

DRIFTWOOD CONSERVATION DISTRICT

YEAR ENDED SEPTEMBER 30, 2025

**FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITOR'S REPORT**

DRIFTWOOD CONSERVATION DISTRICT

**FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED
SEPTEMBER 30, 2025**

DRIFTWOOD CONSERVATION DISTRICT

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ANNUAL FILING AFFIDAVIT

ANNUAL FILING AFFIDAVIT

STATE OF TEXAS
COUNTY OF HAYS

I, Stephen C. Dickman of the
(Name of Duly Authorized District Representative)

DRIFTWOOD CONSERVATION DISTRICT

(Name of District)

hereby swear, or affirm, that the District above has reviewed and approved at a meeting of the District's Board of Directors on the **14th day of January, 2026** its annual audit report for the fiscal year ended **September 30, 2025** and that copies of the annual audit report have been filed in the District's office, located at:

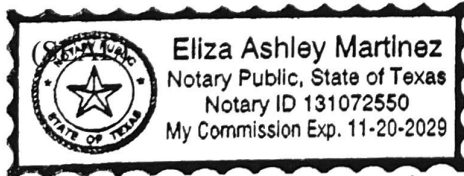
600 W. 5th Street, Suite 900 Austin, TX 78701

(Address of District's Office)

This annual filing affidavit and the attached copy of the audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of all annual filing requirements of Texas Water Code Section 49.194.

Date: 01-14-2026, By: Stephen C. Dickman
(Signature of District Representative)
Stephen C. Dickman
(Typed Name and Title of District Representative)

Sworn to and subscribed to before me this 14th day of January, 2026.



Eliza
(Signature of Notary)

My Commission Expires On: 11/20/2029,
Notary Public in the State of Texas

INDEPENDENT AUDITOR'S REPORT

McCall Gibson Swedlund Barfoot Ellis PLLC

Certified Public Accountants

*Chris Swedlund
Noel W. Barfoot
Joseph Ellis
Ashlee Martin*

*Mike M. McCall
(retired)
Debbie Gibson
(retired)*

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Driftwood Conservation District
Hays County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Driftwood Conservation District (the "District") as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2025, and the respective changes in financial position 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. 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 District, 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 District'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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, 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 District'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 District'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 the Management's Discussion and Analysis and the Budgetary Comparison Schedule - General Fund be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Texas Supplementary Information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is 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 not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on it.

Other Information

Management is responsible for the Other Supplementary Information included in the annual report. The Other Supplementary Information does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the Other Supplementary Information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

McCall Gibson Swedlund Barfoot Ellis PLLC

McCall Gibson Swedlund Barfoot Ellis PLLC
Certified Public Accountants
Houston, Texas

January 14, 2026

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

DRIFTWOOD CONSERVATION DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED SEPTEMBER 30, 2025

In accordance with Governmental Accounting Standards Board Statement No. 34 (“GASB 34”), the management of Driftwood Conservation District (the “District”) offers the following discussion and analysis to provide an overview of the District’s financial activities for the year ended September 30, 2025. Since this information is designed to focus on the current year’s activities, resulting changes, and currently known facts, it should be read in conjunction with the District’s basic financial statements that follow.

FINANCIAL HIGHLIGHTS

- *General Fund:* At the end of the current fiscal year, the unassigned fund balance was \$2,368,919, an increase of \$1,059,928 from the previous fiscal year. General Fund revenues were \$1,429,785, expenditures were \$520,997 and other financing sources were \$151,140 for the fiscal year ending September 30, 2025.
- *Debt Service Fund:* Fund balance restricted for debt service decreased to \$362,258 at the end of the current fiscal year. The Debt Service Fund paid \$155,000 of bond principal and \$387,781 of bond interest on outstanding debt during the current fiscal year.
- *Capital Projects Fund:* Fund balance restricted for capital projects increased to \$151,477 at the end of the current fiscal year.
- *Governmental Activities:* On a government-wide basis for governmental activities, the District had revenues net of expenditures of \$852,683 in the current fiscal year. Net position increased from a deficit balance of \$1,158,407 at September 30, 2024 to a deficit balance of \$305,724 at September 30, 2025.

OVERVIEW OF THE DISTRICT

Driftwood Conservation District, a political subdivision of the State of Texas, created by House Bill No. 4301, 85th Regular Session of the Texas Legislature, operates under and is governed by the provisions of Chapter 7982 of the Special District Local Laws Code, as amended. The District was created under the terms and conditions of Article XVI, Section 59 of the Texas Constitution and Chapters 49 and 54 of the Texas Water Code for, among other purposes, financing the construction of the water, wastewater and drainage within its boundaries. In 2021, the 87th Session of the Texas Legislature with Senate Bill No. 2183 confirmed certain annexations and redefined the boundaries of the District which contain approximately 723 acres and is located in northern Hays County and is wholly within the extraterritorial jurisdiction of the City of Dripping Springs (the “City”). In April 2023, the District approved the addition of approximately 14 acres of land into the District, as consented to by the City.

**DRIFTWOOD CONSERVATION DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2025**

USING THIS ANNUAL REPORT

This annual report consists of five parts:

1. *Management’s Discussion and Analysis* (this section)
2. *Basic Financial Statements*
3. *Required Supplementary Information*
4. *Texas Supplementary Information* (required by the Texas Commission on Environmental Quality (the TSI section))
5. *Other Supplementary Information* (the OSI section)

For purposes of GASB 34, the District is considered a special purpose government. This allows the District to present the required fund and government-wide statements in a single schedule. The requirement for fund financial statements that are prepared on the modified accrual basis of accounting is met with the “Governmental Funds” column. An adjustment column includes those entries needed to convert to the full accrual basis government-wide statements. Government-wide statements are comprised of the Statement of Net Position and the Statement of Activities.

OVERVIEW OF THE FINANCIAL STATEMENTS

The *Statement of Net Position and Governmental Funds Balance Sheet* includes a column (titled “Governmental Funds”) that represents a balance sheet prepared using the modified accrual basis of accounting. This method measures cash and all other financial assets that can be readily converted to cash. The adjustments column converts those balances to a balance sheet that more closely reflects a private-sector business. Over time, increases or decreases in the District’s net position will indicate financial health.

The *Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances* includes a column (titled “Governmental Funds”) that derives the change in fund balances resulting from current year revenues, expenditures, and other financing sources or uses. These amounts are prepared using the modified accrual basis of accounting. The adjustments column converts those activities to full accrual, a basis that more closely represents the income statement of a private-sector business.

The *Notes to the Financial Statements* provide additional information that is essential to a full understanding of the information presented in the *Statement of Net Position and Governmental Funds Balance Sheet* and the *Statement of Activities and Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances*.

The *Required Supplementary Information* presents a comparison statement between the District’s adopted budget for the General Fund and its actual results.

**DRIFTWOOD CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2025**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

Summary Statement of Net Position

| | Governmental Activities | | Change Increase (Decrease) |
|----------------------------------|----------------------------|-----------------------|----------------------------------|
| | 2025 | 2024 | |
| Current and other assets | \$ 2,988,599 | \$ 2,262,252 | \$ 726,347 |
| Non-current assets | 9,191,635 | 9,216,695 | (25,060) |
| Total Assets | \$ 12,180,234 | \$ 11,478,947 | \$ 701,287 |
| Current liabilities | \$ 429,825 | \$ 560,637 | \$ (130,812) |
| Long-term liabilities | 12,056,133 | 12,076,717 | (20,584) |
| Total Liabilities | \$ 12,485,958 | \$ 12,637,354 | \$ (151,396) |
| Net Investment in Capital Assets | \$ (2,387,924) | \$ (2,411,485) | \$ 23,561 |
| Restricted | 183,424 | 322,151 | (138,727) |
| Unrestricted | 1,898,776 | 930,927 | 967,849 |
| Total Net Position | \$ (305,724) | \$ (1,158,407) | \$ 852,683 |

The District's net position increased by \$852,683 during the 2025 fiscal year to a deficit balance of \$305,724 at September 30, 2025 from the previous year's deficit balance of \$1,158,407.

**DRIFTWOOD CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2025**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

Revenues and Expenses:

| | <u>Summary Statement of Activities</u> | | Change Increase (Decrease) |
|------------------------|--|-----------------------|----------------------------------|
| | Governmental Activities | | |
| | 2025 | 2024 | |
| Property taxes | \$ 1,662,737 | \$ 1,225,419 | \$ 437,318 |
| Interest and other | 113,501 | 70,539 | 42,962 |
| Total Revenues | <u>\$ 1,776,238</u> | <u>\$ 1,295,958</u> | <u>\$ 480,280</u> |
| Professional fees | \$ 352,839 | \$ 394,663 | \$ (41,824) |
| Other | 53,427 | 382,292 | (328,865) |
| Developer interest | - | 484,658 | (484,658) |
| Debt service | 370,734 | 1,151,246 | (780,512) |
| Depreciation | 146,555 | 95,359 | 51,196 |
| Total Expenses | <u>\$ 923,555</u> | <u>\$ 2,508,218</u> | <u>\$ (1,584,663)</u> |
| Change in Net Position | \$ 852,683 | \$ (1,212,260) | \$ 2,064,943 |
| Beginning Net Position | (1,158,407) | 53,853 | (1,212,260) |
| Ending Net Position | <u>\$ (305,724)</u> | <u>\$ (1,158,407)</u> | <u>\$ 852,683</u> |

Revenues were \$1,776,238 for the fiscal year ended September 30, 2025 while expenses were \$923,555. Net position increased \$852,683 during the 2025 fiscal year.

For the fiscal year ended September 30, 2025, property tax revenues totaled \$1,662,737. Property tax revenue is derived from taxes being levied based upon the assessed value of real and personal property within the District. Property taxes levied for the 2024 tax year (September 30, 2025 fiscal year) were based upon a current assessed value of \$164,074,637 and a tax rate of \$1.00 per \$100 of assessed valuation. Property taxes levied for the 2023 tax year (September 30, 2024 fiscal year) were based upon a current assessed value of \$116,632,888 and a tax rate of \$1.00 per \$100 of assessed valuation. The tax rate levied is determined after the District's Board of Directors reviews the General Fund budget requirements and the debt service obligations of the District. The District's primary revenue source is property taxes.

**DRIFTWOOD CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2025**

ANALYSIS OF GOVERNMENTAL FUNDS

| | <u>Governmental Funds by Year</u> | |
|---|-----------------------------------|---------------------|
| | 2025 | 2024 |
| Cash and cash equivalent investments | \$ 2,736,284 | \$ 1,958,604 |
| Other | 296,214 | 303,648 |
| Total Assets | \$ 3,032,498 | \$ 2,262,252 |
| Accounts payable and accrued expenses | \$ 80,031 | \$ 183,710 |
| Other | 43,899 | 26,560 |
| Total Liabilities | \$ 123,930 | \$ 210,270 |
| Deferred Inflows of Resources | \$ 25,914 | \$ 80,542 |
| Restricted | \$ 513,735 | \$ 662,449 |
| Unassigned | 2,368,919 | 1,308,991 |
| Total Fund Balances | \$ 2,882,654 | \$ 1,971,440 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 3,032,498 | \$ 2,262,252 |

As of September 30, 2025, the District's governmental funds reflected a fund balance of \$2,882,654, a \$911,214 increase over the previous year.

BUDGETARY HIGHLIGHTS

The General Fund pays for daily operating expenditures. The Board of Directors adopted the 2025 budget on September 11, 2024. The budget included revenues of \$1,285,544 and other financing sources of \$350,000 as compared to expenditures of \$934,052 for the 2025 fiscal year. When comparing actual figures to budgeted amounts, the District had a positive net variance of \$358,436. More detailed information about the District's budgetary comparison is presented in the *Required Supplementary Information*.

CAPITAL ASSETS

The District's governmental activities had invested \$9,191,635 in land and easements and water, wastewater and drainage and road infrastructure. The detail is reflected in the following schedule:

| | <u>Summary of Capital Assets, net</u> | |
|---|---------------------------------------|---------------------|
| | 9/30/2025 | 9/30/2024 |
| Capital Assets: | | |
| Land and easements | \$ 2,602,433 | \$ 2,480,938 |
| Water, wastewater and drainage facilities | 6,143,563 | 6,143,563 |
| Entryway improvements | 457,166 | 457,166 |
| Waterline improvements | 269,860 | 269,860 |
| Less: Accumulated Depreciation | (281,387) | (134,832) |
| Total Net Capital Assets | \$ 9,191,635 | \$ 9,216,695 |

**DRIFTWOOD CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2025**

CAPITAL ASSETS (continued)

Water and wastewater facilities are conveyed to the City for the purpose of providing water service and wastewater service to the District residents. The District is entitled to significant residual interest in the facilities conveyed and records these facilities as District assets in accordance with GASB Statement No. 94.

More detailed information about the District's capital assets is presented in the *Notes to the Financial Statements*.

LONG-TERM DEBT ACTIVITY

On November 6, 2018, a bond election held within the District approved authorization to issue \$213,039,000 of bonds to fund costs of proposed water, wastewater and drainage system facilities, and the costs of creation. Additionally, \$48,863,000 of bonds to fund road improvements were approved as well as \$244,995,000 of bonds to refund outstanding unlimited tax bonds and \$56,192,000 to refund outstanding road bonds were approved by voters of the District. As of September 30, 2025, the District has issued \$8,400,000 of unlimited tax bonds to repay the Developer for water, wastewater and drainage system facilities. At September 30, 2025, the District's outstanding debt balance was \$8,245,000. The District owes the Developer \$490,097 for advances used to fund operating expenditures and \$3,321,851 related to the purchase of facilities and easements as of September 30, 2025. The ratio of the District's outstanding long term debt to the 2024 total taxable assessed valuation (\$164,074,637) is 5.0%. More detailed information about the District's long-term debt is presented in the *Notes to the Basic Financial Statements*.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The property tax assessed value for the 2025 tax year is approximately \$231.6 million. The fiscal year 2026 tax rate (2025 tax year) is \$1.00 on each \$100 of taxable value. Approximately 63% of the property tax collected during fiscal year 2026 will fund general operating expenses and 37% will provide payment of principal and interest on the District's utility bonds.

The adopted budget for fiscal year 2026 projects an operating fund balance increase of \$890,716.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District in care of Andy Barrett & Associates, PLLC and sent to 600 W. 5th Street, Suite 900, Austin, Texas 78701.

FINANCIAL STATEMENTS

**DRIFTWOOD CONSERVATION DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2025**

| | General Fund | Debt Service Fund | Capital Projects Fund | Governmental Funds Total | Adjustments Note 2 | Government - Wide Statement of Net Position |
|---|---------------------|-------------------------|-----------------------------|--------------------------------|-----------------------|--|
| ASSETS | | | | | | |
| Cash and cash equivalents: | | | | | | |
| Cash | \$ 38,756 | \$ - | \$ - | \$ 38,756 | \$ - | \$ 38,756 |
| Cash equivalents | 2,333,477 | 212,574 | 151,477 | 2,697,528 | - | 2,697,528 |
| Receivables: | | | | | | |
| Property taxes | 19,954 | 5,960 | - | 25,914 | - | 25,914 |
| Interfund | 43,899 | - | - | 43,899 | (43,899) | - |
| Prepaid expenditures | - | 186,059 | 40,342 | 226,401 | - | 226,401 |
| Capital assets, net of accumulated depreciation: | | | | | | |
| Land and easements | - | - | - | - | 2,602,433 | 2,602,433 |
| Entryway improvements | - | - | - | - | 390,115 | 390,115 |
| Waterline improvements | - | - | - | - | 250,070 | 250,070 |
| Water, wastewater and drainage facilities | - | - | - | - | 5,949,017 | 5,949,017 |
| TOTAL ASSETS | <u>\$ 2,436,086</u> | <u>\$ 404,593</u> | <u>\$ 191,819</u> | <u>\$ 3,032,498</u> | <u>9,147,736</u> | <u>12,180,234</u> |
| LIABILITIES | | | | | | |
| Accounts payable | \$ 47,213 | \$ 32,818 | \$ - | \$ 80,031 | - | 80,031 |
| Accrued bond interest payable | - | - | - | - | 184,794 | 184,794 |
| Interfund payables | - | 3,557 | 40,342 | 43,899 | (43,899) | - |
| Long-term liabilities - | | | | | | |
| Due to developer | - | - | - | - | 3,811,948 | 3,811,948 |
| Bonds payable: | | | | | | |
| Due within one year | - | - | - | - | 165,000 | 165,000 |
| Due after one year | - | - | - | - | 8,244,185 | 8,244,185 |
| TOTAL LIABILITIES | <u>47,213</u> | <u>36,375</u> | <u>40,342</u> | <u>123,930</u> | <u>12,362,028</u> | <u>12,485,958</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Deferred revenue - property taxes | 19,954 | 5,960 | - | 25,914 | (25,914) | - |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>19,954</u> | <u>5,960</u> | <u>-</u> | <u>25,914</u> | <u>(25,914)</u> | <u>-</u> |
| FUND BALANCES / NET POSITION | | | | | | |
| Fund balance: | | | | | | |
| Restricted for debt service | - | 362,258 | - | 362,258 | (362,258) | - |
| Restricted for authorized construction | - | - | 151,477 | 151,477 | (151,477) | - |
| Unassigned | 2,368,919 | - | - | 2,368,919 | (2,368,919) | - |
| TOTAL FUND BALANCES | <u>2,368,919</u> | <u>362,258</u> | <u>151,477</u> | <u>2,882,654</u> | <u>(2,882,654)</u> | <u>-</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | <u>\$ 2,436,086</u> | <u>\$ 404,593</u> | <u>\$ 191,819</u> | <u>\$ 3,032,498</u> | | |
| Net position: | | | | | | |
| Net investment in capital assets | | | | | (2,387,924) | (2,387,924) |
| Restricted for debt service | | | | | 183,424 | 183,424 |
| Unrestricted | | | | | 1,898,776 | 1,898,776 |
| TOTAL NET POSITION | | | | | <u>\$ (305,724)</u> | <u>\$ (305,724)</u> |

The accompanying notes are an integral part of this statement.

DRIFTWOOD CONSERVATION DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT
OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED SEPTEMBER 30, 2025

| | General Fund | Debt Service Fund | Capital Projects Fund | Governmental Funds Total | Adjustments Note 2 | Government - Wide Statement of Activities |
|---|---------------------|-------------------------|-----------------------------|--------------------------------|-----------------------|--|
| REVENUES: | | | | | | |
| Property taxes, including penalties | \$ 1,341,869 | \$ 375,496 | \$ - | \$ 1,717,365 | \$ (54,628) | \$ 1,662,737 |
| Interest and other | 87,916 | 19,039 | 6,546 | 113,501 | - | 113,501 |
| TOTAL REVENUES | \$ 1,429,785 | \$ 394,535 | \$ 6,546 | \$ 1,830,866 | \$ (54,628) | \$ 1,776,238 |
| EXPENDITURES / EXPENSES: | | | | | | |
| Director fees, including payroll taxes | \$ 15,940 | \$ - | \$ - | \$ 15,940 | \$ - | \$ 15,940 |
| Legal fees | 287,719 | - | - | 287,719 | - | 287,719 |
| Engineering fees | 19,289 | - | - | 19,289 | - | 19,289 |
| Accounting fees | 30,781 | - | - | 30,781 | - | 30,781 |
| Audit fees | 13,250 | - | - | 13,250 | - | 13,250 |
| Financial advisor fees | 1,386 | 414 | - | 1,800 | - | 1,800 |
| Other consulting fees | 15,049 | - | - | 15,049 | - | 15,049 |
| Tax appraisal/collection fees | 9,252 | 4,714 | - | 13,966 | - | 13,966 |
| Insurance | 4,269 | - | - | 4,269 | - | 4,269 |
| Other | 2,567 | 1,636 | - | 4,203 | - | 4,203 |
| Debt service: | | | | | | |
| Principal | - | 155,000 | - | 155,000 | (155,000) | - |
| Interest | - | 387,781 | - | 387,781 | (17,297) | 370,484 |
| Bond issuance costs | - | 250 | - | 250 | - | 250 |
| Capital outlay | 121,495 | - | - | 121,495 | (121,495) | - |
| Depreciation | - | - | - | - | 146,555 | 146,555 |
| TOTAL EXPENDITURES / EXPENSES | 520,997 | 549,795 | - | 1,070,792 | (147,237) | 923,555 |
| Excess (Deficit) of revenues over (under) expenditures/expenses | \$ 908,788 | \$ (155,260) | \$ 6,546 | \$ 760,074 | \$ 92,609 | \$ 852,683 |
| OTHER FINANCING SOURCES - | | | | | | |
| Developer advances | \$ 151,140 | \$ - | \$ - | \$ 151,140 | \$ (151,140) | \$ - |
| TOTAL OTHER FINANCING SOURCES | \$ 151,140 | \$ - | \$ - | \$ 151,140 | \$ (151,140) | \$ - |
| NET CHANGE IN FUND BALANCES | \$ 1,059,928 | \$ (155,260) | \$ 6,546 | \$ 911,214 | \$ (911,214) | \$ - |
| CHANGE IN NET POSITION | | | | | 852,683 | 852,683 |
| FUND BALANCES / NET POSITION: | | | | | | |
| Beginning of the year | 1,308,991 | 517,518 | 144,931 | 1,971,440 | (3,129,847) | (1,158,407) |
| End of the year | \$ 2,368,919 | \$ 362,258 | \$ 151,477 | \$ 2,882,654 | \$ (3,188,378) | \$ (305,724) |

The accompanying notes are an integral part of this statement.

**NOTES TO THE
FINANCIAL STATEMENTS**

**DRIFTWOOD CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

1. SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of Driftwood Conservation District (the “District”) relating to the funds included in the accompanying financial statements conform to generally accepted accounting principles (“GAAP”) as applied to governmental entities. GAAP for local governments include those principles prescribed by the *Governmental Accounting Standards Board* (“GASB”), which constitutes the primary source of GAAP for governmental units. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

Reporting Entity - The District was created pursuant to H.B. No. 4301, Acts of the 85th Legislature of the State of Texas, Regular Session, and operating pursuant to the terms and conditions of Article XVI, Section 59, and Article III, Section 52, of the Texas Constitution, and Chapters 49 and 54 of the Texas Water Code as well as Chapter 7982, Texas Special District Local Laws Code, all as amended, for, among other purposes, financing the construction of water, wastewater and drainage facilities and roadways, as may be necessary, within its boundaries, as contemplated by a Resolution adopted on February 21, 2017 by the City of Dripping Springs (the “City”), as modified by separate Resolution adopted on September 18, 2018 by the City, and the Agreement Concerning Creation and Operation of Driftwood Conservation District (the “Consent Agreement”) entered into by the District, the developer and the City, effective June 15, 2021. The reporting entity of the District encompasses those activities and functions over which the District’s officials exercise significant oversight or control. The District is governed by a five member Board of Directors (the “Board”), all of which have been elected or deemed elected by District residents or appointed by the Board. The District is not included in any other governmental “reporting entity” as defined by GASB standards since the majority of Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. In addition, there are no component units as defined by GASB standards which are included in the District’s reporting entity.

Basis of Presentation - Government-wide and Fund Financial Statements - These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting (“GASB Codification”).

GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

**DRIFTWOOD CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first.

The basic financial statements are prepared in conformity with GASB Statement No. 34 and include a column for government-wide (based upon the District as a whole) and fund financial statement presentations. GASB Statement No. 34 also requires as supplementary information Management's Discussion and Analysis, which includes an analytical overview of the District's financial activities. In addition, a budgetary comparison statement is presented that compares the adopted General Fund budget with actual results.

- **Government-wide Statements:** The District's statement of net position includes both non-current assets and non-current liabilities of the District, which were previously recorded in the General Fixed Assets Account Group and the General Long-Term Debt Account Group. In addition, the government-wide statement of activities column reflects depreciation expense on the District's capital assets, including infrastructure.

The government-wide focus is more on the sustainability of the District as an entity and the change in aggregate financial position resulting from financial activities of the fiscal period. The focus of the fund financial statements is on the individual funds of the governmental categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

- **Fund Financial Statements:** Fund based financial statement columns are provided for governmental funds. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures of either fund category) for the determination of major funds. All of the District's funds are reported as major funds.

Governmental Fund Types - The accounts of the District are organized and operated on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a self-balancing set of accounts that comprise its assets, liabilities, fund balances, revenues and expenditures. The various funds are grouped by category and type in the financial statements. The District maintains the following fund types:

- **General Fund** - The General Fund accounts for financial resources in use for general types of operations which are not encompassed within other funds. This fund is established to account for resources devoted to financing the general services that the District provides for its residents. Tax revenues and other sources of revenue used to finance the fundamental operations of the District are included in this fund.
- **Debt Service Fund** - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.
- **Capital Projects Fund** - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

**DRIFTWOOD CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

Non-current Governmental Assets and Liabilities - GASB Statement No. 34 eliminates the presentation of Account Groups, but provides for these records to be maintained and incorporates the information into the government-wide financial statement column in the Statement of Net Position.

Basis of Accounting

Government-wide Statements - The government-wide financial statement column is reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

Fund Financial Statements - The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in the net fund balances. Governmental funds are accounted for on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e. both measurable and available).

"Measurable" means that the amount of the transaction can be determined and "available" means the amount of the transaction is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Expenditures, if measurable, are generally recognized on the accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include the unmatured principal and interest on general obligation long-term debt which is recognized when due. This exception is in conformity with generally accepted accounting principles.

Property tax revenues are recognized when they become available. In this case, available means when due, or past due and receivable within the current period and collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days. Tax collections expected to be received subsequent to the 60-day availability period are reported as deferred inflows of resources. All other revenues of the District are recorded on the accrual basis in all funds.

The District may report unearned revenues on its balance sheet. Unearned revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. In subsequent periods, when revenue recognition criteria are met, the liability for unearned revenues is removed from the balance sheet and revenue is recognized.

**DRIFTWOOD CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

Budgets and Budgetary Accounting - An unappropriated budget was adopted on September 11, 2024, for the General Fund on a basis consistent with generally accepted accounting principles. The District's Board utilizes the budget as a management tool for planning and cost control purposes. The budget was not amended during the fiscal year. The Budgetary Comparison Schedule – General Fund presents the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

Pensions - The District has not established a pension plan because the District does not have employees. The Internal Revenue Service has determined that Directors are considered to be “employees” for federal payroll tax purposes.

Cash and Cash Equivalent Investments - Includes cash on deposit as well as investments with maturities of three months or less. The investments, consisting of obligations in the State Treasurer’s Investment Pool, are recorded at amortized cost.

Ad Valorem Property Taxes - Property taxes, penalties, and interest are reported as revenue in the fiscal year in which they become available to finance expenditures of the District. Allowances for uncollectible property taxes are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

Capital Assets - Capital assets, which include land and easements and infrastructure improvements, are reported in the government-wide column in the Statement of Net Position. Public domain capital assets ("infrastructure") including water, wastewater and drainage systems, are capitalized. Items purchased or acquired are reported at historical cost or estimated historical cost. Contributed fixed assets are recorded as capital assets at their estimated acquisition value at the time received. In accordance with GASB Statement No. 89, interest incurred during construction of capital facilities is not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

| <u>Asset</u> | <u>Years</u> |
|-----------------------------|--------------|
| Water/wastewater/drainage | 50 |
| Roads and road improvements | 25-50 |

Water and wastewater facilities are conveyed to the City for the purpose of providing water service and wastewater service to the District residents. The District is entitled to significant residual interest in the facilities conveyed and records these facilities as District assets in accordance with GASB Statement No. 94.

**DRIFTWOOD CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

Long-Term Debt - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the government-wide Statement of Net Position. Bond premiums and original issue discounts are deferred over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Bond issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures in both the government-wide and the fund financial statements.

Fund Balance - Fund balances in governmental funds are classified using the following hierarchy:

- *Nonspendable*: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District does not have any nonspendable fund balances.
- *Restricted*: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.
- *Committed*: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District does not have any committed fund balances.
- *Assigned*: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District does not have any assigned fund balances.
- *Unassigned*: all other spendable amounts in the General Fund.

When expenditures are incurred for which restricted, committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of restricted funds, then committed funds, then assigned funds, and finally unassigned funds.

Accounting Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**DRIFTWOOD CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

2. RECONCILIATION OF THE GOVERNMENTAL FUNDS

Adjustments to convert the Governmental Funds Balance Sheet to the Statement of Net Position are as follows:

| | | | |
|--|-------------|----|--------------|
| Fund Balances - Governmental Funds | | \$ | 2,882,654 |
| Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds - | | | |
| Capital assets | 9,473,022 | | |
| Less: Accumulated depreciation | (281,387) | | 9,191,635 |
| Revenue is recognized when earned in the government-wide statements, regardless of availability. Governmental funds report deferred inflows for revenues earned but not available. | | | 25,914 |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds: | | | |
| Bonds payable | (8,245,000) | | |
| Issuance premium/discount, net | (164,185) | | |
| Due to developer | (3,811,948) | | |
| Accrued interest | (184,794) | | (12,405,927) |
| Net Position - Governmental Activities | | \$ | (305,724) |

Adjustments to convert the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities are as follows:

| | | | |
|--|--|----|-----------|
| Net Change in Fund Balances - Governmental Funds | | \$ | 911,214 |
| Amounts reported for governmental activities in the Statement of Activities are different because: | | | |
| Governmental funds report: | | | |
| Interest in year accrued | | | 17,297 |
| Capital outlay in year paid | | | 121,495 |
| Tax revenue when collected | | | (54,628) |
| Bond principal in year paid | | | 155,000 |
| Developer advances in year received | | | (151,140) |
| Governmental funds do not report - | | | |
| Depreciation | | | (146,555) |
| Change in Net Position - Governmental Activities | | \$ | 852,683 |

**DRIFTWOOD CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

3. CASH AND CASH EQUIVALENT INVESTMENTS

The investment policies of the District are governed by Section 2256 of the Texas Government Code (the “Public Funds Investment Act”) and an adopted District investment policy that includes depository contract provisions and custodial contract provisions. Major provisions of the District’s investment policy, which complies with the Public Funds Investment Act, include: depositories must be Federal Deposit Insurance Corporation (“FDIC”) insured Texas banking institutions; depositories must fully insure or collateralize all demand and time deposits; and securities collateralizing time deposits are held by independent third party trustees.

Cash - At September 30, 2025, the carrying amount of the District's cash was \$38,756 and the bank balance was \$41,116. The bank balance was covered by federal depository insurance.

Cash Equivalents and Investments -

Interest rate risk. In accordance with its investment policy, the District manages its exposure to declines in fair values through investment diversification and limiting investments as follows:

- Money market mutual funds are required to have weighted average maturities of 90 days or fewer; and
- Other mutual fund investments are required to have weighted average maturities of less than two years.

Credit risk. The District’s investment policy requires the application of the prudent-person rule: investments are made as a prudent person would be expected to act, with discretion and intelligence, and considering the probable safety of their capital as well as the probable income to be derived. The District’s investment policy requires that District funds be invested in:

- Obligations of the United States Government and/or its agencies and instrumentalities;
- Money market mutual funds with investment objectives of maintaining a stable net asset value of \$1 per share;
- Mutual funds rated in one of the three highest categories by a nationally recognized rating agency;
- Securities issued by a State or local government or any instrumentality or agency thereof, in the United States, and rated in one of the three highest categories by a nationally recognized rating agency; or
- Public funds investment pools rated AAA or AAAM by a nationally recognized rating agency.

**DRIFTWOOD CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

3. CASH AND CASH EQUIVALENT INVESTMENTS (continued) –

Cash Equivalents and Investments (continued) –

At September 30, 2025, the District held the following investments:

| Investment | Fair Value at 9/30/2025 | Governmental Funds | | | Investment Rating | |
|------------|----------------------------|---------------------|-------------------|-------------------|-------------------|------------------|
| | | General | Debt Service | Capital Projects | Rating | Rating Agency |
| | | Unrestricted | Restricted (1) | Restricted (2) | | |
| TexPool | \$ 2,697,528 | \$ 2,333,477 | \$ 212,574 | \$ 151,477 | AAA | Standard & Poors |
| | <u>\$ 2,697,528</u> | <u>\$ 2,333,477</u> | <u>\$ 212,574</u> | <u>\$ 151,477</u> | | |

(1) Restricted for payment of debt service and cost of assessing and collecting taxes.

(2) Restricted for purchase of capital assets.

The District invests in TexPool, an external investment pool that is not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of the pool. Federated Hermes, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool measures all of its portfolio assets at amortized cost. As a result, the District also measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool.

Concentration of credit risk. In accordance with the District’s investment policy, investments in individual securities are to be limited to ensure that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio. As of September 30, 2025, the District did not own any investments in individual securities.

Custodial credit risk-deposits. Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The government’s investment policy requires that the District’s deposits be fully insured by FDIC insurance or collateralized with obligations of the United States or its agencies and instrumentalities. As of September 30, 2025, the District’s bank deposits were fully covered by FDIC insurance.

4. PROPERTY TAXES

Property taxes attach as an enforceable lien on January 1. Taxes are levied on or about October 1, are due on November 1, and are past due the following February 1. The Hays Central Appraisal District establishes appraisal values in accordance with requirements of the Texas Legislature. The District levies taxes based upon the appraised values. The Hays County Tax Assessor Collector bills and collects the District's property taxes. The District also contracts with Assessments of the Southwest, Inc. to provide tax assessor/collector services related to compliance and disclosure requirements. The Board of Directors set current tax rates on September 11, 2024.

**DRIFTWOOD CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

4. PROPERTY TAXES (continued) -

The property tax rates, established in accordance with state law, were based on 100% of the net assessed valuation of real property within the District on the 2024 tax roll. The tax rate, based on total taxable assessed valuation of \$164,074,637, was \$1.00 on each \$100 valuation and was allocated \$0.77 to the General Fund and \$0.23 to the Debt Service Fund. The maximum allowable maintenance tax of \$1.00 was established by the voters at an election held on November 6, 2018.

Property taxes of \$19,954 to the General Fund and \$5,960 to the Debt Service Fund were receivable at September 30, 2025.

5. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets follows:

| | Balance 10/1/2024 | Additions | Deletions | Balance 9/30/2025 |
|--|------------------------------|------------------|------------------|------------------------------|
| Capital assets not being depreciated - | | | | |
| Land and Easements | \$ 2,480,938 | \$ 121,495 | \$ - | \$ 2,602,433 |
| Total capital assets not being depreciated | 2,480,938 | 121,495 | - | 2,602,433 |
| Capital assets being depreciated: | | | | |
| Water, Wastewater and Drainage Facilities | 6,143,563 | - | - | 6,143,563 |
| Entryway Improvements | 457,166 | - | - | 457,166 |
| Waterline Improvements | 269,860 | - | - | 269,860 |
| Total capital assets being depreciated | 6,870,589 | - | - | 6,870,589 |
| Less accumulated depreciation for: | | | | |
| Water, Wastewater and Drainage Facilities | (71,675) | (122,871) | - | (194,546) |
| Entryway Improvements | (48,764) | (18,287) | - | (67,051) |
| Waterline Improvements | (14,393) | (5,397) | - | (19,790) |
| Total accumulated depreciation | (134,832) | (146,555) | - | (281,387) |
| Total capital assets being depreciated, net of accumulated depreciation | 6,735,757 | (146,555) | - | 6,589,202 |
| Total capital assets, net | \$ 9,216,695 | \$ (25,060) | \$ - | \$ 9,191,635 |

Water and wastewater facilities are conveyed to the City for the purpose of providing water and wastewater service to District residents. The District is entitled to significant residual interest in the facilities conveyed and records these facilities as District assets in accordance with GASB Statement No. 94.

**DRIFTWOOD CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

6. BONDED DEBT

The following is a summary of bond transactions of the District for the year ended September 30, 2025:

| | |
|--|------------------------|
| | Unlimited Tax Bonds |
| Bonds payable at September 30, 2024 | \$ 8,400,000 |
| Bonds issued | - |
| Bonds retired | (155,000) |
| Less: Bond premiums/discounts, net of accumulated amortization | 164,185 |
| Bonds payable at September 30, 2025 | \$ 8,409,185 |

Bonds payable at September 30, 2025 were comprised of the following individual issue:

Unlimited Tax Bonds:

\$8,245,000 - 2024 Unlimited Tax Bonds payable serially through the year 2050 at interest rates which range from 4.0% to 7.0% The District may redeem prior to maturity bonds maturing on and after April 1, 2030 in whole or from time to time in part, on April 1, 2029 or any date thereafter. Term bonds maturing on April 1, 2042, 2044 and 2047 are subject to mandatory sinking fund redemption.

The annual requirements to amortize all bonded debt at September 30, 2025, including interest, are as follows:

| Year Ended September 30, | Annual Requirements for All Series | | |
|-----------------------------|------------------------------------|--------------|---------------|
| | Principal | Interest | Total |
| 2026 | \$ 165,000 | \$ 371,618 | \$ 536,618 |
| 2027 | 170,000 | 360,068 | 530,068 |
| 2028 | 180,000 | 348,168 | 528,168 |
| 2029 | 190,000 | 335,568 | 525,568 |
| 2030 | 200,000 | 322,268 | 522,268 |
| 2031-2035 | 1,190,000 | 1,415,218 | 2,605,218 |
| 2036-2040 | 1,535,000 | 1,138,020 | 2,673,020 |
| 2041-2045 | 2,005,000 | 793,694 | 2,798,694 |
| 2046-2050 | 2,610,000 | 333,917 | 2,943,917 |
| | \$ 8,245,000 | \$ 5,418,539 | \$ 13,663,539 |

**DRIFTWOOD CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

6. BONDED DEBT (continued) –

Bonds authorized but not issued as of September 30, 2025, are as follows:

| <u>Type</u> | <u>Amount</u> |
|----------------------|----------------|
| Unlimited Tax Bonds | \$ 204,639,000 |
| Road Bonds | \$ 48,863,000 |
| Refunding Bonds | \$ 244,995,000 |
| Refunding Road Bonds | \$ 56,192,000 |

At September 30, 2025, \$362,258 is available in the Debt Service Fund to service the bonded debt.

7. COMMITMENTS AND CONTINGENCIES

The Developer of the land within the District has incurred costs for the construction of facilities, as well as costs pertaining to the creation and operation of the District. Claims for reimbursement of construction costs and operational advances will be evaluated upon receipt of adequate supporting documentation and proof of contractual obligation. Such costs may be reimbursable to the Developer by the District from proceeds of future bond issues or from District operations, subject to approval by the Texas Commission on Environmental Quality. On November 6, 2018, a bond election held within the District approved authorization to issue \$213,039,000 of bonds to fund costs of proposed water, wastewater and drainage system facilities, and the costs of creation. Additionally, \$48,863,000 of bonds to fund road improvements were approved as well as \$244,995,000 of bonds to refund outstanding unlimited tax bonds and \$56,192,000 to refund outstanding road bonds were approved by voters of the District. As of September 30, 2025, the District has issued \$8,400,000 of unlimited tax bonds to repay the Developer for water, wastewater and drainage system facilities. The District owes the Developer \$490,097 for advances used to fund operating expenditures and \$3,321,851 related to the purchase of facilities and easements as of September 30, 2025.

8. RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has obtained coverage from commercial insurance companies to effectively manage its risk. All risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

**DRIFTWOOD CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

9. INTERFUND ACCOUNTS

A summary of interfund accounts, which resulted from the time lag between dates that payments are made between funds, is as follows at September 30, 2025:

| | Interfund | |
|--------------------------------|------------|-----------|
| | Receivable | Payable |
| General Fund: | | |
| Debt Service Fund | \$ 3,557 | \$ - |
| Capital Projects Fund | 40,342 | - |
| Debt Service Fund - | | |
| General Fund | - | 3,557 |
| Capital Projects Fund - | | |
| General Fund | - | 40,342 |
| | \$ 43,899 | \$ 43,899 |

10. RETAIL WATER AND WASTEWATER SERVICE

Pursuant to the Retail Water and Wastewater Services Agreement (the “Agreement”) entered into by the District, the Developer and the City of Dripping Springs (the “City”), effective January 8, 2019, the District and the Developer will design, finance, and construct all water and wastewater facilities required to serve the District in accordance with applicable City requirements and design standards. Upon completion of the construction of water and wastewater facilities constructed by or on behalf of the District, and following the City’s acceptance of such facilities, the facilities will be conveyed to the City. In exchange for the conveyance of the water and wastewater facilities to serve the District, the City agrees to operate and maintain all water and wastewater facilities conveyed and to provide retail water and wastewater services to customers within the District at the City’s standard water and wastewater rates. The term of the Agreement is forty-five years from the effective date.

11. CONSENT AGREEMENT

Pursuant to the Agreement Concerning Creation and Operation of Driftwood Conservation District (the “Consent Agreement”) entered into by the District, the developer and the City of Dripping Springs (the “City”), effective June 15, 2021, and by Resolution adopted on February 21, 2017, as modified by Resolution adopted on September 18, 2028, by the City, the City consented to the creation of the District, the developer and City entered into a separate Development Agreement regarding proposed development and the City and developer entered into a Water and Wastewater Agreement for provisions of water and wastewater service (see Note 10). The Consent Agreement will continue in effect until the District is annexed and dissolved by the City.

**DRIFTWOOD CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

12. SUBSEQUENT EVENT

On December 11, 2025, the District issued \$13,980,000 of Unlimited Tax Bonds, Series 2025, with interest rates ranging from 4.00% to 6.50% and principal maturities through April 2053. Proceeds of the bonds were used to reimburse a developer within the District for water, wastewater and drainage infrastructure, developer advances and creation costs and to fund bond issuance costs. In addition, a portion of the bond proceeds will be used to fund future interest payments on the bonds.

**REQUIRED SUPPLEMENTARY
INFORMATION**

**DRIFTWOOD CONSERVATION DISTRICT
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2025**

| | <u>Actual</u> | <u>Original and Final Budget</u> | <u>Variance Positive (Negative)</u> |
|--|---------------------|--|---|
| REVENUES: | | | |
| Property taxes, including penalties | \$ 1,341,869 | \$ 1,237,544 | \$ 104,325 |
| Other | 87,916 | 48,000 | 39,916 |
| TOTAL REVENUES | <u>1,429,785</u> | <u>1,285,544</u> | <u>144,241</u> |
| EXPENDITURES: | | | |
| Operations/management fees | - | 24,000 | 24,000 |
| Repairs/maintenance | - | 205,000 | 205,000 |
| Director fees, including payroll taxes | 15,940 | 17,352 | 1,412 |
| Legal fees | 287,719 | 240,000 | (47,719) |
| Engineering fees | 19,289 | 30,000 | 10,711 |
| Accounting fees | 30,781 | 29,400 | (1,381) |
| Audit fees | 13,250 | 12,000 | (1,250) |
| Financial advisor fees | 1,386 | 2,000 | 614 |
| Other consulting fees | 15,049 | 150,000 | 134,951 |
| Tax appraisal/collection fees | 9,252 | 13,000 | 3,748 |
| Insurance | 4,269 | 6,000 | 1,731 |
| Other | 2,567 | 5,300 | 2,733 |
| Capital outlay | 121,495 | 200,000 | 78,505 |
| TOTAL EXPENDITURES | <u>520,997</u> | <u>934,052</u> | <u>413,055</u> |
| Excess of revenues over expenditures | <u>\$ 908,788</u> | <u>\$ 351,492</u> | <u>\$ 557,296</u> |
| OTHER FINANCING SOURCES - | | | |
| Developer advances | <u>\$ 151,140</u> | <u>\$ 350,000</u> | <u>\$ (198,860)</u> |
| TOTAL OTHER FINANCING SOURCES | <u>\$ 151,140</u> | <u>\$ 350,000</u> | <u>\$ (198,860)</u> |
| NET CHANGE IN FUND BALANCE | <u>1,059,928</u> | <u>\$ 701,492</u> | <u>\$ 358,436</u> |
| FUND BALANCE: | | | |
| Beginning of the year | <u>1,308,991</u> | | |
| End of the year | <u>\$ 2,368,919</u> | | |

**TEXAS SUPPLEMENTARY
INFORMATION**

**DRIFTWOOD CONSERVATION DISTRICT
TSI-1. SERVICES AND RATES
SEPTEMBER 30, 2025**

1. Services Provided by the District during the Fiscal Year:

- | | | |
|---|---|--|
| <input type="checkbox"/> Retail Water | <input type="checkbox"/> Wholesale Water | <input checked="" type="checkbox"/> Drainage |
| <input type="checkbox"/> Retail Wastewater | <input type="checkbox"/> Wholesale Wastewater | <input type="checkbox"/> Irrigation |
| <input type="checkbox"/> Parks/Recreation | <input type="checkbox"/> Fire Protection | <input type="checkbox"/> Security |
| <input type="checkbox"/> Solid Waste/Garbage | <input type="checkbox"/> Flood Control | <input type="checkbox"/> Roads |
| <input type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect) | | |
| <input type="checkbox"/> Other (specify): _____ | | |

2. Retail Service Providers

a. Retail Rates Based on 5/8" Meter (or equivalent):

| | Minimum Charge | Minimum Usage | Flat Rate Y/N | Rate per 1000 Gallons Over Minimum | Usage Levels |
|-------------|----------------|---------------|---------------|------------------------------------|--------------|
| WATER: | (1) | (1) | (1) | (1) | (1) |
| WASTEWATER: | (1) | (1) | (1) | (1) | (1) |
| SURCHARGE: | (1) | (1) | (1) | (1) | (1) |

District employs winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage: Water (1) Wastewater (1)

b. Water and Wastewater Retail Connections:

| Meter Size | Total Connections | Active Connections | ESFC Factor | Active ESFC's |
|------------------|-------------------|--------------------|-------------|---------------|
| Unmetered | | | 1.0 | |
| < 3/4" | | | 1.0 | |
| 1" | | | 2.5 | |
| 1 1/2" | | | 5.0 | |
| 2" | | | 8.0 | |
| 3" | | | 15.0 | |
| 4" | | | 25.0 | |
| 6" | | | 50.0 | |
| 8" | | | 80.0 | |
| 10" | | | 115.0 | |
| Total Water | (1) | (1) | | (1) |
| Total Wastewater | (1) | (1) | 1.0 | (1) |

⁽¹⁾ Water and wastewater service to be provided to District customers by City of Dripping Springs, Texas.

DRIFTWOOD CONSERVATION DISTRICT
TSI-1. SERVICES AND RATES (continued)
SEPTEMBER 30, 2025

3. Total Water Consumption during the Fiscal Year (rounded to the nearest thousand):

Gallons pumped into system: _____ (1)

Gallons billed to customers: _____ (1)

Water Accountability Ratio

(Gallons billed / Gallons Pumped)

N/A

4. Standby Fees (authorized only under TWC Section 49.231):

Does the District assess standby fees? Yes No

If yes, Date of the most recent Commission Order: _____

Does the District have Operation and Maintenance standby fees? Yes No

If yes, Date of the most recent Commission Order: _____

5. Location of District

County(ies) in which district is located: _____ Hays County, Texas

Is the District located entirely within one county? Yes No

Is the District located within a city? Entirely Partly Not at all

City(ies) in which district is located: _____

Is the District located within a city's extra territorial jurisdiction (ETJ)?

Entirely Partly Not at all

ETJ's in which district is located: _____ City of Dripping Springs, Texas

Are Board members appointed by an office outside the district?

Yes No

If Yes, by whom? _____

(1) Water and wastewater service to be provided to District customers by City of Dripping Springs, Texas.

**DRIFTWOOD CONSERVATION DISTRICT
TSI-2. GENERAL FUND EXPENDITURES
SEPTEMBER 30, 2025**

| | | |
|---|-----------|----------------|
| Personnel Expenditures (including benefits) | \$ | - |
| Professional Fees: | | |
| Auditing | | 13,250 |
| Legal | | 287,719 |
| Engineering | | 19,289 |
| Financial Advisor | | 1,386 |
| Purchased Services For Resale - | | |
| Bulk Water and Wastewater Purchases | | - |
| Contracted Services: | | |
| Bookkeeping | | 30,781 |
| General Manager | | - |
| Appraisal District/Tax Collector | | 9,252 |
| Other Contracted Services | | 15,049 |
| Utilities | | - |
| Repairs and Maintenance | | - |
| Chemicals | | - |
| Administrative Expenditures: | | |
| Directors' Fees | | 15,940 |
| Office Supplies | | - |
| Insurance | | 4,269 |
| Election Costs | | - |
| Other Administrative Expenditures | | 2,567 |
| Capital Outlay: | | |
| Capitalized Assets | | 121,495 |
| Expenditures not Capitalized | | - |
| Bad Debt | | - |
| Parks and Recreation | | - |
| Other Expenditures | | - |
| TOTAL EXPENDITURES | \$ | 520,997 |

Number of persons employed by the District: Full-Time Part-Time

**DRIFTWOOD CONSERVATION DISTRICT
TSI-3. TEMPORARY INVESTMENTS
SEPTEMBER 30, 2025**

| Funds | Identification or Certificate Number | Interest Rate | Maturity Date | Balance at End of Year | Accrued Interest Receivable at End of Year |
|--------------------------------|---|--------------------------|--------------------------|---------------------------------------|---|
| General Fund - | | | | | |
| TexPool | XXX0001 | Varies | Daily | \$ 2,333,477 | \$ - |
| Total | | | | <u>\$ 2,333,477</u> | <u>\$ -</u> |
| Debt Service Fund: | | | | | |
| TexPool | XXX0002 | Varies | Daily | \$ 132,533 | \$ - |
| TexPool | XXX0005 | Varies | Daily | 80,041 | - |
| Total | | | | <u>\$ 212,574</u> | <u>\$ -</u> |
| Capital Projects Fund - | | | | | |
| TexPool | XXX0004 | Varies | Daily | \$ 151,477 | \$ - |
| Total | | | | <u>\$ 151,477</u> | <u>\$ -</u> |
| Total - All Funds | | | | <u><u>\$ 2,697,528</u></u> | <u><u>\$ -</u></u> |

**DRIFTWOOD CONSERVATION DISTRICT
TSI-4. TAXES LEVIED AND RECEIVABLE
SEPTEMBER 30, 2025**

| | Maintenance Taxes | Debt Service Taxes | |
|--|------------------------------|-------------------------------|-------------------|
| Taxes Receivable, Beginning of Year | \$ 80,542 | \$ - | |
| 2024 Original Tax Levy, including adjustments | 1,263,375 | 377,372 | |
| Total to be accounted for | 1,343,917 | 377,372 | |
| Tax collections: | | | |
| Current year | 1,243,421 | 371,412 | |
| Prior years | 80,542 | - | |
| Total collections | 1,323,963 | 371,412 | |
| Taxes Receivable, End of Year | \$ 19,954 | \$ 5,960 | |
| Taxes Receivable, By Tax Years | | | |
| 2023 | \$ - | \$ - | |
| 2024 | 19,954 | 5,960 | |
| Taxes Receivable, End of Year | \$ 19,954 | \$ 5,960 | |
| Property Valuations: | 2024 | 2023 | 2022 |
| Land and improvements | \$ 164,074,637 (a) | \$ 116,632,888 (a) | \$ 51,447,809 (a) |
| Total Property Valuations | \$ 164,074,637 | \$ 116,632,888 | \$ 51,447,809 |
| Tax Rates per \$100 Valuation: | | | |
| Debt Service tax rates | \$ 0.23 | \$ - | \$ - |
| Maintenance tax rates | 0.77 | 1.00 | 1.00 |
| Total Tax Rates per \$100 Valuation: | \$ 1.00 | \$ 1.00 | \$ 1.00 |
| Original Tax Levy | \$ 1,640,747 | \$ 1,166,329 | \$ 514,478 |
| Percent of Taxes Collected to Taxes Levied ** | 98.4% | 100.0% | 100.0% |
| Maximum Maintenance Tax Approved by Voters: | \$ 1.00 on 11/6/2018. | | |

**Calculated as taxes collected in current and previous years divided by tax levy.

(a) Valuations are provided by the appropriate Appraisal District. Due to various factors including tax protests and disputes, such valuations change over time; therefore, they may vary slightly from those disclosed to the District's bond offering documents or the District's annual bond disclosure filings, if any.

DRIFTWOOD CONSERVATION DISTRICT
TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS
SEPTEMBER 30, 2025

| Fiscal Year Ending | Unlimited Tax Bonds Series 2024 | | | Total - All Issues | | |
|--------------------------|------------------------------------|------------------------------|----------------------|-------------------------|------------------------------|----------------------|
| | Principal Due 4/1 | Interest Due 4/1, 10/1 | Total | Principal Due 4/1 | Interest Due 4/1, 10/1 | Total |
| 2026 | \$ 165,000 | \$ 371,618 | \$ 536,618 | \$ 165,000 | \$ 371,618 | \$ 536,618 |
| 2027 | 170,000 | 360,068 | 530,068 | 170,000 | 360,068 | 530,068 |
| 2028 | 180,000 | 348,168 | 528,168 | 180,000 | 348,168 | 528,168 |
| 2029 | 190,000 | 335,568 | 525,568 | 190,000 | 335,568 | 525,568 |
| 2030 | 200,000 | 322,268 | 522,268 | 200,000 | 322,268 | 522,268 |
| 2031 | 215,000 | 308,268 | 523,268 | 215,000 | 308,268 | 523,268 |
| 2032 | 225,000 | 293,218 | 518,218 | 225,000 | 293,218 | 518,218 |
| 2033 | 235,000 | 280,844 | 515,844 | 235,000 | 280,844 | 515,844 |
| 2034 | 250,000 | 271,444 | 521,444 | 250,000 | 271,444 | 521,444 |
| 2035 | 265,000 | 261,444 | 526,444 | 265,000 | 261,444 | 526,444 |
| 2036 | 275,000 | 250,844 | 525,844 | 275,000 | 250,844 | 525,844 |
| 2037 | 290,000 | 239,844 | 529,844 | 290,000 | 239,844 | 529,844 |
| 2038 | 305,000 | 228,244 | 533,244 | 305,000 | 228,244 | 533,244 |
| 2039 | 325,000 | 216,044 | 541,044 | 325,000 | 216,044 | 541,044 |
| 2040 | 340,000 | 203,044 | 543,044 | 340,000 | 203,044 | 543,044 |
| 2041 | 360,000 | 189,444 | 549,444 | 360,000 | 189,444 | 549,444 |
| 2042 | 380,000 | 175,044 | 555,044 | 380,000 | 175,044 | 555,044 |
| 2043 | 400,000 | 159,844 | 559,844 | 400,000 | 159,844 | 559,844 |
| 2044 | 420,000 | 143,344 | 563,344 | 420,000 | 143,344 | 563,344 |
| 2045 | 445,000 | 126,018 | 571,018 | 445,000 | 126,018 | 571,018 |
| 2046 | 470,000 | 107,662 | 577,662 | 470,000 | 107,662 | 577,662 |
| 2047 | 495,000 | 88,275 | 583,275 | 495,000 | 88,275 | 583,275 |
| 2048 | 520,000 | 67,856 | 587,856 | 520,000 | 67,856 | 587,856 |
| 2049 | 550,000 | 46,406 | 596,406 | 550,000 | 46,406 | 596,406 |
| 2050 | 575,000 | 23,718 | 598,718 | 575,000 | 23,718 | 598,718 |
| | <u>\$ 8,245,000</u> | <u>\$ 5,418,539</u> | <u>\$ 13,663,539</u> | <u>\$ 8,245,000</u> | <u>\$ 5,418,539</u> | <u>\$ 13,663,539</u> |

**DRIFTWOOD CONSERVATION DISTRICT
TSI-6. CHANGES IN LONG-TERM BONDED DEBT
SEPTEMBER 30, 2025**

| | Series 2024 | Total | | |
|---|-------------------------|----------------|---------------------|--------------------------|
| Interest Rate | 4.0% - 7.0% | | | |
| Dates Interest Payable | 4/1 ; 10/1 | | | |
| Maturity Dates | 4/1/2050 | | | |
| Bonds Outstanding at Beginning of Current Fiscal Year | \$ 8,400,000 | \$ 8,400,000 | | |
| Bonds Sold During the Current Fiscal Year | - | - | | |
| Retirements During the Current Fiscal Year: | | | | |
| Principal | (155,000) | (155,000) | | |
| Refunded | - | - | | |
| Bonds Outstanding at End of Current Fiscal Year | \$ 8,245,000 | \$ 8,245,000 | | |
| Interest Paid During the Current Fiscal Year | \$ 387,781 | \$ 387,781 | | |
| Paying Agent's Name & Address: | BOKF, N.A. | | | |
| | Dallas, TX | | | |
| Bond Authority: | Unlimited Tax Bonds* | Road Bonds* | Refunding Bonds* | Refunding Road Bonds* |
| Amount Authorized by Voters | \$ 213,039,000 | \$ 48,863,000 | \$ 244,995,000 | \$ 56,192,000 |
| Amount Issued | (8,400,000) | - | - | - |
| Remaining To Be Issued | \$ 204,639,000 | \$ 48,863,000 | \$ 244,995,000 | \$ 56,192,000 |
| * Includes all bonds secured with tax revenues. Bonds in this category may also be secured with other revenues in combination with taxes. | | | | |
| Debt Service Fund Cash and Temporary Investments balances as of September 30, 2025: | | | | \$ 212,574 |
| Average Annual Debt Service Payment (Principal & Interest) for the remaining term of all debt: | | | | \$ 546,542 |

DRIFTWOOD CONSERVATION DISTRICT
TSI-7. COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND AND DEBT SERVICE FUND - FIVE YEARS
SEPTEMBER 30, 2025

| | Amounts | | | | | Percent of Fund Total Revenues | | | | |
|--|---------------------|-------------------|-------------------|-------------------|-----------------|--------------------------------|---------------|---------------|---------------|---------------|
| | 2025 | 2024 | 2023 | 2022 | 2021 * | 2025 | 2024 | 2023 | 2022 | 2021 * |
| GENERAL FUND REVENUES: | | | | | | | | | | |
| Property taxes, including penalties | \$ 1,341,869 | \$ 1,144,877 | \$ 520,306 | \$ 272,746 | \$ 152,891 | 84.8% | 35.3% | 46.7% | 53.1% | 72.8% |
| Interest and other | 87,916 | 50,642 | 17,546 | 1,032 | - | 5.6% | 1.6% | 1.6% | 0.2% | - |
| Developer advances | 151,140 | 2,043,280 | 575,114 | 240,192 | 57,196 | 9.6% | 63.1% | 51.7% | 46.7% | 27.2% |
| TOTAL GENERAL FUND REVENUES | 1,580,925 | 3,238,799 | 1,112,966 | 513,970 | 210,087 | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| GENERAL FUND EXPENDITURES: | | | | | | | | | | |
| Operations/management fees | - | 2,000 | - | - | - | - | 0.1% | - | - | - |
| Repairs/maintenance | - | - | - | 367 | - | - | - | - | 0.1% | - |
| Director fees, including payroll taxes | 15,940 | 15,940 | 9,331 | 8,712 | 8,889 | 1.0% | 0.5% | 0.8% | 1.7% | 4.2% |
| Legal fees | 287,719 | 264,638 | 178,689 | 83,175 | 95,343 | 18.2% | 8.2% | 16.1% | 16.2% | 45.4% |
| Engineering fees | 19,289 | 21,303 | 21,888 | 18,199 | 19,433 | 1.2% | 0.7% | 2.0% | 3.5% | 9.2% |
| Accounting fees | 30,781 | 27,425 | 25,500 | 14,400 | 14,400 | 1.9% | 0.8% | 2.3% | 2.8% | 6.9% |
| Audit fees | 13,250 | 10,750 | 9,750 | - | - | 0.8% | 0.3% | 0.9% | - | - |
| Financial advisor fees | 1,386 | 400 | 300 | 1,100 | 200 | 0.1% | - | - | 0.2% | 0.1% |
| Other consulting fees | 15,049 | 70,147 | 108,073 | 193,114 | 56,868 | 1.0% | 2.2% | 9.7% | 37.6% | 27.1% |
| Tax appraisal/collection fees | 9,252 | 11,379 | 2,936 | 1,833 | 1,034 | 0.6% | 0.4% | 0.3% | 0.4% | 0.5% |
| Insurance | 4,269 | 4,219 | 4,124 | 4,119 | 4,269 | 0.3% | 0.1% | 0.4% | 0.8% | 2.0% |
| Other | 2,567 | 4,497 | 2,584 | 2,565 | 292 | 0.2% | 0.1% | 0.2% | 0.5% | 0.1% |
| Capital outlay | 121,495 | 1,942,501 | 488,363 | 50,074 | - | 7.7% | 59.9% | 43.8% | 9.7% | - |
| TOTAL GENERAL FUND EXPENDITURES | 520,997 | 2,375,199 | 851,538 | 377,658 | 200,728 | 33.0% | 73.3% | 76.5% | 73.5% | 95.5% |
| EXCESS OF GENERAL FUND REVENUES OVER EXPENDITURES | \$ 1,059,928 | \$ 863,600 | \$ 261,428 | \$ 136,312 | \$ 9,359 | 67.0% | 26.7% | 23.5% | 26.5% | 4.5% |
| DEBT SERVICE FUND REVENUES: | | | | | | | | | | |
| Interest and other | \$ 19,039 | \$ 14,518 | \$ - | \$ - | \$ - | 4.8% | 2.8% | - | - | - |
| Property taxes, including penalties | 375,496 | - | - | - | - | 95.2% | - | - | - | - |
| Bond proceeds, net of discount | - | 503,000 | - | - | - | - | 97.2% | - | - | - |
| TOTAL DEBT SERVICE FUND REVENUES | 394,535 | 517,518 | - | - | - | 100.0% | 100.0% | - | - | - |
| DEBT SERVICE FUND EXPENDITURES: | | | | | | | | | | |
| Bond interest | 387,781 | - | - | - | - | 98.3% | - | - | - | - |
| Bond principal | 155,000 | - | - | - | - | 39.3% | - | - | - | - |
| Fiscal agent fees and other | 7,014 | - | - | - | - | 1.8% | - | - | - | - |
| TOTAL DEBT SERVICE FUND EXPENDITURES | 549,795 | - | - | - | - | 139.4% | - | - | - | - |
| EXCESS (DEFICIENCY) OF DEBT SERVICE FUND REVENUES OVER (UNDER) EXPENDITURES | \$ (155,260) | \$ 517,518 | \$ - | \$ - | \$ - | -39.4% | 100.0% | - | - | - |
| TOTAL ACTIVE RETAIL WATER AND WASTEWATER CONNECTIONS | (1) | (1) | (1) | (1) | (1) | | | | | |

* Unaudited

⁽¹⁾ Water and wastewater service to be provided to District customers by City of Dripping Springs, Texas.

**DRIFTWOOD CONSERVATION DISTRICT
TSI-8. BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2025**

| | |
|--|--|
| Complete District Mailing Address: | <u>600 W. 5th Street, Suite 900</u> <u>Austin, TX 78701</u> |
| District Business Telephone Number: | <u>(512) 370-2924</u> |
| Submission Date of the most recent District Registration Form TWC Sections 36.054 & 49.054): | <u>February 23, 2024</u> |
| Limits on Fees of Office that a Director may receive during a fiscal year: (Set by Board Resolution TWC Section 49.060) | <u>\$7,200*</u> |

| Name and Address: | Term of Office (Elected or Appointed) or Date Hired | Fees of Office Paid * 9/30/2025 | Expense Reimbursements 9/30/2025 | Title at Year End |
|---|--|---------------------------------------|--|-----------------------|
| <i>Board Members:</i> | | | | |
| STEPHEN C. DICKMAN | (Elected) 5/4/2024 - 5/6/2028 | \$ 2,652 | \$ 152 | President |
| SAM SIDONS | (Elected) 5/4/2024 - 5/6/2028 | \$ 3,094 | \$ 198 | Vice President |
| DANETTE R. KOEBELE | (Elected) 5/7/2022 - 5/2/2026 | \$ 3,094 | - | Secretary |
| JETT GARNER | (Elected) 5/7/2022 - 5/2/2026 | \$ 3,094 | \$ 63 | Treasurer |
| ROYCE WACHSMANN | (Elected) 5/7/2022 - 5/2/2026 | \$ 2,873 | - | Assistant Secretary |
| <i>Consultants:</i> | | | | |
| Andy Barrett & Associates PLLC | 8/20/2018 | \$ 197,413 | - | Attorney |
| Murfee Engineering Inc./Conzor | 8/20/2018 | \$ 21,187 | - | Engineer |
| | | \$ 28,358 | - | Bond Related Services |
| Bott & Douthitt, PLLC | 4/16/2020 | \$ 30,932 | - | Accountant |
| McCall Gibson Swedlund Barfoot Ellis PLLC | 9/14/2022 | \$ 13,250 | - | Auditor |
| Si Environmental LLC | 7/10/2024 | \$ 2,000 | - | Operator |
| GMS Group | 8/21/2019 | \$ 1,800 | - | Financial Advisor |
| Winstead PC | 8/20/2018 | \$ 69,869 | - | Paralegal |
| Hays County Tax Collector | 3/12/2025 | - | - | Tax Collector |
| Assessments of the Southwest, Inc. | 6/21/2023 | \$ 3,910 | - | Former Tax Collector |

*Fees of Office are the amounts actually paid to a director during the District's fiscal year.

**OTHER SUPPLEMENTARY
INFORMATION**

**DRIFTWOOD CONSERVATION DISTRICT
OSI-1. PRINCIPAL TAXPAYERS
SEPTEMBER 30, 2025**

| Taxpayer | Type of Property | Tax Roll Year | | |
|--------------------------------------|------------------|----------------------|----------------------|----------------------|
| | | 2025 | 2024 | 2023 |
| Driftwood Golf Club Development Inc. | N/A | \$ 18,684,234 | \$ 12,732,100 | \$ 15,940,080 |
| Driftwood Golf Club Development Inc. | N/A | 11,066,304 | 6,512,100 | 8,263,930 |
| Driftwood Golf Club LP | N/A | 10,602,570 | 39,012,444 | 26,766,020 |
| Driftwood Golf Club Development Inc. | N/A | 7,257,358 | 3,044,020 | 1,889,540 |
| Driftwood 25-ACA LP | N/A | 7,182,566 | 5,363,440 | - |
| JPD Driftwood Holdings LLC | N/A | 6,174,837 | 3,843,240 | 3,090,560 |
| Thompson Management Trust | N/A | 4,783,368 | 3,986,140 | - |
| Reid 2021 Irrevocable Trust | N/A | 4,080,000 | 3,400,000 | 2,436,740 |
| Homeowner | N/A | 3,509,710 | - | - |
| Walters Holding Company LLC | N/A | 3,493,350 | - | - |
| Driftwood Spec Investors LLC | N/A | - | 5,406,950 | 6,108,460 |
| Driftwood Three Vines LLC | N/A | - | 2,763,240 | 3,464,530 |
| SPV Driftwood Golf Lot 37 LLC | N/A | - | - | 3,252,700 |
| Just Drift LLC | N/A | - | - | 2,043,440 |
| Total | | \$ 76,834,297 | \$ 86,063,674 | \$ 73,256,000 |
| Percent of Assessed Valuation | | 33.2% | 52.5% | 62.8% |

**DRIFTWOOD CONSERVATION DISTRICT
OSI-2. ASSESSED VALUE BY CLASSIFICATION
SEPTEMBER 30, 2025**

| Type of Property | Tax Roll Year | | | | | |
|-----------------------------|-----------------------|---------------|-----------------------|---------------|-----------------------|---------------|
| | 2025 | | 2024 | | 2023 | |
| | Amount | % | Amount | % | Amount | % |
| Residential Single Family | \$ 151,375,006 | 65.3% | \$ 64,040,121 | 39.0% | \$ 26,594,920 | 22.8% |
| Vacant Platted Lots | 152,105,310 | 65.7% | 96,668,713 | 58.9% | 86,250,020 | 73.9% |
| Real Acreage | - | - | - | - | 1,901,610 | 1.6% |
| Farm and Ranch Improvement | 1,225,900 | 0.5% | 1,539,220 | 0.9% | 1,665,960 | 1.4% |
| Commercial and Industrial | 3,822,730 | 1.7% | 1,068,720 | 0.7% | - | - |
| Tangible Personal, Business | 2,356,858 | 1.0% | 1,864,357 | 1.1% | 2,118,518 | 1.8% |
| Real Inventory | 66,369,355 | 28.7% | - | - | - | - |
| Exemptions/Adjustments | <u>(145,613,191)</u> | <u>-62.9%</u> | <u>(1,106,494)</u> | <u>-0.6%</u> | <u>(1,898,140)</u> | <u>-1.5%</u> |
| Total | <u>\$ 231,641,968</u> | <u>100.0%</u> | <u>\$ 164,074,637</u> | <u>100.0%</u> | <u>\$ 116,632,888</u> | <u>100.0%</u> |