsequent to the measurement date of \$176,720 will be recognized as a reduction of the net pension liability for the fiscal year ending September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year	Net Deferred Outflows (Inflows) of Resources
2025	\$ 1,377
2026	6,347
2027	26,518
2028	(16,740)
Total	\$ 17,502

CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 9 - Other Post-Employment Benefits

Benefit Plan Description

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 another post-employment benefit (OPEB). As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

Membership in the plan as of the measurement date of December 31, 2023 was as follows:

Inactive employees currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	5
Active employees	<u>57</u>
Total	<u>63</u>

Contributions

Contributions are made monthly based on the covered payroll of employee members of the participating member city. The contractually required contribution rate is determined annually for each city (currently 0.19% of covered payroll). The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees’ entire careers. As such, contributions are utilized to fund active member deaths on a pay-as-you-go basis; any excess contributions and investment income over payments then become net position available for benefits.

Discount Rate

The TMRS SDBF program is treated as unfunded OPEB plan because the SDBF trust covers both active employees and retirees and the assets are not segregated for these groups. Under GASB Statement No. 75, the discount rate for an unfunded OPEB plan should be based on 20-year tax-exempt AA or higher Municipal Bonds. Therefore, a discount rate of 3.77% based on the 20 Year Municipal GO AA Index rate as of December 31, 2023.

CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 9 - Other Post-Employment Benefits (continued)

Actuarial Assumptions

The City's total OPEB liability was measured at December 31, 2023 and was determined by an actuarial valuation as of that date using the following actuarial assumptions:

Valuation Date: December 31, 2023

Methods and Assumptions:

Inflation: 2.50%

Salary Increases: 3.60% to 11.85%, including inflation

Discount rate: 3.77% as of December 31, 2023.

Retirees' share of benefit related costs: \$0

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

Mortality rates – service retirees: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.

Mortality rates – disabled retirees: 2019 Municipal Retirees of Texas Mortality Tables with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 9 - Other Post-Employment Benefits (continued)

Actuarial Assumptions (continued)

The actuarial assumptions used in the December 31, 2023 valuation were based on the results of an actuarial experience study for the period ending December 31, 2022.

Changes in the Total OPEB Liability

Total OPEB Liability	
Service cost	\$ 6,205
Interest	1,310
Changes of benefit terms	-
Difference between expected and actual experience of the total OPEB liability	206
Changes of assumptions	2,206
Benefit payments	<u>(345)</u>
Net change in total OPEB liability	9,582
Total OPEB Liability - Beginning	<u>29,411</u>
Total OPEB Liability - Ending	<u><u>\$ 38,993</u></u>
Covered payroll	\$ 3,447,323
Total OPEB Liability as a Percentage of Covered Payroll	1.13%

Sensitivity Analysis

The following presents the total OPEB liability of the employer, calculated using the discount rate of 3.77%, 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 (2.77%) or 1 percentage point higher (4.77%) than the current rate. Note that the healthcare cost trend rate does not affect the total OPEB liability, so sensitivity to the healthcare cost trend rate is not shown.

1% Decrease to 2.77%	Current Discount Rate Assumption 3.77%	1% Increase to 4.77%
\$ 49,391	\$ 38,993	\$ 31,286

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

For the year ended September 30, 2024, the City recognized OPEB expense of \$5,637 related to the TMRS Supplemental Death Benefits plan.

CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 9 - Other Post-Employment Benefits (continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Activity (continued)

As of September 30, 2024, the City reported deferred outflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 681	\$ (5,627)
Changes assumptions	8,043	(15,841)
Contributions subsequent to the measurement date	5,779	-
Total	<u>\$ 14,503</u>	<u>\$ (21,468)</u>

The \$5,779 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending September 30, 2025.

Amounts currently reported as deferred outflows of resources related to OPEB, excluding contributions subsequent to the measurement date, will be recognized in OPEB expense as follows:

<u>Fiscal Year</u>	<u>Net deferred outflows (inflows) of resources</u>
2025	\$ (2,037)
2026	(1,716)
2027	(1,547)
2028	(3,125)
2029	(2,670)
Thereafter	(1,649)
Total	<u>\$ (12,744)</u>

Note 10 - Risk Management

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures. The City purchases commercial insurance to indemnify it in event of loss. For the past three years, settlements did not exceed coverage.



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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DRIPPING SPRINGS, TEXAS

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Year Ended September 30, 2024

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes:				
Ad Valorem Taxes	\$ 3,393,487	\$ 3,307,854	\$ 2,828,567	\$ (479,287)
Sales and use taxes	3,800,000	4,669,852	3,751,240	(918,612)
Franchise taxes	45,000	68,000	61,203	(6,797)
Mixed drink tax	75,000	100,000	102,055	2,055
Licenses and permits	3,187,875	2,696,690	2,721,898	25,208
Intergovernmental revenues	-	103,775	50	(103,725)
Charges for services	230,950	166,948	740,497	573,549
Interest Income	50,000	185,000	215,193	30,193
Donations	5,000	2,600	3,904	1,304
Miscellaneous	280,000	280,000	477,250	197,250
Total Revenues	11,067,312	11,580,719	10,901,857	(678,862)
Expenditures				
Current:				
General government	5,715,771	5,138,874	3,220,837	1,918,037
Public safety	94,298	97,300	87,864	9,436
Public works	3,411,860	3,760,185	3,775,389	(15,204)
Development services	1,105,500	1,247,870	1,914,461	(666,591)
Parks and community services	2,286,373	2,324,568	2,380,716	(56,148)
Debt Service:				
Principal	-	-	12,257	(12,257)
Interest	-	-	2,199	(2,199)
Total Expenditures	12,613,802	12,568,797	11,393,723	1,175,074
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,546,490)	(988,078)	(491,866)	496,212
Other Financing Sources (Uses)				
Transfers in	246,748	446,748	164,117	(282,631)
Transfers out	(2,245,324)	(2,059,192)	(1,840,550)	218,642
Total Other Financing Sources (Uses)	(1,998,576)	(1,612,444)	(1,676,433)	(63,989)
Change in Fund Balance	(3,545,066)	(2,600,522)	(2,168,299)	432,223
Fund Balances, Beginning	9,504,215	9,504,215	9,504,215	-
Fund Balances, Ending	\$ 5,959,149	\$ 6,903,693	\$ 7,335,916	\$ 432,223

Actual expenditures exceeded final budget in public works, development services, parks and community services, and debt service.

CITY OF DRIPPING SPRINGS, TEXAS

DRIPPING SPRINGS RANCH PARK

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Year Ended September 30, 2024

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Charges for services	\$ 214,200	\$ 269,945	\$ 301,717	\$ 31,772
Interest Income	2,000	8,271	8,170	(101)
Miscellaneous	593,465	403,131	410,501	7,370
Total Revenues	809,665	681,347	720,388	39,041
Expenditures				
Current:				
Parks and community services	1,299,219	1,164,682	990,169	174,513
Total Expenditures	1,299,219	1,164,682	990,169	174,513
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(489,554)	(483,335)	(269,781)	213,554
Other Financing Sources (Uses)				
Transfers in	300,000	431,645	322,345	(109,300)
Transfers out	(32,145)	(32,145)	(32,145)	-
Total Other Financing Sources (Uses)	267,855	399,500	290,200	(109,300)
Change in Fund Balance	(221,699)	(83,835)	20,419	104,254
Fund Balances, Beginning	104,560	104,560	104,560	-
Fund Balances, Ending	\$ (117,139)	\$ 20,725	\$ 124,979	\$ 104,254

CITY OF DRIPPING SPRINGS, TEXAS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Last Nine Measurement Years

	2023	2022	2021	2020	2019
Total Pension Liability					
Service Cost	\$ 392,995	\$ 315,849	\$ 248,908	\$ 215,769	\$ 163,515
Interest (on the Total Pension Liability)	147,248	118,043	95,314	74,816	59,115
Changes of benefit terms	-	-	-	-	-
Difference between expected and actual experience	31,703	(26,727)	(21,189)	12,809	(6,464)
Changes of assumptions	(23,307)	-	-	-	3,380
Benefit payments, including refunds of employee contributions	(6,216)	(19,914)	(19,657)	(12,910)	(13,212)
Net change in total pension liability	542,423	387,251	303,376	290,484	206,334
Total Pension Liability – Beginning	1,988,067	1,600,816	1,297,440	1,006,956	800,622
Total Pension Liability – Ending	\$ 2,530,490	\$ 1,988,067	\$ 1,600,816	\$ 1,297,440	\$ 1,006,956
Plan Fiduciary Net Position					
Contributions – employer	\$ 202,358	\$ 160,588	\$ 130,324	\$ 114,507	\$ 92,626
Contributions – employee	206,839	166,091	132,987	115,077	87,441
Net investment income	209,050	(117,534)	157,083	69,581	100,230
Benefit payments, including refunds of employee contributions	(6,216)	(19,914)	(19,657)	(12,910)	(13,212)
Administrative Expense	(1,316)	(1,010)	(723)	(448)	(564)
Other	(9)	1,206	5	(18)	(18)
Net change in plan fiduciary net position	610,706	189,427	400,019	285,789	266,503
Plan Fiduciary Net Position – Beginning	1,787,828	1,598,401	1,198,382	912,593	646,090
Plan Fiduciary Net Position – Ending	\$ 2,398,534	\$ 1,787,828	\$ 1,598,401	\$ 1,198,382	\$ 912,593
Net pension liability	\$ 131,956	\$ 200,239	\$ 2,415	\$ 99,058	\$ 94,363
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	94.79%	89.93%	99.85%	92.37%	90.63%
Covered Payroll	\$ 3,447,323	\$ 2,768,174	\$ 2,216,455	\$ 1,917,948	\$ 1,457,351
Net Pension Liability as a Percentage of Covered Employee Payroll	3.83%	7.23%	0.11%	5.16%	6.47%

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

CITY OF DRIPPING SPRINGS, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last Nine Measurement Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability				
Service Cost	\$ 129,750	\$ 67,410	\$ 50,354	\$ 30,743
Interest (on the Total Pension Liability)	48,199	38,747	29,124	24,446
Changes of benefit terms	-	62,645	-	-
Difference between expected and actual experience	(14,071)	18,543	(4,706)	1,741
Changes of assumptions	-	-	-	15,501
Benefit payments, including refunds of employee contributions	(24,895)	(6,768)	-	-
Net change in total pension liability	138,983	180,577	74,772	72,431
Total Pension Liability – Beginning	<u>661,639</u>	<u>481,062</u>	<u>406,290</u>	<u>333,859</u>
Total Pension Liability – Ending	<u>\$ 800,622</u>	<u>\$ 661,639</u>	<u>\$ 481,062</u>	<u>\$ 406,290</u>
Plan Fiduciary Net Position				
Contributions – employer	\$ 78,968	\$ 28,309	\$ 14,212	\$ 8,735
Contributions – employee	68,470	55,761	38,205	24,994
Net investment income	(16,201)	56,460	22,471	440
Benefit payments, including refunds of employee contributions	(24,895)	(6,768)	-	-
Administrative Expense	(313)	(292)	(253)	(268)
Other	(17)	(15)	(14)	(13)
Net change in plan fiduciary net position	106,012	133,455	74,621	33,888
Plan Fiduciary Net Position – Beginning	<u>540,078</u>	<u>406,623</u>	<u>332,002</u>	<u>298,114</u>
Plan Fiduciary Net Position – Ending	<u>\$ 646,090</u>	<u>\$ 540,078</u>	<u>\$ 406,623</u>	<u>\$ 332,002</u>
Net pension liability	<u>\$ 154,532</u>	<u>\$ 121,561</u>	<u>\$ 74,439</u>	<u>\$ 74,288</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.70%	81.63%	84.53%	81.72%
Covered Payroll	\$ 1,141,163	\$ 984,086	\$ 764,092	\$ 499,885
Net Pension Liability as a Percentage of Covered Employee Payroll	13.54%	12.35%	9.74%	14.86%

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

CITY OF DRIPPING SPRINGS, TEXAS
SCHEDULE OF PENSION CONTRIBUTIONS
Last Nine Fiscal Years

	2024	2023	2022	2021	2020
Actuarially Determined Contribution	\$ 243,741	\$ 194,451	\$ 158,663	\$ 229,584	\$ 180,067
Contributions in relation to the actuarially determined contribution	<u>(243,741)</u>	<u>(194,451)</u>	<u>(158,663)</u>	<u>(229,584)</u>	<u>(180,067)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 4,062,356	\$ 3,240,857	\$ 2,644,390	\$ 1,917,948	\$ 1,457,351
Contributions as a percentage of covered payroll	6.00%	6.00%	6.00%	11.97%	12.36%
	2019	2018	2017	2016	
Actuarially Determined Contribution	\$ 147,438	\$ 84,070	\$ 52,417	\$ 33,729	
Contributions in relation to the actuarially determined contribution	<u>(147,438)</u>	<u>(84,070)</u>	<u>(52,417)</u>	<u>(33,729)</u>	
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	
Covered payroll	\$ 1,141,163	\$ 984,086	\$ 764,092	\$ 499,885	
Contributions as a percentage of covered payroll	12.92%	8.54%	6.86%	6.75%	

Note: This schedule is required to have 10 years of information, but the information prior to 2016 is not available.

NOTES TO SCHEDULE OF CONTRIBUTIONS

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	21 years (longest amortization ladder)
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.60% to 11.85% including inflation
Discount rate	6.75%
Retirement Age	Experienced-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

Other Information:

Notes: There were no benefit changes during the year.

CITY OF DRIPPING SPRINGS, TEXAS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
Last Seven Measurement Years

Total OPEB Liability	2023	2022	2021	2020
Service cost	\$ 6,205	\$ 9,135	\$ 8,201	\$ 6,329
Interest on the total OPEB liability	1,310	868	844	732
Difference between expected and actual experience of the total OPEB liability	206	(2,086)	(5,943)	1,190
Changes in assumptions	2,206	(20,975)	1,650	6,621
Benefit payments	(345)	(277)	(222)	(192)
Net change in total OPEB liability	9,582	(13,335)	4,530	14,680
Total OPEB Liability - Beginning	29,411	42,746	38,216	23,536
Total OPEB Liability - Ending	\$ 38,993	\$ 29,411	\$ 42,746	\$ 38,216

Covered payroll \$ 3,447,323 \$ 2,768,174 \$ 2,216,455 \$ 1,917,948

Total OPEB liability as a percentage of covered payroll 1.13% 1.06% 1.93% 1.99%

Total OPEB Liability	2019	2018	2017
Service cost	\$ 2,769	\$ 2,511	\$ 1,968
Interest on the total OPEB liability	589	588	496
Changes in benefit terms	-	-	-
Difference between expected and actual experience of the total OPEB liability	(114)	(3,494)	-
Changes in assumptions	5,872	(1,534)	1,905
Benefit payments	(146)	-	-
Net change in total OPEB liability	8,970	(1,929)	4,369
Total OPEB Liability - Beginning	14,566	16,495	12,126
Total OPEB Liability - Ending	\$ 23,536	\$ 14,566	\$ 16,495

Covered payroll \$ 1,457,351 \$ 1,141,163 \$ 984,086

Total OPEB liability as a percentage of covered payroll 1.61% 1.28% 1.68%

Notes to the Required Supplementary Information

Ten years of data should be presented but data was unavailable prior to 2017.

TMRS Supplementary Death Benefit Fund (SDBF) is considered to be an unfunded OPEB plan; therefore, no plan fiduciary net position and related ratios are reported in the above schedule.

CITY OF DRIPPING SPRINGS, TEXAS
SCHEDULE OF OPEB CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
Last Three Fiscal Years

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Actuarially Determined Contribution	\$ 407	\$ 322	\$ 265
Contributions in relation to the actuarially determined contribution	<u>(407)</u>	<u>(322)</u>	<u>(265)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 4,062,356	\$ 3,240,857	\$ 2,644,390
Contributions as a percentage of covered payroll	0.01%	0.01%	0.01%

Notes to the Required Supplementary Information

Ten years of data should be presented but data was unavailable prior to 2022. TMRS Supplementary Death Benefit Fund (SDBF) is considered to be an unfunded OPEB plan; therefore, no plan fiduciary net position and related ratios are reported in the above schedule.

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SUPPLEMENTARY INFORMATION

CITY OF DRIPPING SPRINGS, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2024

	<u>Special Revenue Funds</u>				
	<u>Debt Service Fund</u>	<u>Hotel/Motel Tax</u>	<u>PEG Fund</u>	<u>Reserve Fund</u>	<u>Farmers Market</u>
Assets					
Current Assets:					
Cash and cash equivalents	\$ 102,534	\$ 1,049,852	\$ 154,378	\$ 2,946,163	\$ 45,750
Receivables	-	121,620	-	-	-
Total Assets	<u>\$ 102,534</u>	<u>\$ 1,171,472</u>	<u>\$ 154,378</u>	<u>\$ 2,946,163</u>	<u>\$ 45,750</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	-	48,473	-	-	246
Due to other funds	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>48,473</u>	<u>-</u>	<u>-</u>	<u>246</u>
Fund Balances:					
Restricted for:					
Debt service	102,534	-	-	-	-
Development	-	1,122,999	154,378	-	-
Culture and recreation	-	-	-	-	45,504
Committed to:					
Reserve	-	-	-	2,946,163	-
Unassigned:	-	-	-	-	-
Total Fund Balances	<u>102,534</u>	<u>1,122,999</u>	<u>154,378</u>	<u>2,946,163</u>	<u>45,504</u>
Total Liabilities and Fund Balances	<u>\$ 102,534</u>	<u>\$ 1,171,472</u>	<u>\$ 154,378</u>	<u>\$ 2,946,163</u>	<u>\$ 45,750</u>

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CITY OF DRIPPING SPRINGS, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2024

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Dripping Springs Visitors Bureau	Town Center TIRZ (TIRZ #1)	Arrowhead TIRZ (TIRZ #2)	Total Nonmajor Special Revenue Funds	
Assets					
Current Assets:					
Cash and cash equivalents	\$ 18,582	\$ 676,435	\$ 1,558,679	\$ 6,449,839	\$ 6,552,373
Receivables	-	-	-	121,620	121,620
Total Assets	<u>\$ 18,582</u>	<u>\$ 676,435</u>	<u>\$ 1,558,679</u>	<u>\$ 6,571,459</u>	<u>\$ 6,673,993</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	2,042	56,845	39,605	147,211	147,211
Due to other funds	30,294	-	-	30,294	30,294
Total Liabilities	<u>32,336</u>	<u>56,845</u>	<u>39,605</u>	<u>177,505</u>	<u>177,505</u>
Fund Balances:					
Restricted for:					
Debt service	-	-	-	-	102,534
Development	-	619,590	1,519,074	3,416,041	3,416,041
Culture and recreation	-	-	-	45,504	45,504
Committed to:					
Reserve	-	-	-	2,946,163	2,946,163
Unassigned:	(13,754)	-	-	(13,754)	(13,754)
Total Fund Balances	<u>(13,754)</u>	<u>619,590</u>	<u>1,519,074</u>	<u>6,393,954</u>	<u>6,496,488</u>
Total Liabilities and Fund Balances	<u>\$ 18,582</u>	<u>\$ 676,435</u>	<u>\$ 1,558,679</u>	<u>\$ 6,571,459</u>	<u>\$ 6,673,993</u>

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CITY OF DRIPPING SPRINGS, TEXAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2024**

	Special Revenue Funds				
	Debt Service Fund	Hotel/Motel Tax	PEG Fund	Reserve Fund	Farmers Market
Revenues					
Taxes:					
Ad Valorem Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Sales and use taxes	-	1,204,759	-	-	-
Franchise taxes	-	-	29,954	-	-
Interest income	3,112	20,712	4,239	75,304	2,183
Charges for services	-	-	-	-	53,932
Donations	-	-	-	-	150
Miscellaneous	-	-	-	-	588
Total Revenues	<u>3,112</u>	<u>1,225,471</u>	<u>34,193</u>	<u>75,304</u>	<u>56,853</u>
Expenditures					
Current:					
Development		135,917	-	3,114	-
Culture and recreation	-	-	-	-	76,821
Debt Service:					
Principal	75,000	-	-	-	-
Interest and fiscal charges	16,600	-	-	-	-
Total Expenditures	<u>91,600</u>	<u>135,917</u>	<u>-</u>	<u>3,114</u>	<u>76,821</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(88,488)</u>	<u>1,089,554</u>	<u>34,193</u>	<u>72,190</u>	<u>(19,968)</u>
Other Financing Sources (Uses)					
Transfers in	88,488	-	-	500,000	14,165
Transfers out	-	(706,615)	-	-	-
Total Other Financing Sources (Uses)	<u>88,488</u>	<u>(706,615)</u>	<u>-</u>	<u>500,000</u>	<u>14,165</u>
Change in Fund Balance	-	382,939	34,193	572,190	(5,803)
Fund Balances, Beginning	<u>102,534</u>	<u>740,060</u>	<u>120,185</u>	<u>2,373,973</u>	<u>51,307</u>
Fund Balances, Ending	<u>\$ 102,534</u>	<u>\$ 1,122,999</u>	<u>\$ 154,378</u>	<u>\$ 2,946,163</u>	<u>\$ 45,504</u>

CITY OF DRIPPING SPRINGS, TEXAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2024**

	Special Revenue Funds			Total Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
	Dripping Springs Visitors Bureau	Town Center TIRZ (TIRZ #1)	Arrowhead TIRZ (TIRZ #2)		
Revenues					
Taxes:					
Ad Valorem Taxes	\$ -	\$ 150,951	\$ 345,116	\$ 496,067	\$ 496,067
Hotel Motel Taxes	-	-	-	1,204,759	1,204,759
TWC Fees	-	-	-	29,954	29,954
Interest income	5,578	23,079	38,425	169,520	172,632
Charges for services	26,853	-	-	80,785	80,785
Donations	25,000	-	-	25,150	25,150
Miscellaneous	11,468	-	-	12,056	12,056
Total Revenues	68,899	174,030	383,541	2,018,291	2,021,403
Expenditures					
Current:					
Development	-	360,097	90,477	589,605	589,605
Culture and recreation	285,432	-	-	362,253	362,253
Debt service:					
Principal	-	-	-	-	75,000
Interest and fiscal charges	-	-	-	-	16,600
Total Expenditures	285,432	360,097	90,477	951,858	1,043,458
Excess (Deficiency) of Revenues Over (Under) Expenditures	(216,533)	(186,067)	293,064	1,066,433	977,945
Other Financing Sources (Uses)					
Transfers in	233,073	-	-	747,238	835,726
Transfers to other funds	-	-	-	(706,615)	(706,615)
Total Other Financing Sources (Uses)	233,073	-	-	40,623	129,111
Change in Fund Balance	16,540	(186,067)	293,064	1,107,056	1,107,056
Fund Balances, Beginning	(30,294)	805,657	1,226,010	5,286,898	5,389,432
Fund Balances, Ending	\$ (13,754)	\$ 619,590	\$ 1,519,074	\$ 6,393,954	\$ 6,496,488



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COMPLIANCE AND INTERNAL CONTROL SECTION



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

To the Honorable Mayor and Members
of the 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, each major fund, and the aggregate remaining fund information of the City of Dripping Springs, Texas (the City), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated March 21, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City’s internal control over financial reporting (internal control) as a basis for designing 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’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as items 2024-001 to be a material weaknesses.

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 over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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

Report on Compliance and Other Matters

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

City of Dripping Springs’s Response to Findings

The City’s response to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 City’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Austin, Texas
March 21, 2025

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CITY OF DRIPPING SPRINGS, TEXAS
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended September 30, 2024

Finding 2024-001	Internal Control Over Financial Reporting: Fiscal Year End Closing Procedures
Type of Finding:	Material Weakness
Criteria:	Proper controls over financial reporting include a system designed to provide for the preparation of the financial statements and accompanying notes to the financial statements that are materially correct and in accordance with accounting principles generally accepted in the United States of America. Monthly and annual reconciliations are necessary to ensure that accounts are properly stated.
Condition:	During our audit, we identified journal entries to correct year-end balances. Entries were made to reconcile sales tax receivable, capital assets, accounts payable, debt, and transfers.
Cause:	Internal controls not properly designed to regularly reconcile accounts leads to inaccurate balances and reporting at the end of a reporting period.
Effect:	The lack of internal controls increases the risk of misappropriation of assets and potential misreporting of financial statement amounts due to error or fraud.
Recommendation:	We recommend that the City review its internal control procedures over financial reporting to ensure controls are in place to identify and record all transactions in the correct period and reconcile accounts on a timely basis. Management should establish and follow financial close procedures and ensure that all reconciliations are completed monthly for all significant financial accounts, which includes timely and effective review and/or approval of all transactions and reconciliations of account balances by the appropriate level of management. In addition, management should retain supporting documentation for all transactions entered into its general ledger.
Management's Response:	Management will develop and implement a "Journal Entry Policy." This policy will outline the steps and approvals required to enter a journal entry. Each Journal Entry will be prepared and approved prior to being made, and the appropriate paperwork will be maintained for each journal entry approved.