OFFICIAL STATEMENT DATED APRIL 15, 2025

NEW ISSUE - BOOK-ENTRY-ONLY

Ratings: Moody's – Aa1
(See "OTHER PERTINENT INFORMATION - Ratings" herein)

In the opinion of Bond Counsel, assuming compliance with certain covenants and based on certain representations, interest on the Certificates (defined below) will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date of delivery thereof, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on corporations.

$13,435,000
CITY OF DRIPPING SPRINGS, TEXAS
(A political subdivision of the State of Texas located in Hays County, Texas)
COMBINATION TAX AND LIMITED REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025

Dated Date: April 15, 2025 (interest to accrue from the Delivery Date)

Due: September 1, as shown on the inside cover page

The City of Dripping Springs, Texas Combination Tax and Limited Revenue Certificates of Obligation, Series 2025 (the "Certificates") are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended (the Certificate of Obligation Act of 1971), Chapter 1502, as amended, Texas Government Code, and an ordinance (the "Ordinance") of the City Council of the City of Dripping Springs, Texas (the "City") adopted on April 15, 2025 (see "THE CERTIFICATES - Authority for Issuance" herein).

The Certificates constitute direct and general obligations of the City payable primarily from ad valorem taxes levied against all taxable property therein, within the limits prescribed by law. The Certificates are additionally secured by a limited pledge of the "Surplus Revenues" derived from the operation of the City's wastewater system, as provided in the Ordinance. See "THE CERTIFICATES - Security for Payment" and "AD VALOREM PROPERTY TAXATION – Debt Tax Rate Limitation" herein.

Interest on the Certificates will accrue from the Delivery Date (as defined below) and will be payable on September 1 and March 1 of each year, commencing September 1, 2025, until stated maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Certificates will be issued as fully registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository. Book entry interests in the Certificates will be made available for purchase in the principal amount of $5,000 or any integral multiple thereof. Purchasers of the Certificates ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Certificates purchased. So long as DTC or its nominee is the registered owner of the Certificates, the principal of and interest on the Certificates will be payable by BOKF, NA, Dallas, Texas, as the initial paying agent/registrar (the "Paying Agent/Registrar") to the securities depository, which will in turn remit such principal and interest to its participants, which will in turn remit such principal and interest to the Beneficial Owners of the Certificates (see "BOOK-ENTRY-ONLY SYSTEM" herein).

The proceeds of the Certificates will be used for the purpose of paying contractual obligations incurred or to be incurred by the City for: (1) designing, constructing, improving, extending, expanding, upgrading and/or developing City streets, roads, intersections and traffic signalization, including related signage, landscaping, purchasing property, including necessary rights-of-way, drainage easements, and other related transportation costs, including, but not limited to, for Old Fitzhugh Road; (2) constructing a public parking structure in the City's downtown area; (3) constructing a city public works facility to support the City's utility system and city streets, including a building for maintenance staff and a holding yard for related materials and equipment; (4) constructing, improving, renovating, upgrading, expanding, and/or equipping the Stephenson Building to be used as part of the City's park system, including ADA and restroom improvements, with such facility to include meeting spaces that will be generally accessible to the public; (5) acquiring, constructing, improving, expanding, and equipping park and recreational facilities; (6) purchasing materials, supplies, equipment, machinery, buildings, land, and rights-of-way for authorized needs and purposes in relation to the aforementioned capital improvements, including acquiring land for park and recreational purposes; and (7) professional services including fiscal, engineering, architectural and legal fees and other such costs incurred in connection therewith including the costs of issuing the Certificates.

FOR MATURITY SCHEDULE, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL YIELDS, CUSIP NUMBERS, AND REDEMPTION PROVISIONS FOR THE CERTIFICATES SEE INSIDE PAGE OF THIS FRONT COVER.

This cover page contains certain information for quick reference only. It is not a summary of the Certificates. Investors must read this entire Official Statement to obtain information essential to the making of an informed investment decision.

The Certificates are offered for delivery, when, as and if issued and received by the Underwriter named below (the "Underwriter") and subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel. (See Appendix D – Form of Legal Opinion of Bond Counsel.) Certain legal matters will be passed upon for the Underwriter by its counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas (see "LEGAL MATTERS" herein). It is expected that the Certificates will be available for initial delivery through DTC on or about May 13, 2025 (the "Delivery Date").

FHN Financial Capital Markets

$13,435,000
CITY OF DRIPPING SPRINGS, TEXAS,
(A political subdivision of the State of Texas located in Hays County, Texas)
COMBINATION TAX AND LIMITED REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025

CUSIP NO. PREFIX: 262056

Stated Maturity (September 1)	Principal Amount	Interest Rate (%)	Initial Yield (%)[2]	CUSIP No. Suffix[1]
2025	650,000	5.00	3.37	CN2
2026	210,000	5.00	3.37	CP7
2027	485,000	5.00	3.41	CQ5
2028	510,000	5.00	3.45	CR3
2029	535,000	5.00	3.52	CS1
2030	565,000	5.00	3.60	CT9
2031	590,000	5.00	3.65	CU6
2032	620,000	5.00	3.75	CV4
2033	650,000	5.00	3.81	CW2
2034	685,000	5.00	3.90	CX0
2035	720,000	5.00	3.98[3]	CY8
2036	755,000	5.00	4.05[3]	CZ5
2037	795,000	5.00	4.11[3]	DA9
2038	835,000	5.00	4.14[3]	DB7
2039	875,000	5.00	4.21[3]	DC5
2040	920,000	5.00	4.31[3]	DD3
2041	965,000	5.00	4.42[3]	DE1
2042	1,010,000	5.00	4.51[3]	DF8
2043	1,060,000	5.00	4.59[3]	DG6

(Interest to accrue from the Delivery Date)

The City reserves the right, at its option, to redeem Certificates having stated maturities on and after September 1, 2035, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on September 1, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. The Certificates may also be subject to mandatory sinking fund redemption if the Underwriter elects to aggregate two or more consecutive serial maturities as “Term Certificates” (see "THE CERTIFICATES – Redemption Provisions of the Certificates" herein).

(1) CUSIP numbers are included solely for the convenience of owners of the Certificates. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services (“CGS”), managed by FactSet Research Systems Inc. on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the service provided by CGS. CUSIP numbers are provided for convenience of reference only. The City, the City’s Financial Advisor and the Underwriter do not take any responsibility for the accuracy of such numbers.

(2) Yield represents the initial offering yield to the public which has been established by the Underwriter for offers to the public and which may be subsequently changed by the Underwriter and is the sole responsibility of the Underwriter.

(3) Priced to first optional redemption date of September 1, 2034.

CITY OF DRIPPING SPRINGS, TEXAS
CITY COUNCIL

Name	Place	Term Expires (May)
Bill Foulds, Jr.	Mayor	2026
Taline Manassian	Place 1, Mayor Pro Tem	2025
Wade King	Place 2	2026
Geoffrey Tahuahua	Place 3	2025
Travis Crow	Place 4	2026
Sherrie Parks	Place 5	2025

ADMINISTRATION

Name	Position	Length of Service With City
Michelle Fischer	City Administrator	26 Years
Ginger Faught	Deputy City Administrator	24 Years
Shawn Cox	Deputy City Administrator	4 Years
Diana Boone	City Secretary	8 months
Laura Mueller	City Attorney	5 Years

CONSULTANTS AND ADVISORS

AUDITORS
Whitley Penn LLP

FINANCIAL ADVISOR TO THE CITY
SAMCO Capital Markets, Inc.

BOND COUNSEL
McCall, Parkhurst & Horton L.L.P.

UNDERWRITER'S COUNSEL
Orrick, Herrington & Sutcliffe LLP

For additional information regarding the City, please contact:

Michelle Fischer
City Administrator
City of Dripping Springs
511 Mercer Street
Dripping Springs, Texas 78620
(512) 858-4725
mfischer@cityofdrippingsprings.com

Christina M. Lane
Senior Managing Director, Austin
SAMCO Capital Markets, Inc.
6805 N. Capital of Texas Highway, Suite 350
Austin, Texas 78731
(512) 343-0268
clane@samcocapital.com

USE OF INFORMATION IN OFFICIAL STATEMENT

No dealer, broker, salesman, or other person has been authorized by the City to give any information or to make any representation with respect to the Certificates, other than as contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by either of the foregoing.

This Official Statement, which includes the cover page and appendices thereto, does not constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of the Certificates by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale. The information set forth herein has been obtained from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriter.

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the information or opinions set forth herein after the date of this Official Statement.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

THE CERTIFICATES ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE CERTIFICATES IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THESE CERTIFICATES HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION FOR THE PURCHASE THEREOF.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE THE MARKET PRICE OF THIS ISSUE AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

None of the City, the Financial Advisor, or the Underwriter make any representation or warranty with respect to the information contained in this Official Statement regarding The Depository Trust Company ("DTC") or its book-entry-only system described under the caption "BOOK-ENTRY-ONLY SYSTEM" as such information has been provided by DTC.

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

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

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in the Rule.

TABLE OF CONTENTS

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

SELECTED DATA FROM THE OFFICIAL STATEMENT

The selected data is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Certificates to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this page from this Official Statement or to otherwise use it without the entire Official Statement.

The City	The City of Dripping Springs, Texas (the "City") is a political subdivision and municipal corporation of the State of Texas (the "State"), located in Hays County, Texas. The City is located in northern Hays County, and sits approximately 23 miles east of Austin, Texas. Access to the City is provided by State Highway 290. The City covers approximately 9.93 square miles. The City's location is part of the growing Austin - Hays County area and has resulted in rapid growth over the last several years. The City's 2020 census population was 4,650. The City's population estimate as of March 2025 is 10,550 (see "APPENDIX B – General Information Regarding the City of Dripping Springs and Its Economy").
The Certificates	The Certificates are being issued pursuant to Subchapter C, Chapter 271, Texas Local Government Code (the "Certificates of Obligation Act of 1971"), as amended, Chapter 1502, Texas Government Code, as amended, an ordinance (the "Ordinance") adopted by the City Council of the City on April 15, 2025. (See "THE CERTIFICATES - Authority for Issuance" herein.)
Paying Agent/Registrar	The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas.
Security	The Certificates constitute direct and general obligations of the City payable primarily from ad valorem taxes levied against all taxable property therein, within the limits prescribed by law. The Certificates are additionally secured by a limited pledge of the "Surplus Revenues" derived from the operation of the City's wastewater system, as provided in the Ordinance (see "THE CERTIFICATES - Security for Payment" and "AD VALOREM PROPERTY TAXATION – Debt Tax Rate Limitation" herein).
Redemption Provisions	The City reserves the right, at its option, to redeem Certificates having stated maturities on and after September 1, 2035, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on September 1, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. (See "THE CERTIFICATES – Redemption Provisions of the Certificates" herein)
Tax Matters	In the opinion of Bond Counsel, assuming compliance with certain covenants and based on certain representations, interest on the Certificates will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date of delivery thereof, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on corporations. (See "TAX MATTERS" and "APPENDIX D – Form of Legal Opinion of Bond Counsel" herein.)
Use of Proceeds	The Certificates will be issued for the purpose of paying contractual obligations incurred or to be incurred by the City for: (1) designing, constructing, improving, extending, expanding, upgrading and/or developing City streets, roads, intersections and traffic signalization, including related signage, landscaping, purchasing property, including necessary rights-of-way, drainage easements, and other related transportation costs, including, but not limited to, for Old Fitzhugh Road; (2) constructing a public parking structure in the City's downtown area; (3) constructing a city public works facility to support the City's utility system and city streets, including a building for maintenance staff and a holding yard for related materials and equipment; (4) constructing, improving, renovating, upgrading, expanding, and/or equipping the Stephenson Building to be used as part of the City's park system, including ADA and restroom improvements, with such facility to include meeting spaces that will be generally accessible to the public; (5) acquiring, constructing, improving, expanding, and equipping park and recreational facilities; (6) purchasing materials, supplies,

	equipment, machinery, buildings, land, and rights-of-way for authorized needs and purposes in relation to the aforementioned capital improvements, including acquiring land for park and recreational purposes; and (7) professional services including fiscal, engineering, architectural and legal fees and other such costs incurred in connection therewith including the costs of issuing the Certificates.
Ratings	Moody's Investors Service, ("Moody's") has assigned an unenhanced, underlying rating of "Aa1" to the Certificates. (See "OTHER PERTINENT INFORMATION – Ratings" herein.)
Payment Record	The City has never defaulted with respect to the payment of the principal and interest requirements on any of its bonded indebtedness.
Future Bond Issues	The City anticipates issuing approximately $51,000,000 of general obligation debt within the next two to three years for a wastewater system project that will be split into two phases. The City also anticipates issuing approximately $11,000,000 of general obligation debt within the next five years for its share of infrastructure for the Wildridge subdivision.
Delivery	When issued, anticipated on or about May 13, 2025 ("Delivery Date").
Legality	Delivery of the Certificates is subject to approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality of the Certificates by McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel.

(The remainder of this page intentionally left blank)

OFFICIAL STATEMENT

RELATED TO

$13,435,000
CITY OF DRIPPING SPRINGS, TEXAS
(A political subdivision of the State of Texas located in Hays County, Texas)
COMBINATION TAX AND LIMITED REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025

INTRODUCTION

This Official Statement of the City of Dripping Springs, Texas (the "City") is provided to furnish certain information in connection with the sale of the City's $13,435,000 Combination Tax and Limited Revenue Certificates of Obligation, Series 2025 (the "Certificates").

This Official Statement, which includes the cover page and the appendices hereto, provides certain information about the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained upon request from the City and, during the offering period, from the City's Financial Advisor, SAMCO Capital Markets, Inc., 6805 N. Capital of Texas Highway, Suite 350, Austin, Texas 78731, by electronic mail or upon payment of reasonable copying, mailing, and handling charges.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. A copy of the Official Statement pertaining to the Certificates will be filed by the Underwriter with the Municipal Securities Rulemaking Board through its Electronic Municipal Markets Access ("EMMA") system. See "CONTINUING DISCLOSURE OF INFORMATION" herein for a description of the City's undertaking to provide certain information on a continuing basis. Capitalized terms used, but not defined herein, shall have the meanings ascribed thereto in the Ordinance (defined below).

THE CERTIFICATES

Authority for Issuance

The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas (the "State, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended (the Certificate of Obligation Act of 1971), Chapter 1502, as amended, Texas Government Code, and an ordinance (the "Ordinance") adopted by the City Council of the City on April 15, 2025.

General Description

The Certificates are dated April 15, 2025 (the "Dated Date"), will accrue interest from the Delivery Date, and such interest shall be payable on March 1 and September 1 in each year, commencing September 1, 2025, until stated maturity or prior redemption. Interest on the Certificates will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Certificates will mature on the dates, in the principal amounts and will bear interest at the rates set forth on the inside cover page of this Official Statement.

Interest on the Certificates is payable to the registered owners appearing on the bond registration books of the Paying Agent/Registrar on the Record Date (defined below) and such interest shall be paid by the Paying Agent/Registrar (i) by check sent by United States mail, first class postage prepaid, to the address of the registered owner recorded in the bond register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. The principal of the Certificates is payable at maturity or redemption, upon their presentation and surrender to the Paying Agent/Registrar. The Certificates will be issued only in fully registered form in any integral multiple of $5,000 principal for any one maturity.

Initially the Certificates will be registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. No physical delivery of the Certificates will be made to the owners thereof. Notwithstanding the foregoing, as long as the Certificates are held in the Book-Entry-Only System, principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Certificates. See “BOOK-ENTRY-ONLY SYSTEM” herein.

Use of Proceeds

The proceeds of the Certificates will be used for the purpose of paying contractual obligations incurred or to be incurred by the City for: (1) designing, constructing, improving, extending, expanding, upgrading and/or developing City streets, roads, intersections and traffic signalization, including related signage, landscaping, purchasing property, including necessary rights-of-way, drainage easements, and other related transportation costs, including, but not limited to, for Old Fitzhugh Road; (2) constructing a public parking structure in the City’s downtown area; (3) constructing a city public works facility to support the City’s utility system and city streets, including a building for maintenance staff and a holding yard for related materials and equipment; (4) constructing, improving, renovating, upgrading, expanding, and/or equipping the Stephenson Building to be used as part of the City’s park system, including ADA and restroom improvements, with such facility to include meeting spaces that will be generally accessible to the public; (5) acquiring, constructing, improving, expanding, and equipping park and recreational facilities; (6) purchasing materials, supplies, equipment, machinery, buildings, land, and rights-of-way for authorized needs and purposes in relation to the aforementioned capital improvements, including acquiring land for park and recreational purposes; and (7) professional services including fiscal, engineering, architectural and legal fees and other such costs incurred in connection therewith including the costs of issuing the Certificates.

Security for Payment

The Certificates constitute direct and general obligations of the City payable primarily from ad valorem taxes levied against all taxable property therein, within the limits prescribed by law. The Certificates are additionally secured by a limited pledge of the “Surplus Revenues” derived from the operation of the City’s wastewater system, as provided in the Ordinance (see “THE CERTIFICATES - Security for Payment” and “AD VALOREM PROPERTY TAXATION – Debt Tax Rate Limitation” herein).

Redemption Provisions of the Certificates

The City reserves the right, at its option, to redeem Certificates having stated maturities on and after September 1, 2035, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on September 1, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. The Certificates may also be subject to mandatory sinking fund redemption if the Underwriter elects to aggregate two or more consecutive serial maturities as “Term Certificates” (see "THE CERTIFICATES – Redemption Provisions of the Certificates" herein).

If less than all of the Certificates are to be redeemed, the City may select the maturities of Certificates to be redeemed. If less than all the Certificates of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) shall determine by lot the Certificates, or portions thereof, within such maturity to be redeemed. If a Certificate (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Certificate (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

Selection of Certificates for Redemption

If less than all of the Certificates are redeemed within a stated maturity at any time, the Certificates to be redeemed shall be selected by the Paying Agent/Registrar at random and by lot or other customary method in multiples of $5,000 within any stated maturity.

Notice of Redemption

Not less than 30 days prior to a redemption date for the Certificates, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to each registered owner of a Certificate to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books relating to the Certificates kept by the Paying Agent/Registrar (the "Security Register") at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE OF REDEMPTION SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER ONE OR MORE CERTIFICATEHOLDERS FAILED TO RECEIVE SUCH NOTICE.

All notices of redemption shall (i) specify the date of redemption for the Certificates, (ii) identify the Certificates to be redeemed and, in the case of a portion of the principal amount to be redeemed, the principal amount thereof to be redeemed, (iii) state the redemption price, (iv) state the Certificates, or the portion of the principal amount thereof to be redeemed, shall become due and payable on the redemption date specified, and the interest thereon, or on the portion of the principal amount thereof to be redeemed, shall cease to accrue from and after the redemption date, and (v) specify that payment of the redemption price for the Certificates, or the principal amount thereof to be redeemed, shall be made at the designated corporate trust office of the Paying Agent/Registrar only upon presentation and surrender thereof by the registered owner. If a Certificate is subject by its terms to redemption and has been called for redemption and notice of redemption thereof has been duly given or waived as provided in the Ordinance, such Certificate (or the principal amount thereof to be redeemed) so called for redemption shall become due and payable, and on the redemption date designated in such notice, interest on said Certificate (or the principal amount thereof to be redeemed) called for redemption shall cease to accrue and such Certificate shall not be deemed to be Outstanding.

The Paying Agent/Registrar and the City, so long as a Book-Entry-Only System is used for the Certificates, will mail any notice of redemption, notice of proposed amendment to the Ordinance or other notices with respect to the Certificates only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the Beneficial Owner, shall not affect the validity of the redemption of the Certificates called for redemption or any other action premised on any such notice. Redemption of portions of the Certificates held by the City will reduce the outstanding principal amount of such Certificates held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Certificates held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Certificates from the Beneficial Owners. Any such selection of Certificates to be redeemed will not be governed by the Ordinance and will not be conducted by the City or the Paying Agent/Registrar. Neither the City nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Certificates or the providing of notice to DTC participants, indirect participants, or Beneficial Owners of the selection of portions of the Certificates for redemption (see "BOOK-ENTRY-ONLY SYSTEM" herein).

Legality

The Certificates are subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel. A form of the legal opinion of Bond Counsel appears in APPENDIX D attached hereto.

Delivery

When issued; anticipated on or about May 13, 2025.

Payment Record

The City has never defaulted with respect to the payment of the principal and interest requirements on any of its bonded indebtedness.

Future Bond Issues

The City anticipates issuing approximately $51,000,000 of general obligation debt within the next two to three years for a wastewater system project that will be split into two phases. The City also anticipates issuing approximately $11,000,000 of general obligation debt within the next five years for its share of infrastructure for the Wildridge subdivision.

Defeasance

The Ordinance provides for the defeasance of the Certificates when payment of the principal of and premium, if any, on such Certificates, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent (or other financial institution permitted by applicable law), in trust (1) money sufficient to make such payment and/or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times to ensure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for such Certificates, and thereafter the City will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased Certificates, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The Ordinance provides that "Defeasance Securities" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent and, (d) any other then authorized securities or obligations under applicable State law that may be used to defease obligations such as the Certificates. The City has additionally reserved the right subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Certificates. Because the Ordinance does not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as Defeasance Securities or those for any other Defeasance Security will be maintained at any particular rating category.

Upon such deposit as described above, such Certificates shall no longer be regarded to be outstanding or unpaid, and such principal and interest shall be payable solely from such money or Defeasance Securities, and thereafter the City will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such Defeased Certificates, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. After firm banking and financial arrangements for the discharge and final payment or redemption of the Certificates have been made as described above, all rights of the City to initiate proceedings to call the Certificates for redemption or take any other action amending the terms of the Certificates are extinguished; provided, however, that the right to call the Certificates for redemption that have been defeased to stated maturity is not extinguished if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Certificates for redemption; (ii) gives notice of the reservation of that right to the owners of the Certificates immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

Amendments

The City may amend the Ordinance without the consent of or notice to any registered owners in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the City may, with the written consent of the holders of a majority in aggregate principal amount of the Certificates then outstanding, amend, add to, or rescind any of the provisions of the Ordinance; except that, without the consent of all of the registered owners of the Certificates then outstanding, no such amendment, addition, or rescission may (1) make any change in the maturity of any of the outstanding Certificates; (2) reduce the rate of interest borne by any of the outstanding Certificates; (3) reduce the amount of the principal or maturity value of, or redemption premium, if any, payable on any outstanding Certificates; (4) modify the terms of payment or of interest or redemption premium on outstanding Certificates or any of them or impose any condition with respect to such payment; or (5) change the minimum percentage amount of the Certificates necessary to be held by Registered Owners for consent to such amendment.

Remedies

If the City defaults in the payment of principal or interest, or redemption price, on the Certificates when due, or if it fails to make payments into any fund or funds created in the Ordinance, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Ordinance, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Certificates, if there is no other available remedy at law to compel performance of the Certificates or the Ordinance and the City's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Certificates in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. Texas cities are generally immune from suits for money damages for breach of contracts under the doctrine of sovereign immunity. The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) ("*Tooke*") that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Furthermore, *Tooke,* and subsequent jurisprudence, held that a municipality is not immune from suit for torts committed in the performance of its proprietary functions, as it is for torts committed in the performance of its governmental functions (the "Proprietary-Governmental Dichotomy"). Governmental functions are those that are enjoined on a municipality by law and are given by the State as a part of the State's sovereignty, to be exercised by the municipality in the interest of the general public, while proprietary functions are those that a municipality may, in its discretion, perform in the interest of the inhabitants of municipality.

In *Wasson Interests, Ltd., v. City of Jacksonville*, 489 S.W.3rd 427 (Tex. 2016) ("*Wasson*") the Texas Supreme Court (the "Court") addressed whether the distinction between governmental and proprietary acts (as found in tort-based causes of action) applies to breach of contract claims against municipalities. The Court analyzed the rationale behind the Proprietary-Governmental Dichotomy to determine that "a city's proprietary functions are not done pursuant to the 'will of the people'" and protecting such municipalities "via the [S]tate's immunity is not an efficient way to ensure efficient allocation of [S]tate resources". While the Court recognized that the distinction between government and proprietary functions is not clear, the *Wasson* opinion held that Proprietary-Governmental Dichotomy applies in contract-claims context. Therefore, in regard to municipal contract cases (as in tort claims), it is incumbent on the courts to determine whether a function is proprietary or governmental based upon the statutory guidance and definitions found in the Texas Civil Practice and Remedies Code.

Notwithstanding the foregoing new case law issued by the Court, such sovereign immunity issues have not been adjudicated in relation to bond matters (specifically, in regard to the issuance of municipal debt). Each situation will be prospectively evaluated based on the facts and circumstances surrounding the contract in question to determine if a suit, and subsequently, a judgment, is justiciable against a municipality.

If a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates. As noted above, the Ordinance provides that Certificate holders may exercise the remedy of mandamus to enforce the obligations of the City under the Ordinance. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in *Tooke*, and it is unclear whether *Tooke* will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract). Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Certificates are qualified with respect to the customary rights of debtors relative to their creditors and by general principles of equity which permit the exercise of judicial discretion.

REGISTRATION, TRANSFER, AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. The Certificates will be issued in fully registered form in multiples of $5,000 for any one stated maturity, and principal and semiannual interest will be paid by the Paying Agent/Registrar. If the Certificates are not held in the Book-Entry-Only System, interest on the Certificates will be paid by check or draft mailed on each interest payment date by the Paying Agent/Registrar to the registered owner at the last known address as it appears on the Paying Agent/Registrar's books on the Record Date (see "REGISTRATION, TRANSFER, AND EXCHANGE - Record Date" herein) or by such other method, acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of the registered owner, and principal of the Certificates will be paid to the registered owner at stated maturity or earlier redemption upon presentation to the Paying Agent/Registrar.

Successor Paying Agent/Registrar

The City covenants that until the Certificates are paid, it will at all times maintain and provide a Paying Agent/Registrar. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the City, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the City shall be a bank, trust company, financial institution or other entity duly qualified and legally authorized to serve and perform the duties of Paying Agent/Registrar for the Certificates. Upon any change in the Paying Agent/Registrar for the Certificates, the City will promptly cause a notice thereof to be sent to each registered owner of the Certificates by United States mail, first class, postage prepaid, which notice shall give the address of the new Paying Agent/Registrar.

Record Date

The record date ("Record Date") for determining the person entitled to the payment of interest on a Certificate is the fifteenth day of the month next preceding each interest payment date.

If the date for the payment of the principal of or interest on the Certificates is a Saturday, a Sunday, a legal holiday or a day on which banking institutions in the city where the corporate trust office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment is the next succeeding day which is not such a day and payment on such date will have the same force and effect as if made on the original date payment was due.

Special Record Date for Interest Payment

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each registered owner of a Certificate appearing on the books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

Registration, Transferability and Exchange

In the event the Book-Entry-Only System shall be discontinued, printed certificates will be issued to the registered owners of the Certificates and thereafter the Certificates may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Certificate may be assigned by the execution of an assignment form on the Certificate or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Certificate or Certificates will be delivered by the Paying Agent/Registrar in lieu of the Certificates being transferred or exchanged at the designated office of the Paying Agent/Registrar or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. New Certificates issued in an exchange or transfer of Certificates will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Certificates to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer shall be in denominations of $5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount and at the same maturity or maturities as the Certificate or Certificates surrendered for exchange or transfer (see "BOOK-ENTRY-ONLY SYSTEM" herein).

Limitation on Transferability of Certificates Called for Redemption

Neither the City nor the Paying Agent/Registrar are required (1) to make any transfer or exchange during a period beginning at the opening of business 45 days before the day of the first mailing of a notice of redemption of Certificates and ending at the close of business on the day of such mailing, or (2) to transfer or exchange any Certificates so selected for redemption when such redemption is scheduled to occur within 45 calendar days; provided however, that such limitation of transfer is not applicable to an exchange by the registered owner of the uncalled balance of a Certificate.

Replacement Certificates

If any Certificate is mutilated, destroyed, stolen or lost, a new Certificate of like kind and in the same amount as the Certificate mutilated, destroyed, stolen or lost will be issued. In the case of a mutilated Certificate, such new Certificate will be delivered only upon surrender and cancellation of such mutilated Certificate. In the case of any Certificate issued in lieu of and in substitution for a Certificate which has been destroyed, stolen, or lost, such new Certificate will be delivered only (a) upon filing with the City and the Paying Agent/Registrar evidence satisfactory to establish to the City and the Paying Agent/Registrar that such Certificate has been destroyed, stolen or lost and proof of the ownership thereof, and (b) upon furnishing the City and the Paying Agent/Registrar with Certificate or indemnity satisfactory to them. The person requesting the authentication and delivery of a new Certificate must comply with such other reasonable regulations as the Paying Agent/Registrar may prescribe and pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Certificates is to be transferred and how the principal of premium, if any, and interest on the Certificates are to be paid to and credited by DTC, while the Certificates are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City and the Underwriter believe the source of such information to be reliable, but neither the City nor the Underwriter take responsibility for the accuracy or completeness thereof.

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

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

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its registered subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). Direct Participants and Indirect Participants are collectively referred to herein as “Participants.” DTC has an S&P Global Ratings rating of “AA+”. The DTC Rules applicable to its Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com.

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

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

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

Redemption notices shall be sent to DTC. If less than all Certificates of the same maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant of such maturity to be redeemed.

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

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

DTC may discontinue providing its services as securities depository with respect to the Certificates at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, the Certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Certificates will be printed and delivered. Thereafter, the Certificates may be transferred and exchanged as described in the Ordinance.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but none of the City, the City's Financial Advisor or the Underwriter take any responsibility for the accuracy thereof.

NONE OF THE CITY, THE PAYING AGENT, THE CITY'S FINANCIAL ADVISOR OR THE UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEE WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS OF THE CERTIFICATES. THE CITY CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC, THE DTC PARTICIPANTS OR OTHERS WILL DISTRIBUTE PAYMENTS OF PRINCIPAL OF OR INTEREST ON THE CERTIFICATES PAID TO DTC OR ITS NOMINEE, AS THE REGISTERED OWNER, OR PROVIDE ANY NOTICES TO THE BENEFICIAL OWNERS OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC WILL ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE CURRENT RULES APPLICABLE TO DTC ARE ON FILE WITH THE SECURITIES AND EXCHANGE COMMISSION, AND THE CURRENT PROCEDURES OF DTC TO BE FOLLOWED IN DEALING WITH DTC PARTICIPANTS ARE ON FILE WITH DTC.

SOURCES AND USES OF FUNDS

The proceeds from the sale of the Certificates will be applied approximately as follows:

Sources	
Par Amount of Certificates	$13,435,000.00
Reoffering Premium on the Certificates	$757,669.35
Total Sources	$14,192,669.35
Uses	
Deposit to Project Fund	$13,974,552.00
Underwriters' Discount	$87,575.49
Cost of Issuance	$130,541.86
Total Uses	$14,192,669.35

INVESTMENT POLICIES

The City invests its investable funds in investments authorized by State law and in accordance with investment policies approved and reviewed annually by the City Council of the City. Both State law and the City's investment policies are subject to change.

Legal Investments

Under Texas law, the City is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest- bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund or their respective successors; (8) interest-bearing banking deposits, other than those described by clause (7), if (A) the funds invested in the banking deposits are invested through (i) a broker with a main office or branch office in this State that the City selects from a list the governing body or designated investment committee of the City adopts as required by Section 2256.025; or (ii) a depository institution with a main office or branch office in this state that the City selects; (B) the broker or depository institution as described in clause (8)(A), above, arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the City's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the investing City appoints as the City's custodian of the banking deposits issued for the City's account: (i) the depository institution selected as described by Paragraph (A); (ii) an entity described by Section 2257.041(d) of the Texas Government Code; or (iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3); (9) certificates of deposit or share certificates (i) meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code) that are issued by or through an institution that either has its main office or a branch in Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund (or their respective successors), or are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and amount provided by law for City deposits or, (ii) where the funds are invested by the City through (I) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the City as required by law or (II) a depository institution that has its main office or a branch office in the State of Texas that is selected by the City; (iii) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City; (iv) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (v) the City appoints the depository institution selected under (ii) above, an entity as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3- 3) as custodian for the City with respect to the certificates of deposit issued for the account of the City; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described in clause (1), and require the securities being purchased by the City or cash held by the City to be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer (as defined by 5 C.F.R. Section 6801.102(f), as that regulation existed on September 1, 2003) or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less; (12) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (13) commercial paper with a stated maturity of 270 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (14) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that provide the City with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940, and that complies with SEC Rule 2a-7; and (15) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations described in this paragraph or (ii) have a duration of less than one year and an investment portfolio limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described below.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAA-m" or an equivalent by at least one nationally recognized rating service. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution. The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Investment Policies

Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for City funds, the maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Public Funds Investment Act. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

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

Additional Provisions

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

Current Investments*

As of February 28, 2025, the following percentages of the City's investable funds were invested as indicated below:

Category of Investments	Amount	Percentage	Term of Investments
Depository Bank – Cash	$29,408,601	100.00%	N/A
Total	$29,408,601	100.00%	

* *Unaudited. All accounts are interest-bearing.*

PENSION FUND AND OTHER POST-EMPLOYMENT BENEFITS

See Note 1 – Summary of Significant Accounting Policies – Assets, Liabilities, Deferred Inflows/Outflows of Resources and Fund Balances/Net Position - Pensions and Other Post-Employment Benefits (OPEB), Note 9 – Defined – Benefit Pension Plans – Plan Description and Provisions, and Note 10 – Other Post-Employment Benefits - in the Notes to the Financial Statements of September 30, 2024 included in "APPENDIX C - Excerpts from the City of Dripping Springs, Texas Audited Financial Statements for the Year Ended September 30, 2024."

AD VALOREM PROPERTY TAXATION

The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. Reference is made to Title 1 of the Texas Tax Code, as amended (the "Property Tax Code"), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Valuation of Taxable Property

The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board ("Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the City is the responsibility of the Hays Central Appraisal District (the "Appraisal District"). Except as described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate.

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

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

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the City, in establishing their tax rolls and tax rates. See "AD VALOREM PROPERTY TAXATION – City and Taxpayer Remedies."

State Mandated Homestead Exemptions

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

Local Option Homestead Exemptions

The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the market value of all homesteads (but not less than $5,000) and (2) an additional exemption of at least $3,000 of the appraised value of all homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The exemption described in (2), above, may also be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit. The City grants an additional exemption of 1% or $10,000 of the market value of a residential homestead and grants a local exemption of $25,000 to the market value of the residence homestead of persons 65 years of age or older and the disabled.

Local Option Freeze for the Elderly and Disabled

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

Personal Property

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

Freeport and Goods-In-Transit Exemptions

Certain goods that are acquired in or imported into the State to be forwarded outside the State, and are detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication ("Freeport Property") are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue to tax Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal. Certain goods that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transferred from that location to another location within 175 days ("Goods-in-Transit"), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action, after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer's motor vehicle, boat, or heavy equipment inventory. A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

Other Exempt Property

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

Temporary Exemption for Qualified Property Damaged by a Disaster

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

Tax Increment Reinvestment Zones and Chapter 380 Economic Development Agreements

A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment financing reinvestment zones ("TIRZ") within its boundaries. At the time of the creation of the TIRZ, a "base value" for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the "tax increment." During the existence of the TIRZ, all or a portion of the taxes levied against the tax increment by a city or county, and all overlapping taxing units that elected to participate, are restricted to paying project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units. The City has created two TIRZs for the promotion of economic development.

Cities are also authorized, pursuant to Chapter 380 of the Texas Local Government Code ("Chapter 380"), to establish programs to promote State or local economic development and to stimulate business and commercial activity. In accordance with programs established pursuant to Chapter 380, a City may make loans or grant public funds for economic development purposes; however, no obligations secured by ad valorem taxes may be issued for such purposes unless approved by the voters of the City. The City has entered into such Chapter 380 agreements in recent years.

The City has two TIRZs for the promotion of economic development, TIRZ No. 1 and TIRZ No. 2. TIRZ No.1 had a starting value in 2017 that was $37,912,603 and is projected to have a value of $285,508,746 in the year 2025. Starting in 2017, TIRZ No. 2 had a value of $5,836,710 and is projected to have a value of $41,017,185 in the year 2025. The City has an agreement in place with the TIRZ Board to fund approximately 51.82% of the Certificates.

Tax Abatement Agreements

Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years. The City has no currently active tax abatement agreements.

Public Hearing and Maintenance and Operations Tax Rate Limitations

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

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

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

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

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

"unused increment rate" means the cumulative difference between a city's voter-approval tax rate and its actual tax rate for each of the tax years 2020 through 2022, which may be applied to a city's tax rate in tax years 2021 through 2023 without impacting the voter-approval tax rate.

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

The City's tax rate consists of two components: (1) a rate for funding of maintenance and operations expenditures in the current year (the "maintenance and operations tax rate"), and (2) a rate for funding debt service in the current year (the "debt service tax rate"). Under State law, the assessor for the City must submit an appraisal roll showing the total appraised, assessed, and taxable values of all property in the City to the City Council by August 1 or as soon as practicable thereafter.

A city must annually calculate, and prominently post on its internet website, its voter-approval tax rate and no-new-revenue tax rate in accordance with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the city and the county tax assessor-collector for each county in which all or part of the city is located. A city must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If a city fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the city for the preceding tax year.

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

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

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

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

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

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

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

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

Debt Tax Rate Limitation

All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax-supported debt within the limits prescribed by law. Article XI, Section 4, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $1.50 per $100 of taxable assessed valuation. Administratively, the Attorney General of the State of Texas will permit allocation of $1.00 of the maximum $1.50 maximum tax rate for all general obligation debt service, as calculated at the time of issuance and based on a 90% collection ratio.

City and Taxpayer Remedies

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

Owners of certain property with a taxable value in excess of the current year "minimum eligibility amount", as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at $59,562,331 for the 2024 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

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

City's Rights in the Event of Tax Delinquencies

Taxes levied by the City are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all State and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each local taxing unit, including the City, having power to tax the property. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes.

At any time after taxes on property become delinquent, the City may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property.

Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two (2) years after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts.

Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

Future and Proposed State Legislation

The 89th Texas Legislature convened in regular session on January 14, 2025. The regular session will last for 140 days, and thereafter the Governor may call one or more special sessions. During any legislative session the Texas Legislature may enact laws that materially change current law relating to the City including with respect to property taxes. Both the Governor and Lt. Governor of the State have prioritized passing legislation during the current 89th Texas Legislature for significant property tax relief. The City makes no representation regarding any actions the Texas

Legislature may take during this current or future legislative sessions but intends to monitor proposed legislation for any developments applicable to the City.

Levy and Collection of Taxes

The City is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. Taxpayers 65 years old or older, disabled veterans or an unmarried surviving spouse of a disabled veteran are permitted by State law to pay taxes on homesteads in four installments with the first installment due before February 1 of each year and the final installment due before August 1. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the City. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the City may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances.

City Application of the Property Tax Code

The City grants a local exemption to the market value of the residence homestead of person 65 years of age or older.

The City grants an additional exemption of the market value of residence homestead.

The City does not provide an additional freeze on total amount of ad valorem taxes levied on the residence of a disabled person or persons 65 years of age or older.

The City does not tax nonbusiness personal property.

The City is one of the few communities in Central Texas that offers a "Triple Freeport" exemption on qualified inventories.

The City does not collect the one-half cent sales tax for economic development.

The City participates in Tax Increment Reinvestment Zones for economic development.

TAX MATTERS

Opinion

On the date of initial delivery, McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Certificates for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Certificates will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986, as amended (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Certificates. See APPENDIX D – Form of Legal Opinion of Bond Counsel.

In rendering its opinion, Bond Counsel will rely upon (a) the City's federal tax certificate and (b) covenants of the City with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Certificates and certain other matters. Failure of the City to comply with these representations or covenants could cause the interest on the Certificates to become includable in gross income retroactively to the date of issuance of the Certificates.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Certificates in order for interest on the Certificates to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Certificates to be included in gross income retroactively to the date of issuance of the Certificates. The opinion of Bond Counsel is conditioned on compliance by the City with the covenants and the requirements described in the preceding paragraph, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Certificates.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. Existing Law is subject to change by Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Certificates.

A ruling was not sought from the Internal Revenue Service by the City with respect to the Certificates or the property financed or refinanced with proceeds of the Certificates. Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the representations of the City that it deems relevant to render such opinion and is not a guarantee of a result. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Certificates, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced under current procedures the Internal Revenue Service is likely to treat the City as the taxpayer and the Certificate holders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for one or more maturities of the Certificates may be less than the principal amount thereof or one or more periods for the payment of interest on the Certificates may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Certificates"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Certificate, and (ii) the initial offering price to the public of such Original Issue Discount Certificate would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Certificates less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Certificate in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Certificate equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Certificate prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Certificate in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Certificate was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Certificate is accrued daily to the stated maturity thereof (in amounts calculated as described below for each accrual period and ratably within each such accrual period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Certificate for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Certificate.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Certificates which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Certificates should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Certificates and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Certificates.

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Certificates. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with Subchapter C earnings and profits, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE CERTIFICATES.

Interest on the Certificates may be includable in certain corporation's "adjusted financial statement income" determined under section 56A of the Code to calculate the alternative minimum tax imposed by section 55 of the Code.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Certificates, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Certificates, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local and Foreign Taxes

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Certificates under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

Information Reporting and Backup Withholding

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the Internal Revenue Service. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of foreign investors, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

Future and Proposed Legislation

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Certificates under Federal or state law and could affect the market price or marketability of the Certificates. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Certificates should consult their own tax advisors regarding the foregoing matters.

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Certificates. The City is required to observe the agreement for so long as it remains an obligated person with respect to the Certificates within the meaning of the Securities and Exchange Commission's Rule 15c2-12 (the "Rule"). Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually and timely notice of certain specified events to the Municipal Securities Rulemaking Board (the "MSRB"). The information provided to the MSRB will be available to the public free of charge via the Electronic Municipal Market Access ("EMMA") system through an internet website accessible at www.emma.msrb.org., as described below under "Availability of Information from MSRB" below.

Annual Reports

The City will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in Tables 1 through 5 and 7 of APPENDIX A to this Official Statement. The City will update and provide this information within six months after the end of each fiscal year ending in or after 2025. The City will additionally provide audited financial statements when and if available, and in any event, within 12 months after the end of each fiscal year ending in and after 2025. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the City will file unaudited financial statements within such 12 month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX C or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation. The City will provide the updated information to the MSRB in an electronic format, which will be available through EMMA to the general public without charge.

The City may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by the Rule.

The City's current fiscal year end is September 30. Accordingly, it must provide updated financial information and operating data by March 31 of each year and the audited financial statements must be provided by September 30 of each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change.

Notice of Certain Events

The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Certificates to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates; (7) modifications to rights of holders of the Certificates, if material; (8) redemption calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material to a decision to purchase or sell Certificates; (15) incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties. The term "material" when used in this paragraph shall have the meaning as ascribed to it under federal securities laws. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under "Annual Reports". Neither the Certificates nor the Ordinance make provisions for liquidity enhancement or debt service reserves.

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

Availability of Information from MSRB

The City has agreed to provide the foregoing information only to the MSRB. All documents provided by the City to the MSRB described above under "Annual Reports" and "Notice of Certain Events" will be in an electronic format and accompanied by identifying information as prescribed by the MSRB. This information will be available from the MSRB via its EMMA system at www.emma.msrb.org.

Limitations and Amendments

The City has agreed to update information and to provide notices of certain events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Certificates at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders or beneficial owners of Certificates may seek a writ of mandamus to compel the City to comply with its agreement. No default by the City with respect to its continuing disclosure agreement shall constitute a breach of or default under the Ordinance for purposes of any other provision of the Ordinance. Nothing in this paragraph is intended or shall act to disclaim, waive, or otherwise limit the duties of the City under federal and state securities laws. The City's undertakings and agreements are subject to appropriation of necessary funds and to applicable legal restrictions.

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

Compliance with Prior Undertakings

Except as described below, during the past five years, the City has complied in all material respects with its continuing disclosure agreements in accordance with the Rule.

On February 17, 2023 the City’s bond rating was upgraded to Aa1. The event filing was not made until March 28, 2023. The City has in place procedures so that this should not occur in the future.

On March 26, 2024, the City privately placed its $2,500,000 Tax Note, Series 2024 (the “Note”). On July 8, 2024, the City filed a material event notice, as part of its continuing disclosure requirements, regarding its incurrence of a financial obligation. On the same day, the City filed a notice of failure to file. The Notice provides that a Notice of Incurrence of a Financial Obligation for the City was not filed within 10 business days of closing of a debt obligation, such as the Note. For further information regarding the Note, please refer to the ordinance attached to such Notice of Incurrence of a Financial Obligation. The Notice was provided solely to comply with the City’s agreement to provide ongoing financial information pursuant to one or more continuing disclosure agreements.

On July 8, 2024, within 12 months of its fiscal year ending September 30, 2023, the City filed its Audited Financial Statements and Other Financial Information.

On March 31, 2025, the City filed its September 30, 2024, un-audited Financial Statement. On April 1, 2025 the City Council of the City approved the final audited Financial Statement. On April 2, 2025 the City filed its audited Financial Statement September 30, 2024, with EMMA (see CONTINUING DISCLOSURE OF INFORMATION – Annual Reports).

LEGAL MATTERS

The City will furnish the Underwriter with a complete transcript of proceedings for the Certificates incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Certificates are valid and legally binding general obligations of the City, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel, to the effect that the Certificates, issued in compliance with the provisions of the Ordinance, are valid and legally binding general obligations of the City and, subject to the qualifications set forth herein under "TAX MATTERS," the interest on the Certificates is exempt from federal income taxation under existing statutes, published rulings, regulations, and court decisions. In its capacity as Bond Counsel, such firm has reviewed the information relating to the Certificates and the Ordinance contained in this Official Statement under the captions “THE CERTIFICATES” (except under the subcaptions “Payment Record,” “Future Bond Issues,” and “Remedies”), “TAX MATTERS,” “OTHER PERTINENT INFORMATION - Registration and Qualification of Certificates for Sale” EGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE,” “CONTINUING DISCLOSURE OF INFORMATION” (except under the subcaption “Compliance with Prior Undertakings”), “LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS,” and “LEGAL MATTERS,” and such firm is of the opinion that the information contained under such captions is a fair and accurate summary of the information purported to be shown and is correct as to matters of law. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Certificates or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Certificates, will also be furnished. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Certificates are contingent on the sale and delivery of the Certificates. The legal opinion of Bond Counsel will accompany the Certificates deposited with DTC or will be printed on the definitive Certificates in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriter by its counsel, Orrick, Herrington & Sutcliffe LLP. The various legal opinions to be delivered concurrently with the delivery of the Certificates express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Litigation

The City was recently in litigation with Save Our Springs (“SOS”) in relation to the City’s wastewater discharge permit. In its suit, SOS claimed that the Texas Commission on Environmental Quality (“TCEQ”) did not properly issue the City’s wastewater discharge permit because it used the wrong standard in evaluating the City’s wastewater discharge permit application (the “Wastewater Permit”). SOS claimed that the TCEQ should have used a different, federal standard in evaluating the City’s Wastewater Permit. SOS claimed that by applying such federal standard, the City would not have received its Wastewater Permit, or if received, it would have included more restrictions. As a legal remedy, SOS requested that the City’s current Wastewater Permit be overturned and that the TCEQ reevaluate the City’s application, as well as attorney’s fees. It was unlikely that SOS could recover attorney's fees in this case because there is no statutory provision that allows for such fees. That would not, however, have prevented SOS from seeking such fees if they were successful. The City asserted that the TCEQ did follow the appropriate state law and agency rules in issuing its Wastewater Permit. If the Wastewater Permit was overturned by a court, the City would have had to either restart the wastewater permit issuing process or develop another avenue for wastewater. A decision against the TCEQ and the City would have delayed some City and development projects. The 345th Judicial District Court of Travis County, Texas (the “District Court”) ruled in favor of SOS, reversing the TCEQ’s final order granting the City the Wastewater Permit. The Court of Appeals for the Eighth District of Texas (the “Court of Appeals”) reversed the District Court’s decision and upheld the City’s Wastewater Permit. On April 11, 2025, the Texas Supreme Court affirmed the Court of Appeals’ judgment upholding the issuance of the Wastewater Permit. The Texas Supreme Court held that the TCEQ did not violate any statute, rules, or implementation procedures in granting the City’s Wastewater Permit. After this decision, the Wastewater Permit is fully active and the City can continue its design and construction of a new Wastewater Treatment Plant and associated lines to serve the City’s Development.

The City is in litigation with the Lazy W Conservation District (“Lazy W”) related to condemnation of a right-of-way for the City’s wastewater line. Lazy W claims that the conservation district’s purpose of protecting endangered animals is more important than the City’s purpose in building a regional wastewater line. The City asserts that its purpose is paramount based on the need for wastewater services throughout the region. Lazy W is not seeking damages, other than the already accounted for cost of the condemned property and potential attorney’s fees.

The City can make no representation regarding the timing of the Court’s rulings on the pending litigation. In the opinion of various officials of the City, there is no additional litigation or other proceeding pending against or, to their knowledge, threatened against the City in any court, agency, or administrative body (either state or federal) wherein an adverse decision, including any with regards to the pending litigation that would materially adversely affect the financial condition of the City or the City's operations.

Legal Investments and Eligibility to Secure Public Funds in Texas

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Certificates are negotiable instruments governed by Chapter 8, as amended, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Certificates by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Certificates be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency. See "RATINGS" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with at least $1 million of capital, and savings and loan associations. The Certificates are eligible to insure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value.

The City has made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Certificates for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Certificates for such purposes. The City has made no review of laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

FORWARD LOOKING STATEMENTS

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

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

OTHER PERTINENT INFORMATION

Registration and Qualification of Certificates for Sale

The sale of the Certificates has not been registered under the Securities Act of 1933, as amended, in reliance upon exemptions provided in such Act; the Certificates have not been qualified under the Securities Act of Texas in reliance upon exemptions contained therein; nor have the Certificates been qualified under the securities acts of any other jurisdiction. The City assumes no responsibility for qualification of the Certificates under the securities laws of any jurisdiction in which they may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Certificates shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

Ratings

Moody's Investors Service ("Moody's") has assigned an unenhanced, underlying rating of "Aa1" to the Certificates. An explanation of the rating may be obtained from Moody's. The rating of the Certificates by Moody's reflects only the view of Moody's at the time the rating is given, and the City makes no representations as to the appropriateness of the rating. There is no assurance that the rating will continue for any given period of time, or that the rating will not be revised downward or withdrawn entirely by Moody's, if, in the judgment of Moody's, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Certificates.

Authenticity of Financial Information

The financial data and other information contained herein have been obtained from the City's records, audited financial statements and other sources that are believed to be reliable. All of the summaries of the statutes, documents, and the Ordinance contained in this Official Statement are made subject to all of the provisions of such statutes, documents, and the Ordinance. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. All information contained in this Official Statement is subject, in all respects, to the complete body of information contained in the original sources thereof and no guaranty, warranty or other representation is made concerning the accuracy or completeness of the information herein. In particular, no opinion or representation is rendered as to whether any projection will approximate actual results, and all opinions, estimates and assumptions, whether or not expressly identified as such, should not be considered statements of fact.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, the Rule.

Underwriting

The Underwriter has agreed, subject to certain conditions, to purchase the Certificates from the City at the initial offering prices to the public as shown on page i of this Official Statement, less an underwriting discount of $87,575.49. The Underwriter will be obligated to purchase all of the Certificates, if any Certificates are purchased. The Certificates to be offered to the public may be offered and sold to certain dealers (including the Underwriter and other dealers depositing the Certificates into investment trusts) at prices lower than the public offering prices of such Certificates, and such public offering prices may be changed, from time to time, by the Underwriter.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

Financial Advisor

SAMCO Capital Markets, Inc. is employed as a Financial Advisor to the City in connection with the issuance of the Certificates. In this capacity, the Financial Advisor has compiled certain data relating to the Certificates and has drafted this Official Statement. The Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the City to determine the accuracy or completeness of this Official Statement. Because of its limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The fees for the Financial Advisor are contingent upon the issuance, sale and initial delivery of the Certificates.

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

Authorization of the Official Statement

This Official Statement was approved as to form and content and the use thereof in the offering of the Certificates was authorized, ratified and approved by the City Council on the date of sale, and the Underwriter will be furnished, upon request, at the time of payment for and the delivery of the Certificates, a certified copy of such approval, duly executed by the proper officials of the City.

The Ordinance approved the form and content of this Official Statement, and any addenda, supplement or amendment thereto issued on behalf of the City and authorized its further use in the reoffering of the Certificates by the Underwriter in accordance with the provisions of the Rule.

CITY OF DRIPPING SPRINGS, TEXAS

/s/ Bill Foulds, Jr.

MAYOR

CITY OF DRIPPING SPRINGS, TEXAS

ATTEST:

/s/ Diana Boone

CITY SECRETARY

CITY OF DRIPPING SPRINGS, TEXAS

APPENDIX A

SELECTED FINANCIAL INFORMATION
OF THE CITY OF DRIPPING SPRINGS, TEXAS

(this page intentionally left blank)

VALUATION AND DEBT DATA

Table 1 - General Purpose, General Obligation Bonds and Certificates

2024 Total Appraised Valuation	$2,165,886,240
Less Exemptions and Exclusions	87,443,559
2024 Net Taxable Assessed Valuation (100% of market value) [(1)]	$2,078,442,681
2025 Total Preliminary Appraised Valuation	$2,406,150,710
Less Exemptions and Exclusions	75,616,000
2025 Preliminary Net Taxable Assessed Valuation (100% of market value) [(2)]	$2,330,534,710

---

(1) Source: Hays Central Appraisal District. The Appraisal Review Board approved 2024 Certified Values as of February 21, 2025.
(2) Source: Hays Central Appraisal District. 2025 Preliminary Certified Values as of March 3, 2025.

Outstanding Debt By Issues	Amount Outstanding At 4-15-2025[(1)]
Combination Tax & Limited Revenue Certificates of Obligation, Taxable Series 2013	$325,000
General Obligation Refunding Bonds, Series 2015	1,310,000
Combination Tax & Surplus Revenue Certificates of Obligation, Series 2019	19,845,000
Combination Tax & Surplus Revenue Certificates of Obligation, Series 2022	18,145,000
Tax Notes, Series 2024	2,500,000
The Certificates	13,435,000
Total General Obligation Debt	$55,560,000
Less: Self-supporting Debt	55,560,000 [(2)]
Net Tax Supported General Obligation Debt	$0.00
Less: Interest and Sinking Fund Balance (as of 9-30-2024)	0.00
Net General Obligation Debt Outstanding	$0.00
Ratio Net Tax Supported General Obligation Debt to 2024 Net Taxable Assessed Valuation	0%
Ratio Net General Obligation Debt to 2024 Net Taxable Assessed Valuation	0%

---

(1) Unaudited
(2) The City has an agreement with the TIRZ Board to fund a total of approximately 51.82% of the Certificates.

2010 U.S. Census Population – 1,788
2020 U.S. Census Population – 4,650
2024 Estimated Population – 10,550
Per Capita 2024 Net Taxable Assessed Valuation - $197,008.78
Per Capita 2025 Preliminary Net Taxable Assessed Valuation - $220,903.76
Per Capita Total Net Tax Supported General Obligation Debt - $0.00
Per Capita Net General Obligation Debt - $0.00

Future Issues

The City anticipates issuing approximately $51,000,000 of general obligation debt within the next two years for the wastewater system and approximately $11,000,000 for infrastructure for the Wildridge subdivision within the next five years.

TAXATION DATA

Tax Rate Distribution

Tax Year	2024	2023	2022	2021	2020
Local Maintenance	$0.1794	$0.1718	$0.1778	$0.1900	$0.1900
Interest and Sinking Fund	0.0000	0.0000	0.0000	0.0000	0.0000
Totals	$0.1794	$0.1718	$0.1778	$0.1900	$0.1900

Table 2 - Tax Collection Data

Taxes are due October 1 and become delinquent after January 31. No split payments or discounts are allowed. Penalties and Interest: (a) a delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. However, a tax delinquent on July 1 incurs a total penalty of twelve percent (12%) of the amount of the delinquent tax without regard to the number of months the tax has been delinquent; (b) a delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid; and an additional penalty up to a maximum of twenty percent (20%) of taxes, penalty and interest may be imposed to defray costs of collection for taxes delinquent after July 1. All percentage of collections set forth below exclude penalties and interest.

Tax Year	Taxable Assessed Valuation[(1)(3)]	Tax Rate	% Collections [(2)(3)] Current	Total	Year Ending
2019	682,615,003	0.1900	99.56%	99.92%	09-30-20
2020	849,677,918	0.1900	99.27%	99.92%	09-30-21
2021	1,063,358,915	0.1900	99.83%	99.95%	09-30-22
2022	1,455,419,132	0.1778	99.63%	99.79%	09-30-23
2023	1,949,312,326	0.1718	99.54%	99.79%	09-30-24
2024	2,078,442,681	0.1794	96.04%	96.04%	09-30-25

(1) *Hays Central Appraisal District.*
(2) *Collections as of March 5, 2025. Hays County Tax Office.*
(3) *Unaudited.*

Taxable Assessed Valuation for Tax Years 2019-2024

Tax Year	Net Taxable Assessed Valuation	Change from Preceding Year Amount	Percent
2019	682,615,003	129,453,785	23.40%
2020	849,677,918	167,062,915	24.47%
2021	1,063,358,915	213,680,997	25.15%
2022	1,455,419,132	392,041,462	36.87%
2023	1,949,312,326	493,909,907	33.93%
2024	2,078,442,681	129,130,355	6.62%
2025[(1)]	2,330,534,710	252,092,029	12.13%

(1) *Preliminary.*
Source: Hays Central Appraisal District.

Schedule of Delinquent Taxes Receivable as of March 5, 2025 (Unaudited)

Fiscal Year Ended 9/30	Ending Balance
2020	$998.07
2021	1,246.29
2022	1,102.60
2023	5,511.16
2024	6,879.53
2025 (1)	147,837.56
Total	$163,575.21

Source: Hays County Tax Office.
(1) In process of collection.

Table 3 - Municipal Sales Taxes

The City has adopted the provisions of Municipal Sales and Use Tax Act V.T.C.A, Tax Code, Chapter 321, which grants the City power to impose and levy a 1.25% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the bonds in this report. Net allocations on fiscal year basis are as follows:

Fiscal Year	Rate	Total Collected	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate
2018	1.25%	$2,387,554	226.22%	0.43
2019	1.25%	2,804,424	215.89%	0.41
2020	1.25%	3,195,392	197.86%	0.38
2021	1.25%	3,830,211	187.12%	0.36
2022	1.25%	4,275,408	164.68%	0.29
2023	1.25%	4,535,615	135.27%	0.23
2024	1.25%	4,737,906	126.41%	0.23

Source: Comptroller of Texas.

Table 4 - Top 10 Taxpayers and Their 2024 Valuations

Name	Type of Property	2024 Net Taxable Assessed Valuation	Percent of Total 2024 Assessed Valuation
Regency Ridge at Headwaters Apartments LLC	Apartments	$28,222,282	1.36%
Meritage Homes of Texas LLC	Homebuilder	23,692,576	1.14%
Center Lake Business Park Inc.	Commercial	12,450,000	0.60%
H. E. Butt Grocery Co. LP	Commercial	12,243,917	0.59%
WSH TX Sawyer Ranch LLC	Commercial	10,046,102	0.48%
D3 Equipment Co.	Commercial	9,933,057	0.48%
Hudson Commons LLC	Commercial	9,381,890	0.45%
Verdugo South LLC	Commercial	7,793,216	0.37%
Caissa Properties LLC	Commercial	7,525,114	0.36%
HIE Dripping Springs LLC	Commercial	7,375,665	0.35%
Total		$128,663,819	6.19%

Source: Hays Central Appraisal District.

Table 5 - Taxpayers by Classification

Classification	2024 Assessed Valuation	Percent of Total	2023 Assessed Valuation	Percent of Total	2022 Assessed Valuation	Percent of Total
Single Family Residential	$1,667,887,754	67.67%	$1,644,319,958	66.89%	$1,186,953,100	64.24%
Multi-Family Residential	58,881,866	2.39%	55,956,092	2.28%	46,33,414	2.51%
Vacant-Platted Lots	86,240,317	3.50%	129,999,348	5.29%	72,466,819	3.92%
Acreage (Land Only)	75,612,850	3.07%	80,260,900	3.26%	65,290,370	3.53%
Farm and Ranch Improvement	45,104,730	1.83%	44,389,784	1.81%	43,473,906	2.35%
Commercial and Industrial	300,984,311	12.21%	280,305,492	11.40%	243,164,291	13.16%
Real & Intangible Personal, Utilities	6,698,077	0.27%	7,046,400	0.29%	7,831,792	0.42%
Tangible Personal, Business	46,244,800	1.88%	45,549,362	1.85%	31,363,089	1.70%
Tangible Personal, Other	681,233	0.03%	763,443	0.03%	440,083	0.02%
Inventory	40,359,045	1.64%	41,730,896	1.70%	51,567,840	2.79%
Exempt	9,152,203	0.37%	8,114,233	0.33%	6,383,809	0.35%
Special Inventory	83,270	0.00%	92,482	0.00%	121,100	0.01%
Total Exempt Property	126,664,660	5.14%%	119,830,197	4.87%	92,193,287	4.99%
Total Market Value	$2,464,595,116	100.00%	$2,458,358,587	100.00%	$1,847,582,910	100.00%

Source: Hays Central Appraisal District.

Table 6 - Direct and Estimated Gross Overlapping Funded Debt Payable from Ad Valorem Taxes

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

	Gross Debt		Percent	Amount
Political Subdivision	Amount	As Of	Overlapping	Overlapping
Dripping Springs ISD	$315,055,000	3/31/2025	15.88%	$50,030,734
Hays County	448,288,993	3/31/2025	4.17%	18,693,651
Hays County Development District #1	39,915,000	3/31/2025	0.30%	119,745
Headwaters MUD (1)	88,490,000	3/31/2025	6.69%	5,919,981
Total Net Overlapping Debt				$ 74,764,111
Dripping Springs, City of	55,560,000	4/15/2025	100.00%	55,560,000 (2)
Total Direct and Estimated Overlapping Debt				$130,324,111
Ratio Total Direct and Estimated Overlapping Debt to 2024 Net Taxable Assessed Valuation ... ($2,078,442,681)				6.27%
Ratio Total Direct and Estimated Overlapping Debt to 2025 Preliminary Net Taxable Assessed to Valuation .... ($2,330,534,710)				5.59%

(1) *Only residents of Headwaters MUD are responsible for this Debt.*

(2) *Includes the Certificates.*

(The remainder of this page has been left blank intentionally.)

ESTIMATED INTEREST & SINKING FUND MANAGEMENT INDEX 2023/24

Interest and Sinking Fund Balance at 2-28-2025	$3,601,345	
Other Funds Available at 2-28-2025	22,108,566	(1)
Estimated Total Funds Available	$25,709,911	
2024/25 Net Debt Service Requirement (Includes the Certificates)	$4,346,396	

(1) Includes $9,754,501 from General Fund; $6,926,279 from Utility Fund; and $2,984,131 in Reserve Fund. Also, includes approximately $2,443,655 that is due to the Utility Fund from the Escrow Fund at UMB.

CONSOLIDATED DEBT SERVICE REQUIREMENTS

Fiscal Year 30-Sept	Currently Outstanding Debt Service	Plus: The Certificates Principal Due 9/1	Interest Due 3/1	Interest Due 9/1	Total	Grand Total Of All Debt Service
2025	3,494,871.43	650,000.00		201,525.00	851,525.00	4,346,396.43
2026	3,511,340.10	210,000.00	319,625.00	319,625.00	849,250.00	4,360,590.10
2027	2,874,707.50	485,000.00	314,375.00	314,375.00	1,113,750.00	3,988,457.50
2028	2,906,456.00	510,000.00	302,250.00	302,250.00	1,114,500.00	4,020,956.00
2029	2,845,660.50	535,000.00	289,500.00	289,500.00	1,114,000.00	3,959,660.50
2030	2,881,213.50	565,000.00	276,125.00	276,125.00	1,117,250.00	3,998,463.50
2031	2,424,071.50	590,000.00	262,000.00	262,000.00	1,114,000.00	3,538,071.50
2032	2,461,125.50	620,000.00	247,250.00	247,250.00	1,114,500.00	3,575,625.50
2033	2,491,572.50	650,000.00	231,750.00	231,750.00	1,113,500.00	3,605,072.50
2034	2,525,241.00	685,000.00	215,500.00	215,500.00	1,116,000.00	3,641,241.00
2035	2,562,424.50	720,000.00	198,375.00	198,375.00	1,116,750.00	3,679,174.50
2036	2,593,132.00	755,000.00	180,375.00	180,375.00	1,115,750.00	3,708,882.00
2037	2,632,575.00	795,000.00	161,500.00	161,500.00	1,118,000.00	3,750,575.00
2038	2,665,562.00	835,000.00	141,625.00	141,625.00	1,118,250.00	3,783,812.00
2039	2,702,180.00	875,000.00	120,750.00	120,750.00	1,116,500.00	3,818,680.00
2040	2,737,360.50	920,000.00	98,875.00	98,875.00	1,117,750.00	3,855,110.50
2041	1,196,172.00	965,000.00	75,875.00	75,875.00	1,116,750.00	2,312,922.00
2042	1,193,517.00	1,010,000.00	51,750.00	51,750.00	1,113,500.00	2,307,017.00
2043		1,060,000.00	26,500.00	26,500.00	1,113,000.00	1,113,000.00
	46,699,182.53	13,435,000.00	3,514,000.00	3,715,525.00	20,664,525.00	67,363,707.53

(The remainder of this page has been left blank intentionally.)

TABLE 7 - COMPARATIVE CONDENSED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN GENERAL FUND BALANCE

The following statements reflect the historical operations of the City. Such summary has been prepared for inclusion herein based upon information obtained from the City's audited financial statements and records. Reference is made to such statements for further and complete information.

	2025[1]	2024	2023	2022
REVENUES				
Ad Valorem Taxes	$3,295,701	2,828,567	$2,213,996	$1,845,325
Sales and Use Tax	2,194,676	3,751,240	3,636,171	3,342,204
Franchise Taxes	20,259	61,203	60,542	45,563
Mixed Drink Taxes	26,977	102,055	100,666	91,068
Licenses and Permits	698,628	2,721,898	3,460,708	4,332,356
Intergovernmental Revenues	-0-	50	-0-	279,513
Charge for Services	-0-	740,497	993,156	692,491
Interest Income	76,879	215,193	128,270	97,912
Donations	-0-	3,904	5,440	8,206
Miscellaneous	1,135,330	983,118	663,066	66,437
Total Revenues	$7,448,449	$11,407,725	$11,262,015	$10,801,075
EXPENDITURES				
General Government	2,118,312	3,220,837	3,012,367	2,520,813
Public Safety	75,486	87,864	310,127	131,803
Public Works	2,200,622	3,775,389	2,309,908	1,750,065
Development	647,993	1,914,461	1,976,714	2,192,078
Culture and Recreation	-0-	2,380,716	1,137,755	902,501
Debt Service: Principal	-0-	12,257	14,036	-0-
	-0-	2,199	-0-	-0-
Total Expenditures	5,042,412 [4]	11,393,723 [3]	8,994,907 [2]	7,497,260
Excess of Revenues Over (Under) Expenditures	2,406,037	14,002	2,267,108	3,303,815
OTHER FINANCING SOURCES (USES)				
Transfers In	-0-	164,117	253,506	132,833
Transfers Out	-0-	(1,840,550)	(807,294)	(870,260)
Proceeds from SBITAs	-0-	-0-	69,019	-0-
Total Other Financing Sources (Uses)	-0-	(1,676,433)	(484,769)	(754,427)
Net Change in Fund Balance	2,406,037	(1,662,431)	1,782,339	2,549,388
Fund Balance at Beginning of Year	7,335,916	9,504,215	7,721,876	5,431,312
Prior Period Adjustment	-0-	-0-	-0-	(258,824)
Fund Balance - September 30	$9,741,953	$7,841,784	$9,504,215	$7,721,876

Source: City's Comprehensive Annual Financial Reports.
[1] *Unaudited. As of February 28, 2025.*
[2] *The City used $867,210 for one-time Capital Improvement projects to fund maintenance of Sportsplex Drive Street, construction middle school sidewalks, and fund other street maintenance.*
[3] *The City used $3,732,824 for one-time Capital Improvement projects to acquire property, and for various improvement projects including, transportation, street, Stephenson, Founders, and Founders Park lighting.*
[4] *The City budgeted to use $1,100,000 for various Capital Improvement for City Hall.*

(this page intentionally left blank)

APPENDIX B

GENERAL INFORMATION REGARDING
THE CITY OF DRIPPING SPRINGS AND ITS ECONOMY

(this page intentionally left blank)

The following information has been provided for informational purposes only.

Major Employers in Hays County

Employer	Product or Service	Employees
Texas State University	Education	3,653
Hays CISD	Education	3,058
Amazon Fulfillment Center	Distribution	1,953
San Marcos Premium Outlets	Retail	1,600
Tanger Factory Outlet Center	Retail	1,540
San Marcos CISD	Education	1,264
Hays County	Government	1,120
Dripping Springs ISD	Education	1,029
Christus Santa Rosa Hospital	Medical	700
HEB Distribution Center	Distribution	692

Source: The Municipal Advisory Council of Texas.

Building Permits in City of Dripping Springs

Year Ended	Commercial		Residential		
30-Sep	Number(1)	Value ($)	Number	Value ($)	Grand Total ($)
2019	14	11,837,845	458	168,561,910	180,399,754
2020	15	75,629,532	790	296,722,925	372,352,457
2021	21	36,202,000	913	383,330,433	419,532,433
2022	12	82,147,472	598	261,969,798	344,117,271
2023	19	192,887,264	519	802,150,135	995,037,400
2024	18	81,907,472	444	120,337,809	202,245,281
2025 (2)	1	1,984,108	75	47,511,291	49,495,399

Source: City of Dripping Springs.

(1) Includes multi-family new building permits.
(2) As of January 31, 2025.

APPENDIX C

THE CITY OF DRIPPING SPRINGS, TEXAS
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
SEPTEMBER 30, 2024

(this page intentionally left blank)

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
TABLE OF CONTENTS

FINANCIAL SECTION

DRIPPING SPRINGS
Texas

whitleypenn

Austin Office
3600 N. Capital of Texas Hwy.
Bldg B. Suite 250
Austin, Texas 78746
737.931.8200 Main

whitleypenn.com

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 28, 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.

Whitley Penn LLP

Austin, Texas
March 28, 2025

DRIPPING SPRINGS
Texas

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 $105,880,686 (net position). The unrestricted net position, which represents the amounts available to meet the City's ongoing obligations to citizens and creditors, was $23,243,413.
- The City's total net position increased by $14,822,875. 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 $14,785,735, a decrease of $212,472 in comparison with the prior year. Of this amount, $7,828,030 , or 53%, 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 $7,841,784, or approximately 14,785,735 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.

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 the Dripping Springs Ranch Park Fund, and the Capital Improvements fund which are considered to be major funds. Data from the other seven 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.

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 $105,880,686. The $78,626,812 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	$ 16,534,227	$ 18,040,998	$ 60,866,108	$ 57,174,580	$ 77,400,335	$ 75,215,578
Capital assets, net	42,327,702	31,742,237	33,977,776	31,360,678	76,305,478	63,102,915
Total Assets	58,861,929	49,783,235	94,843,884	88,535,258	153,705,813	138,318,493
Deferred Outflows	220,540	255,645	28,040	23,402	248,580	279,047
Other liabilities	1,717,785	3,020,585	3,006,118	932,970	4,723,903	3,953,555
Long-term Liabilities	3,269,631	886,544	40,018,850	42,638,344	43,288,481	43,524,888
Total Liabilities	4,987,416	3,907,129	43,024,968	43,571,314	48,012,384	47,478,443
Deferred Inflows	54,405	56,146	6,918	5,140	61,323	61,286
Net Position						
Net investment in capital assets	39,782,460	31,287,254	38,844,352	31,663,857	78,626,812	62,951,111
Restricted	4,010,461	3,153,813	-	-	4,010,461	3,153,813
Unrestricted	10,247,727	11,634,538	12,995,686	13,318,349	23,243,413	24,952,887
Total Net Position	$ 54,040,648	$ 46,075,605	$ 51,840,038	$ 44,982,206	$ 105,880,686	$ 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 4% 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.

Statement of Activities - The City's overall net position increased $14,822,875 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	
Revenues	2024	2023	2024	2023	2024	2023
Program revenues:						
Charges for Services	$ 4,170,884	$ 4,957,154	$ 4,115,418	$ 3,496,106	$ 8,286,302	$ 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	396,248	199,830	2,456,341	1,765,244	2,852,589	1,965,074
Miscellaneous	1,087,057	750,439	177,222	15,899	1,264,279	766,338
Total Revenues	22,338,571	29,754,737	12,380,654	19,515,270	34,719,225	49,270,007
Expenses						
General government	4,863,060	4,434,116	-	-	4,863,060	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	3,675,178	2,280,867	-	-	3,675,178	2,280,867
Parks and community	3,857,116	3,344,837	-	-	3,857,116	3,344,837
Interest on debt	18,556	19,265	-	-	18,556	19,265
Water and wastewater	-	-	5,484,886	4,268,232	5,484,886	4,268,232
Total Expenses	14,411,464	12,257,016	5,484,886	4,268,232	19,896,350	16,525,248
Increase in Net Position						
Before Transfers	7,927,107	17,497,721	6,895,768	15,247,038	14,822,875	32,744,759
Transfers	37,936	29,911	(37,936)	(29,911)	-	-
Change in Net Position	7,965,043	17,527,632	6,857,832	15,217,127	14,822,875	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	$ 54,040,648	$ 46,075,605	$ 51,840,038	$ 44,982,206	$ 105,880,686	$ 91,057,811

Net position in governmental activities increased $8.0 million over prior year mainly due to a significant increase in revenues offset by an increase in expenses. Total governmental revenues decreased approximately $7.4 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 $2.2 million over the previous year. The increases were due mainly to increased general government, public works, and parks and community expenses.

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 $7.1 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, capital improvements fund, and seven special revenue funds. For the year ended September 30, 2024, the governmental fund balances decreased by $0.2 million to $14.8 million. The restricted portion of the fund balance totaled $4.0 million; $2.9 million in fund balance is committed; and $7.8 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 million, a decrease of $1.7 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 69% 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 $51.8 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 $76,305,478, net of depreciation/amortization, invested in capital assets. Capital assets increased by $13,202,563 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:

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Land	$ 8,049,186	$ 5,930,814	$ -	$ -	$ 8,049,186	$ 5,930,814
Buildings	1,801,059	578,269	-	-	1,801,059	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	$ 42,327,702	$ 31,742,237	$ 33,977,776	$ 31,360,678	$ 76,305,478	$ 63,102,915

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

Debt – Bonded debt decreased $60,000 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	37,990,000	39,820,000	38,315,000	40,220,000
Tax Notes	2,500,000	-	-	-	2,500,000	-
Totals	$ 2,825,000	$ 400,000	$ 39,300,000	$ 41,785,000	$ 42,125,000	$ 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 $173,000 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 2024-2025, the City's total appraised value rose $152,913,361 from $1,913,617,596 to $2,066,530,957. It is anticipated that the City will continue to experience commercial and residential growth, further improving the City's ability to provide a unique living experience for the residents of Dripping Springs. For the 2024-2025 fiscal year, the City will complete its Comprehensive Plan – Reimagine Dripping springs, which will establish priorities for the area's future land use and major development projects.

As in previous years, the City's provision of utilities has continued to expand. The City expects to provide service to over 6,500 LUE's (living unit equivalents). By the end of the 2023-2024 fiscal year, the City had 198 utility customers. Additionally, the City anticipates resolving all issues related to its approved TCEQ Wastewater Discharge Permit, allowing the City to begin construction to expand its existing wastewater system in the 2024-2025 fiscal year. This construction has already been 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

DRIPPING SPRINGS
Texas

CITY OF DRIPPING SPRINGS, TEXAS

STATEMENT OF NET POSITION

September 30, 2024

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	$ 15,298,348	$ 12,758,158	$ 28,056,506
Restricted assets - cash and cash equivalents	-	44,958,115	44,958,115
Receivables (net of allowance for uncollectibles)	1,308,314	3,077,400	4,385,714
Internal balances	(72,435)	72,435	-
Capital assets not subject to depreciation/amortization	8,049,186	-	8,049,186
Capital assets, net of accumulated depreciation/amortization	34,278,516	33,977,776	68,256,292
Total Assets	58,861,929	94,843,884	153,705,813
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	220,540	28,040	248,580
Liabilities			
Current Liabilities:			
Accounts payable	1,640,922	1,872,367	3,513,289
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
Non-current liabilities:			
Due within one year	693,420	2,721,153	3,414,573
Due in more than one year	2,576,211	37,297,697	39,873,908
Total Liabilities	4,987,416	43,024,968	48,012,384
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	54,405	6,918	61,323
Net Position			
Net Investment in capital assets	39,782,460	38,844,352	78,626,812
Restricted for:			
Debt service	101,453	-	101,453
Development	2,293,042	-	2,293,042
Culture and recreation	170,483	-	170,483
Tourism	1,122,999	-	1,122,999
Capital projects	322,484	-	322,484
Unrestricted	10,247,727	12,995,686	23,243,413
Total Net Position	$ 54,040,648	$ 51,840,038	$ 105,880,686

CITY OF DRIPPING SPRINGS, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2024

		Program Revenues			Net (Expense) Revenues and Changes in Net Position		
					Primary Government		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-type Activities**	**Total**
Primary Government:							
Governmental Activities:							
General government	$ 4,863,060	$ 746,727	$ 27,315	$ -	$ (4,089,018)	$ -	$ (4,089,018)
Development	1,910,251	2,715,090	-	-	804,839	-	804,839
Public safety	87,303	-	-	-	(87,303)	-	(87,303)
Public works	3,675,178	-	-	8,174,964	4,499,786	-	4,499,786
Culture and recreation	3,857,116	709,067	-	-	(3,148,049)	-	(3,148,049)
Interest on long-term debt	18,556	-	-	-	(18,556)	-	(18,556)
Total Governmental Activities	14,411,464	4,170,884	27,315	8,174,964	(2,038,301)	-	(2,038,301)
Business-type Activities:							
Water and wastewater	5,484,886	4,115,418	-	4,328,290	-	2,958,822	2,958,822
Total Business-type Activities:	5,484,886	4,115,418	-	4,328,290	-	2,958,822	2,958,822
Total Primary Government	$ 19,896,350	$ 8,286,302	$ 27,315	$ 12,503,254	$ (2,038,301)	$ 2,958,822	$ 920,521
		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			396,248	2,456,341	2,852,589
		Miscellaneous			1,087,057	177,222	1,264,279
		Transfers			37,936	(37,936)	-
		Total General Revenues and Transfers			10,003,344	3,899,010	13,902,354
		Change in Net Position			7,965,043	6,857,832	14,822,875
		Net Position, Beginning			46,075,605	44,982,206	91,057,811
		Net Position, Ending			$ 54,040,648	$ 51,840,038	$ 105,880,686

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

	General	Dripping Springs Ranch Park	Capital Improvements	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Current Assets:					
Cash and cash equivalents	$ 8,186,119	$ 237,373	$ 322,484	$ 6,552,373	$ 15,298,349
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	$ 322,484	$ 6,673,993	$ 16,606,663
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
Developer deposits	65,884	-	-	-	65,884
Total Liabilities	1,499,242	112,394	-	177,505	1,789,141
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	-	-	-	2,293,042	2,293,042
Culture and recreation	-	124,979	-	45,504	170,483
Tourism	-	-	-	1,122,999	1,122,999
Capital projects	-	-	322,484	-	322,484
Committed:					
Reserve	-	-	-	2,946,163	2,946,163
Unassigned:	7,841,784	-	-	(13,754)	7,828,030
Total Fund Balances	7,841,784	124,979	322,484	6,496,488	14,785,735
Total Liabilities and Fund Balances	$ 9,372,813	$ 237,373	$ 322,484	$ 6,673,993	$ 16,606,663

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	$	14,785,735
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.		42,327,702
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		(2,825,000)
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		(34,595)
Net Position of Governmental Activities	$	54,040,648

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	Capital Improvements	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	5,833	172,632	401,828
Donations	3,904	-	-	25,150	29,054
Miscellaneous	983,118	410,501	-	12,056	1,405,675
Total Revenues	11,407,725	720,388	5,833	2,021,403	14,155,349
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	-	-	453,688	2,368,149
Culture and recreation	2,380,716	990,169	-	362,253	3,733,138
Tourism	-	-	-	135,917	135,917
Capital Outlay	-	-	3,444,757	-	3,444,757
Debt Service:					-
Principal	12,257	-	-	75,000	87,257
Interest and fiscal charges	2,199	-	33,650	16,600	52,449
Total Expenditures	11,393,723	990,169	3,478,407	1,043,458	16,905,757
Excess (Deficiency) of Revenues Over Expenditures	14,002	(269,781)	(3,472,574)	977,945	(2,750,408)
Other Financing Sources (Uses)					
Transfers in	164,117	322,345	1,326,385	835,726	2,648,573
Transfers out	(1,840,550)	(32,145)	(31,327)	(706,615)	(2,610,637)
Tax notes issued	-	-	2,500,000	-	2,500,000
Total Other Financing Sources (Uses)	(1,676,433)	290,200	3,795,058	129,111	2,537,936
Change in Fund Balance	(1,662,431)	20,419	322,484	1,107,056	(212,472)
Fund Balances, Beginning	9,504,215	104,560	-	5,389,432	14,998,207
Fund Balances, Ending	$ 7,841,784	$ 124,979	$ 322,484	$ 6,496,488	$ 14,785,735

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	$ (212,472)
Amounts reported for governmental activities in the Statement of Activities are different because: Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation/amortization expense.	3,587,750
Developers contributions are not reported in governmental funds.	8,174,964
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.	(1,177,249)
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.	8,258
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.	
Debt Service principal	87,257
Tax notes and other debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. This is the amount of proceeds from issuance of tax notes.	(2,500,000)
Total OPEB expense is not recognized in governmental funds	(2,451)
Total Pension Expense is not recognized in governmental funds	27,811
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:	
Increase in compensated absences	(29,068)
Increase in accrued interest	243
Changes in Net Position of Governmental Activities	$ 7,965,043

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

	Water and Wastewater
Assets	
Current Assets:	
Cash and cash equivalents	$ 12,758,158
Restricted cash, cash equivalents	44,958,115
Accounts receivable, net of allowance for doubtful accounts	3,077,400
Due from other funds	72,435
Total Current Assets	60,866,108
Noncurrent Assets:	
Capital assets:	
Infrastructure	42,683,319
Equipment	185,739
Right-to-use lease asset	846,075
Less accumulated depreciation/amortization	(9,737,357)
Total Noncurrent Assets	33,977,776
Total Assets	94,843,884
Deferred Outflows of Resources	
Pension related	26,404
OPEB related	1,636
Total Deferred Outflows of Resources	28,040
Liabilities	
Current liabilities:	
Accounts payable	1,872,367
Accrued interest payable	130,252
Customer deposits	1,003,499
Bonds payable - current	655,000
Certificates of obligation - current	1,865,000
Lease payable - current	162,873
Total Current Liabilities	5,688,991
Noncurrent Liabilities:	
Compensated absences	38,280
Bonds payable	655,000
Certificates of obligation	36,125,000
Lease payable	498,414
Net pension liability	14,885
Total OPEB liability	4,398
Total Noncurrent Liabilities	37,335,977
Total Liabilities	43,024,968
Deferred Inflows of Resources	
Deferred inflows related to pensions	4,496
Deferred inflows related to OPEB	2,422
Total Deferred Inflows of Resources	6,918
Net Position	
Net investment in capital assets	38,844,352
Unrestricted	12,995,686
Total Net Position	$ 51,840,038

CITY OF DRIPPING SPRINGS, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
For the Year Ended September 30, 2024

	Water and Wastewater
Operating Revenues	
Charges for services	$ 4,115,418
Sales taxes	937,810
Franchise fees	361,163
Miscellaneous	181,632
Total Operating Revenues	5,596,023
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	1,711,192
Total Operating Expenses	5,069,762
Operating Income	526,261
Non-Operating Revenues (Expenses)	
Interest expense	(415,124)
Interest Income	2,456,341
Total Non-Operating Expenses	2,041,217
Income Before Contributions and Transfers	2,567,478
Contributions and Transfers	
Capital contributions	4,328,290
Transfers out	(37,936)
Total Contributions and Transfers	4,290,354
Change in Net Position	6,857,832
Net Position, Beginning	44,982,206
Net Position, Ending	$ 51,840,038

CITY OF DRIPPING SPRINGS, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

For the Year Ended September 30, 2024

	Water and Wastewater
Cash Flows from Operating Activities	
Receipts from customers	$ 3,416,718
Other receipts	1,480,605
Payments to suppliers and service providers	(1,212,425)
Payment to employees for salaries and benefits	(628,915)
Net Cash Provided by Operating Activities	3,055,983
Cash Flows From Noncapital Financing Activities	
Transfers to other funds	(37,936)
Net Cash Used by Noncapital Financing Activities	(37,936)
Cash Flows From Capital and Related Financing Activities	
Principal paid on capital debt	(2,485,000)
Principal paid on lease	(156,497)
Interest paid on capital debt	(422,340)
Net Cash Used by Capital and Related Financing Activities	(3,063,837)
Cash Flows from Investing Activities	
Interest Income	2,456,341
Net Cash Provided by Investing Activities	2,456,341
Change in Cash and Cash Equivalents	2,410,551
Cash and cash equivalents, beginning	55,305,722
Cash and Cash Equivalents, Ending	$ 57,716,273
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income	$ 526,261
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation/amortization expense	1,711,192
Increase in accounts receivable	(1,280,977)
Increase in pension related deferred outflows of resources	(4,140)
Increase in OPEB related deferred outflows of resources	(498)
Increase in accounts payable	1,498,087
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	242
Net cash provided by operating activities	$ 3,055,983
Schedule of Non-Cash Capital and Related Financing Activities:	
Contributions of capital assets	$ 4,328,290

DRIPPING SPRINGS
Texas

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#1 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 form 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.

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

Capital Improvements – is used to account for construction and progress capital outlay or long-term repair expenditures.

Note 1 - Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

Governmental Funds (continued)

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.

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, and accounted for using an economic resources measurement focus. The costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges. Periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

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.

Public Improvement Districts

Special Assessment Revenue bonds are issued by the City for the Public Improvement Districts (PID) and are secured solely from assessment revenues generated by each PID. The City is not obligated in any manner for this special assessment debt but merely acts as the developer's agent in handling the debt service by each PID and forwarding to the Trustee for payment to the bond holders. The bond proceeds were deposited into trust accounts with Wilmington Trust National Association for the purpose of funding improvements in the projects. Wilmington Trust National Association serves as trustee, for the benefit of the bond holders, for these funds as well as any and all other property or money of every name and nature, which is, from time-to-time hereafter by delivery or in writing of any kind, conveyed, pledged, assigned, or transferred to the Trustee.

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.

Note 1 - Summary of Significant Accounting Policies (continued)

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.

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.

Note 1 - Summary of Significant Accounting Policies (continued)

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

Capital Assets (continued)

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:

Asset Description	Estimated Useful Life
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.

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.

Note 1 - Summary of Significant Accounting Policies (continued)

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

Leases (continued)

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.

- 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.

Note 1 - Summary of Significant Accounting Policies (continued)

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

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.

- 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.

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)

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.

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.

Note 1 - Summary of Significant Accounting Policies (continued)

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

Fund Balance (continued)

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.

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.

Note 2 - Deposits and Investments (continued)

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.

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:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
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	$ 1,186,694	$ 121,620	$ 1,308,314

	Water and Wastewater Fund	Total Proprietary Funds
Receivables		
Sales tax	$ 79,529	$ 79,529
Customer	2,997,871	2,997,871
Less: Allowance for uncollectible	-	-
Net Receivables	$ 3,077,400	$ 3,077,400

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	$ 2,118,372	$ -	$ 8,049,186
Total Capital Assets, Not being Depreciated/Amortized	5,930,814	2,118,372	-	8,049,186
Capital Assets being Depreciated/Amortized:				
Buildings	1,075,825	1,326,385	-	2,402,210
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	9,644,342	-	41,915,502
Less Accumulated Depreciation/Amortization for:				
Buildings	(497,556)	(103,595)	-	(601,151)
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)	(1,177,249)	-	(7,636,986)
Total Capital Assets being Depreciated/Amortized, Net	25,811,423	8,467,093	-	34,278,516
Governmental Activities Capital Assets, Net	$ 31,742,237	$ 10,585,465	$ -	$ 42,327,702

	Balance October 1, 2023	Additions	Retirements and Transfers	Balance September 30, 2024
Business-Type Activities:				
Business-Type Assets, being Depreciated/Amortized				
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	4,328,290	-	43,715,133
Less Accumulated Depreciation/Amortization for:				
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)	(1,711,192)	-	(9,737,357)
Business Type Activities Capital Assets, Net	$ 31,360,678	$ 2,617,098	$ -	$ 33,977,776

Note 5 - Capital Assets (continued)

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

Governmental Activities:		
General government	$	714,473
Public works		46,278
Parks and recreation		416,498
Total Governmental Activities	$	1,177,249
Business-type Activities:		
Water and Wastewater	$	1,711,192
Total Business-type Activities	$	1,711,192

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

		Governmental Activities		Business-type Activities
Capital Assets, Net	$	42,327,702	$	33,977,776
Less:				
Bonds payable		325,000		39,300,000
Notes payable		2,500,000		-
SBITA liability		42,726		-
Lease liability		-		661,287
Accrued interest payable		-		130,252
Plus:				
Unspent bond/note proceeds		322,484		44,958,115
Net Investment in Capital Assets	$	39,782,460	$	38,844,352

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.

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

				Balance at September 30, 2024	
Certificates of Obligation	**Final Maturity**	**Final Maturity**	**Interest Rates**	**Governmental**	**Business-Type**
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				$ 325,000	$ 37,990,000

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

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 a public works facility to support the utility system, acquiring land for such facility and other related costs, including equipping the facility and paying professional services including fiscal, engineering, architectural and legal fees.

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
Tax Notes	-	2,500,000	-	2,500,000	355,000
Total Bonds Payable	400,000	2,500,000	(75,000)	2,825,000	430,000
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	$ 2,536,719	$ (153,632)	$ 3,269,631	$ 693,420
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
Total Bonds Payable	41,785,000	-	(2,485,000)	39,300,000	2,520,000
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	$ 23,911	$ (2,643,405)	$ 40,018,850	$ 2,721,153

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.

	Governmental Activities					
Fiscal	**Certificates of Obligation**		**Tax Notes**		**Total**	
Year	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
2025	$ 75,000	$ 13,488	$ 355,000	$ 131,042	$ 430,000	$ 144,530
2026	80,000	10,375	390,000	95,238	470,000	105,613
2027	85,000	7,055	410,000	77,922	495,000	84,977
2028	85,000	3,528	430,000	59,718	515,000	63,246
2029	-	-	445,000	40,626	445,000	40,626
2028	-	-	470,000	20,868	470,000	20,868
	$ 325,000	$ 34,446	$ 2,500,000	$ 425,414	$ 2,825,000	$ 459,860

Note 6 - Long-Term Liabilities (continued)

General Obligation Bonds and Certificates of Obligation (continued)

	Business-type Activities					
Fiscal	General Obligation Bonds		Certificates of Obligation		Total	
Year	Principal	Interest	Principal	Interest	Principal	Interest
2025	$ 655,000	$ 29,901	$ 1,865,000	$ 370,442	$ 2,520,000	$ 400,343
2026	655,000	15,406	1,905,000	360,322	2,560,000	375,728
2027	-	-	1,945,000	349,731	1,945,000	349,731
2028	-	-	1,990,000	338,211	1,990,000	338,211
2029	-	-	2,035,000	325,035	2,035,000	325,035
2030-2034	-	-	10,920,000	1,372,356	10,920,000	1,372,356
2035-2039	-	-	12,350,000	805,874	12,350,000	805,874
2040-2042	-	-	4,980,000	147,050	4,980,000	147,050
	$ 1,310,000	$ 45,307	$ 37,990,000	$ 4,069,021	$ 39,300,000	$ 4,114,328

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:

Fiscal Year	Principal	Interest	Total
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	$ 661,287	$ 53,093	$ 714,380

SBITA Payable

The City entered into a five-year SBITA agreement for the right-to-use 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 noncancellable term is 5 years. 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:

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

Note 7 – Special Assessment Bonds

The Public Improvement Districts (PID) were created by City Council ordinance under the Texas PID Act (Texas Local Government Code Chapter 372) principally to finance certain capital improvement projects for master planned developments within City boundaries. In order to finance the capital improvements the City can issue special assessment bonds up to a maximum principal amount in accordance with development agreements between the City and the developer.

The City is authorized by the Texas PID Act and on Assessment Ordinance to collect assessments levied on the properties within the improvement area, which is pledged to pay the scheduled principal and interest payments on the PID bonds.

The City is in no way liable for repayment of the PID bonds, and is only acting as a custodian for the property owners in collecting the assessments, forwarding the collections to bondholders, and initiating foreclosure proceedings, if appropriate.

A summary of the terms of special assessment bonds, as of September 30, 2024, follows:

Description	Original Issue	Final Maturity	Interest Rates	Outstanding at September 30, 2024
Special Assessment Revenue Bonds, Series 2023 Heritage Public Improvement District Improvement Area #1 Project	$ 790,000	2030	4.5%	$ 745,000
Special Assessment Revenue Bonds, Series 2023 Heritage Public Improvement District Improvement Area #1 Project	2,595,000	2043	5.375%	2,595,000
Special Assessment Revenue Bonds, Series 2023 Heritage Public Improvement District Improvement Area #1 Project	3,658,000	2053	5.5%	3,658,000
Total				$ 6,998,000

Note 8 - Interfund Receivables, Payables and Transfers

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

	Transfers To					
Transfers From	General	Dripping Springs Ranch Park	Capital Improvements	Nonmajor Governmental Funds	Water and Wastewater Fund	Totals
General Fund	$ -	$ -	$ 1,326,385	$ 514,165	$ -	$ 1,840,550
Dripping Springs Ranch Park	-	-	-	32,145	-	32,145
Capital Improvements				31,327	-	31,327
Nonmajor Governmental	164,117	322,345	-	220,153	-	706,615
Waste and Wastewater Fund	-	-	-	37,936	-	37,936
Totals	$ 164,117	$ 322,345	$ 1,326,385	$ 835,726	$ -	$ 2,648,573

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. Transfers from hotel/motel tax fund were properly expended for allowable activities.

Note 9 - Defined-Benefit Pension Plan

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.tmrs.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).

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	57
Total	103

Note 9 - Defined-Benefit Pension Plan (continued)

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.

Actuarial Assumptions

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.

Note 9 - Defined-Benefit Pension Plan (continued)

Actuarial Assumptions (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan 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:

Asset Class	Strategic Target Allocation Index
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.

Note 9 - Defined-Benefit Pension Plan (continued)

Changes in the Net Pension Liability

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (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.

Note 9 - Defined-Benefit Pension Plan (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

Note 10 - 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	57
Total	63

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.

Note 10 - 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.

Note 10 - 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	(345)
Net change in total OPEB liability	9,582
Total OPEB Liability - Beginning	29,411
Total OPEB Liability - Ending	$ 38,993
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.

Note 10 - 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:

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

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:

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

Note 11 - 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.

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			
	Original	**Final**	**Actual Amounts**	**Variance with Final Budget**
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	983,118	703,118
Total Revenues	11,067,312	11,580,719	11,407,725	(172,994)
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)	14,002	1,002,080
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)	(1,662,431)	938,091
Fund Balances, Beginning	9,504,215	9,504,215	9,504,215	-
Fund Balances, Ending	$ 5,959,149	$ 6,903,693	$ 7,841,784	$ 938,091

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			
	Original	Final	Actual Amounts	Variance with Final Budget
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

Budgetary Controls and Procedures

The City follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. Public hearings are conducted to obtain taxpayer comments.

2. Prior to October 1, the budget is legally enacted through passage of an ordinance.

3. The City Council must authorize amendments to budgeted amounts between departments within any fund. Therefore, the department level is the legal level of control and budget to actual expenditure comparisons is reported at the department level.

4. All transfers to and from budgeted funds must be approved by the City Council unless related to grant or bond activities.

5. Budgeted amounts are as originally adopted or as amended by the City Council. During 2024, individual amendments were not material in relation to the original appropriations for expenditures. All budget appropriations automatically lapse at year-end.

6. Formal budgetary integration is employed as a management control device during the year. The legally adopted budget is adopted on a basis consistent with generally accepted accounting principles.

7. During the year ended September 30, 2024, the City’s actual expenditures exceeded final budget in public works, development services, parks and community services, and debt service.

CITY OF DRIPPING SPRINGS, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last Ten 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%

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Last Ten Measurement Years

	2018	2017	2016	2015	2014
Total Pension Liability					
Service Cost	$ 129,750	$ 67,410	$ 50,354	$ 30,743	$ 21,762
Interest (on the Total Pension Liability)	48,199	38,747	29,124	24,446	20,810
Changes of benefit terms	-	62,645	-	-	-
Difference between expected and actual experience	(14,071)	18,543	(4,706)	1,741	4,877
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	47,449
Total Pension Liability – Beginning	661,639	481,062	406,290	333,859	286,410
Total Pension Liability – Ending	$ 800,622	$ 661,639	$ 481,062	$ 406,290	$ 333,859
Plan Fiduciary Net Position					
Contributions – employer	$ 78,968	$ 28,309	$ 14,212	$ 8,735	$ 6,280
Contributions – employee	68,470	55,761	38,205	24,994	20,391
Net investment income	(16,201)	56,460	22,471	440	14,704
Benefit payments, including refunds of employee contributions	(24,895)	(6,768)	-	-	-
Administrative Expense	(313)	(292)	(253)	(268)	(153)
Other	(17)	(15)	(14)	(13)	(13)
Net change in plan fiduciary net position	106,012	133,455	74,621	33,888	41,209
Plan Fiduciary Net Position – Beginning	540,078	406,623	332,002	298,114	256,905
Plan Fiduciary Net Position – Ending	$ 646,090	$ 540,078	$ 406,623	$ 332,002	$ 298,114
Net pension liability	$ 154,532	$ 121,561	$ 74,439	$ 74,288	$ 35,745
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.70%	81.63%	84.53%	81.72%	89.29%
Covered Payroll	$ 1,141,163	$ 984,086	$ 764,092	$ 499,885	$ 407,828
Net Pension Liability as a Percentage of Covered Employee Payroll	13.54%	12.35%	9.74%	14.86%	8.76%

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	(243,741)	(194,451)	(158,663)	(229,584)	(180,067)
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	(147,438)	(84,070)	(52,417)	(33,729)
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

	2024	2023	2022
Actuarially Determined Contribution	$ 407	$ 322	$ 265
Contributions in relation to the actuarially determined contribution	(407)	(322)	(265)
Contribution deficiency (excess)	$ -	$ -	$ -
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.

SUPPLEMENTARY INFORMATION

CITY OF DRIPPING SPRINGS, TEXAS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2024

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

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

	Special Revenue Funds				
	Dripping Springs Visitors Bureau	Town Center TIRZ (TIRZ #1)	Arrowhead TIRZ (TIRZ #2)	Total Nonmajor Special Revenue Funds	Total Nonmajor Governmental 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	$ 18,582	$ 676,435	$ 1,558,679	$ 6,571,459	$ 6,673,993
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	32,336	56,845	39,605	177,505	177,505
Fund Balances:					
Restricted for:					
Debt service	-	-	-	-	102,534
Development	-	619,590	1,519,074	2,293,042	2,293,042
Culture and recreation	-	-	-	45,504	45,504
Tourism	-	-	-	1,122,999	1,122,999
Committed to:					-
Reserve	-	-	-	2,946,163	2,946,163
Unassigned:	(13,754)	-	-	(13,754)	(13,754)
Total Fund Balances	(13,754)	619,590	1,519,074	6,393,954	6,496,488
Total Liabilities and Fund Balances	$ 18,582	$ 676,435	$ 1,558,679	$ 6,571,459	$ 6,673,993

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	$ -	$ -	$ -	$ -	$ -
Hotel Motel 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	3,112	1,225,471	34,193	75,304	56,853
Expenditures					
Current:					
Development	-	-	-	3,114	-
Culture and recreation	-	-	-	-	76,821
Tourism	-	135,917	-	-	-
Capital Outlay	-	-	-	-	-
Debt Service:					
Principal	75,000	-	-	-	-
Interest and fiscal charges	16,600	-	-	-	-
Total Expenditures	91,600	135,917	-	3,114	76,821
Excess (Deficiency) of Revenues Over (Under) Expenditures	(88,488)	1,089,554	34,193	72,190	(19,968)
Other Financing Sources (Uses)					
Transfers in	88,488	-	-	500,000	14,165
Transfers to other funds	-	(706,615)	-	-	-
Tax notes issued	-	-	-	-	-
Total Other Financing Sources (Uses)	88,488	(706,615)	-	500,000	14,165
Change in Fund Balance	-	382,939	34,193	572,190	(5,803)
Fund Balances, Beginning	102,534	740,060	120,185	2,373,973	51,307
Fund Balances, Ending	$ 102,534	$ 1,122,999	$ 154,378	$ 2,946,163	$ 45,504

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				
	Dripping Springs Visitors Bureau	**Town Center TIRZ (TIRZ #1)**	**Arrowhead TIRZ (TIRZ #2)**	**Total Nonmajor Special Revenue Funds**	**Total Nonmajor Governmental Funds**
Revenues					
Taxes:					
Ad Valorem Taxes	$ -	$ 150,951	$ 345,116	$ 496,067	$ 496,067
Hotel Motel Taxes	-	-	-	1,204,759	1,204,759
Franchise taxes	-	-	-	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	453,688	453,688
Culture and recreation	285,432	-	-	362,253	362,253
Tourism	-	-	-	135,917	135,917
Capital outlay	-	-	-	-	-
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)
Tax notes issued	-	-	-	-	-
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

DRIPPING SPRINGS
Texas

COMPLIANCE AND INTERNAL CONTROL SECTION

DRIPPING SPRINGS
Texas

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 has developed and implemented a "Journal Entry Policy" which requires two approvals for each journal entry. Each entry is prepared and approved prior to being made and the appropriate paperwork is maintained for each approved entry.

DRIPPING SPRINGS
Texas

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

(this page intentionally left blank)

McCALL
PARKHURST & HORTON
Focused on Public Finance since 1919.

[An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the Certificates, assuming no material changes in facts or law.]

CITY OF DRIPPING SPRINGS, TEXAS, COMBINATION TAX AND LIMITED REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025 IN THE AGGREGATE PRINCIPAL AMOUNT OF $13,435,000

AS BOND COUNSEL FOR THE CITY OF DRIPPING SPRINGS, TEXAS (the "City") in connection with the issuance of the certificates of obligation described above (the "Certificates"), we have examined the legality and validity of the Certificates, which bear interest from the dates specified in the text of the Certificates, until maturity or redemption, at the rates and payable on the dates specified in the text of the Certificates and in the ordinance of the City adopted on April 15, 2025 authorizing the issuance of the Certificates (the "Ordinance").

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, certified copies of the pertinent proceedings of the City, and other pertinent documents authorizing and relating to the issuance of the Certificates, including one of the executed Certificates (Certificate Number T-1).

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Certificates have been duly authorized, issued and delivered in accordance with law; that the Certificates, except as the enforceability thereof may be limited by laws relating to governmental immunity, bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted related to creditors' rights generally or by general principles of equity which permit the exercise of judicial discretion, constitute valid and legally binding obligations of the City; and that ad valorem taxes sufficient to provide for the payment of the interest on and the principal of the Certificates have been levied and pledged for such purpose, within the limits pre-scribed by law, on taxable property within the City and the Certificates are additionally secured by and payable from a limited pledge of surplus revenues of the City's wastewater system, all as provided in the Ordinance.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Certificates is excludable from the gross income of the owners thereof for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Certificates are not "specified private activity bonds" and that, accordingly, interest on the Certificates will not be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on, certain representations, the accuracy of which we have not independently verified, and assume compliance with certain covenants regarding the use and investment of the proceeds of the Certificates and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or if the City fails to comply with such covenants, interest on the Certificates may become includable in gross income retroactively to the date of issuance of the Certificates.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Certificates, including the amount, accrual or receipt of interest on, the Certificates. In particular, but not by way of limitation, we express no opinion with respect to the federal, state or local tax consequences arising from the enactment of any pending or future legislation. Owners of the Certificates should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Certificates.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Certificates. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the City as the taxpayer. We observe that the City has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Certificates as includable in gross income for federal income tax purposes.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Certificates, may be includable in a corporation's adjusted financial statement income for purposes of determining the alternative minimum tax imposed on certain corporations by section 55 of the Code.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Certificates, nor as to any such insurance policies issued in the future.

OUR SOLE ENGAGEMENT in connection with the issuance of the Certificates is as Bond Counsel for the City, and, in that capacity, we have been engaged by the City for the sole purpose of rendering our opinions with respect to the legality and validity of the Certificates under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Certificates for federal income tax purposes, and for no other reason or purpose. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the City, or the disclosure thereof in connection with the sale of the Certificates, and have not assumed any responsibility with respect to thereto. We express no opinion and make no comment with respect to the marketability of the Certificates and have relied solely on certificates executed by officials of the City as to the current outstanding indebtedness of the City, the assessed valuation of taxable property within the City and the sufficiency of the revenues pledged by the City. Our role in connection with the City's Official Statement prepared for use in connection with the sale of the Certificates has been limited as described therein.

THE FOREGOING OPINIONS represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result.

Respectfully,

(this page intentionally left blank)

Financial Advisory Services
Provided By:

SAMCO Capital