

REVISED AND RESTATED

CITY OF DRIPPING SPRINGS, TEXAS

BASIC FINANCIAL STATEMENTS

AND SUPPLEMENTAL SCHEDULES

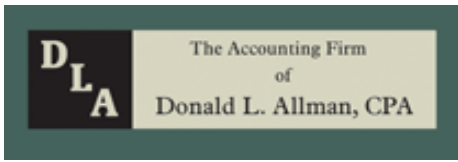
AND INDEPENDENT AUDITOR'S REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

CITY OF DRIPPING SPRINGS, TEXAS
 BASIC FINANCIAL STATEMENTS
 AND SUPPLEMENTAL SCHEDULES
 AND INDEPENDENT AUDITOR'S REPORT
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

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Georgetown, Texas 78626

CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT revised and restated

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dripping Springs, Texas as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Dripping Springs, Texas' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements, referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dripping Springs, Texas as of September 30, 2015, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted the United States of America require that the management's discussion and analysis, budgetary comparison information, and Schedule of Changes in Net Pension Liability and Related Ratios and Schedule of Contributions on pages 3-8, and pages 33-41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2016 on our consideration of the City of Dripping Springs, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Dripping Springs, Texas' internal control over financial reporting and compliance.

Respectfully submitted,

Donald L Allman, CPA, PC

Georgetown, Texas
March 2, 2016

Revised and Restated
June 13, 2016

CITY OF DRIPPING SPRINGS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS revised and
restated
SEPTEMBER, 30, 2015

The discussion and analysis of the City's financial performance provides an overview and analysis of the City's financial activities for the fiscal year ended September 30, 2015. It should be read in conjunction with the accompanying financial statements. The discussion and analysis includes comparative data where applicable, for prior years.

FINANCIAL HIGHLIGHTS

- The City's assets exceeded its liabilities at the close of the fiscal year by \$19.2 million (net position). Of this amount, \$12.5 million was invested in capital assets, \$2.6 million was restricted, and \$4.1 million was unrestricted.
- The City's total net position increased by \$4 million for the year ended September 30, 2015.
- At September 30, 2015, the City's governmental funds reported a combined ending fund balance of \$2.7 million, an increase of \$1.5 million over the prior year governmental funds combined ending fund balance. The increase in governmental funds is due to large increases in development fees income.
- The City's General Fund excess revenues at the end of fiscal year 2014, due to mostly an increase in building fees and sales tax, enabled the City to transfer \$150K into Reserve Funds. The City of Dripping Springs continues to experience phenomenal growth in population and revenues.
- The City's General Fund excess revenues at the end of FY2015, due, to mostly an increase in building fees and sales tax, enabled the City to transfer an additional \$150K into the General Reserve Fund and the Wastewater Reserve Fund beyond the budgeted amount for a total of \$275K into each fund. Additionally, the City was able to set aside \$250,000.00 in a transportation reserve fund for road projects. The City continues to experience phenomenal growth in population and revenues.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis serves as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of four components, government-wide financial statements, fund financial statements, statement of fiduciary assets and liabilities and notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements.

CITY OF DRIPPING SPRINGS, TEXAS
MANAGEMENT’S DISCUSSION AND ANALYSIS revised and
restated
SEPTEMBER, 30, 2015

Government-wide financial statements

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

The Statement of Net Position presents information on all of the City’s assets and liabilities, including capital assets, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating.

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

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

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

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

Reporting on the City’s Most Significant Funds

Fund Financial Statements

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

Governmental Funds

The City maintains two governmental funds (the general fund and the debt service fund) which are used to account for the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements utilize the modified accrual basis of accounting, which focuses on near-term inflow and outflow of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. By comparing information presented for government funds with similar information presented for governmental activities in the government-wide statements, readers may better understand the long term effect of the government’s near term financial decisions.

Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance provide a reconciliation to facilitate the comparison between the governmental fund and governmental activities.

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

CITY OF DRIPPING SPRINGS, TEXAS
MANAGEMENT’S DISCUSSION AND ANALYSIS revised and
restated
SEPTEMBER, 30, 2015

Notes to the Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

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

The largest portion of the City’s net position (65 percent) is reflected in its capital assets. Since the City uses these capital assets to provide services to its citizens, they are not available for future spending. Net positions subject to external restriction on how they may be used comprise 13 percent of the City’s net position. Unrestricted net position comprises 22 percent of net position. Unrestricted net position may be used to meet the City’s ongoing obligations to its citizens and creditors.

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and Other Assets	2,834	1,292	4,424	2,495	7,258	3,787
Capital Assets	12,815	12,349	7,850	7,558	20,665	19,907
Total Assets	15,649	13,641	12,274	10,053	27,923	23,694
Deferred Outflows of Resources	32	27			32	27
Current Liabilities	197	140	368	387	565	527
Long-term Liabilities	936	980	6,815	7,290	7,751	8,270
Total Liabilities	1,133	1,120	7,183	7,677	8,316	8,797
Deferred Inflows of Resources	4				4	
Net Position:						
Net Investment in Capital Assets	11,915	11,399	1,035	268	12,950	11,667
Restricted	1,822	672	729	729	2,551	1,401
Unrestricted	807	477	3,327	1,379	4,134	1,856
Total Net Position	14,544	12,548	5,091	2,376	19,635	14,924

CITY OF DRIPPING SPRINGS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS revised and
restated
SEPTEMBER, 30, 2015

CHANGES IN NET POSITION

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

Total governmental revenues increased approximately \$ 1 million over the previous year. This increase was caused primarily by an increase in development fee income of \$800 thousand in the current year and increased property tax revenues. Total governmental expenses decreased about \$1.8 million over the previous year. The increases were due mainly to decreased general government expenses.

	Governmental		Business-type		Total	
	Activities	Activities	Activities	Activities	2015	2014
	2015	2014	2015	2014	2015	2014
Revenues						
Program Revenues						
Charges for Services	343	1,228	1,371	458	1,714	1,686
General Revenues:						
Property Tax	454	364	0	0	454	364
Sales Tax	1,040	1,518	439	372	1,479	1,890
Franchise Taxes	0	0	159	136	159	136
Development fees	1,294	502	0	164	1,294	270
Investment Income	17	10	20	16	37	26
Other	524	607	1,714	562	2,238	1,169
Grant income	0	403	0	0	0	403
Donations	511	446	0	0	511	446
Total Revenues	4,183	5,078	3,703	1,708	7,886	6,390
Expenses						
General government	1,134	2,664	1,021	1,232	2,155	3,896
Parks and Recreation	739	896	0	0	739	896
Interest on Long-term Debt	39	42	242	254	281	296
Total Expenses	1,912	3,602	1,263	1,486	3,175	5,088
Transfers In (Out)	(275)	(1,004)	275	300	0	(704)
Contributions	0	0	0	0	0	0
Increase(Decrease) in Net Position	1,996	472	2,715	522	4,711	598
Net Position Beginning of Year	12,548	12,079	2,376	1,854	14,924	13,933
Prior Period Adjustment to						
Beginning Net Position		(3)	0	0		(3)
Adjusted Beginning Net Position	12,548	12,076	2,376	1,854	14,924	13,930
Ending Net Position	14,544	12,548	5,091	2,376	19,635	14,528

CITY OF DRIPPING SPRINGS, TEXAS
MANAGEMENT’S DISCUSSION AND ANALYSIS revised and
restated
SEPTEMBER, 30, 2015

FINANCIAL ANALYSIS OF THE CITY’S FUNDS

Governmental Fund

The City has two governmental funds – the general fund and the debt service fund. For the year ended September 30, 2015, the governmental fund balances increased by \$1.5 million to \$2.6 million. The restricted portion of the fund balance totaled \$1 million and the unrestricted portion was \$1.6 million.

Proprietary Fund

The proprietary fund is used to account for construction of the wastewater system and operating activity of the wastewater system. The proprietary fund net assets increased \$2.7 million due mainly to higher revenues in permitting and impact fees.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At September 30, 2015, the governmental fund had \$12,814,997 net of depreciation, invested in capital assets.

Capital Assets, net of depreciation, are as follows:

	2015	2014
Land	\$5,377,961	\$4,897,255
Buildings	756,414	819,535
Improvements other than Buildings	6,074,702	6,074,012
Equipment	197,408	207,482
Infrastructure	408,512	350,582
Total	\$12,814,997	\$12,348,866
	2015	2014
Wastewater Infrastructure	7,485,398	7,157,231
Wastewater Loan Origination	114,456	125,902
Wastewater Capitalized Interest	250,000	275,000
Total	7,849,854	7,558,133

The proprietary fund capital assets consisted of wastewater infrastructure totaling \$7,849,854.

	Payable			
	Beginning			Payable End
	of Year	Additions	Reductions	of Year
Governmental - Type Activities:				
Combination Tax and Limited Revenue	950,000	-	50,000	900,000
Certificates of Obligation Taxable Series 2013	-	-	-	-
Total Governmental - Type Activities	950,000	-	50,000	900,000
Business-Type Activities:				
General Obligation Refunding Bonds				
Series 2015	7,290,000	-	475,000	6,815,000
Total business-Type Activities	7,290,000	-	475,000	6,815,000
Total Government	8,240,000	-	525,000	7,715,000

DEBT

At September 30, 2015, The City had \$900,000 in Combination Tax and Limited Revenue Certificates of Obligation outstanding as compared to \$950,000 at the end of the prior fiscal year. In 2013, the City issued \$1,000,000 Combination Tax and Limited Revenue Certificates of Obligation to help fund the construction of the Convention Center at Drippings Springs Ranch Park. In 2015, the City refinanced \$7,410,000 of debt with General Obligation Refunding Bonds, Series 2015. The funds were used to construct the wastewater system. \$6,815,000 was outstanding at September 30, 2015.

CITY OF DRIPPING SPRINGS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS revised and
restated
SEPTEMBER, 30, 2015

GENERAL FUND BUDGETARY HIGHLIGHTS

The largest single revenue source is the Sales Taxes collected and is estimated at \$1,843,508.00 for 2016. Other taxes and City Fees are budgeted at \$1,726,201.05 for a total of \$3,569,709.05. General Fund expenditures are budgeted at \$3,257,392.39.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Wastewater revenues are projected to be \$1,294,966.22 led by wastewater services and sales tax. Wastewater system expenditures are projected to be approximately \$1,782,598.00. The City continues to experience explosive growth. Previously completed projects, an increase in tourism, an influx of new residents and its Hill Country charm have contributed significantly to increased sale taxes, building permits, development fees and Hotel Occupancy taxes.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

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

CITY OF DRIPPING SPRINGS, TEXAS
STATEMENT OF NET POSITION revised and restated
SEPTEMBER, 30, 2015

	Primary Government Government Activities	Business type activity	Total
ASSETS			
Cash and Investments	\$815,580	\$3,443,009	\$4,258,589
Restricted Assets			
Cash and Cash Equivalents	1,821,698	728,618	2,550,316
Property Taxes Receivable, Net or Estimated			
Uncollectible Taxes of \$175	14,538		14,538
Sales Tax Receivable	121,318		121,318
Accounts Receivable	61,178	251,964	313,142
Land	5,377,961		5,377,961
Buildings	1,038,297		1,038,297
Improvements other than Buildings	7,387,341		7,387,341
Machinery and Equipment	679,195		679,195
Infrastructure	622,790	9,921,426	10,544,216
Loan Origination Fees		171,686	171,686
Capitalized Interest		375,000	375,000
Accumulated Depreciation & Amortization	(2,290,587)	(2,618,258)	(4,908,845)
Total Assets	\$15,649,309	\$12,273,445	\$27,922,754
Deferred Outflow of Resources	31,762		31,762
LIABILITIES			
Accounts Payable	\$71,419	\$398	\$71,817
Employment Taxes & Retirement Payable	0		0
Developer Deposits	53,693	0	53,693
Wastewater & Reservation Deposits		367,147	367,147
Compensated Absences Payable	58,858		58,858
Unearned Revenue	13,187		13,187
Net Pension Liability	35,745		35,745
Tax and Revenue Certificates of Obligation		6,815,000	6,815,000
Tax Notes Payable	900,000		900,000
Total Liabilities	1,132,902	7,182,545	8,315,447
Deferred Inflows of Resources	4,374		4,374
NET POSITION			
Net Investment in Capital Assets	11,914,997	1,034,854	12,949,851
Restricted	1,821,698	728,618	2,550,316
Unrestricted	807,100	3,327,428	4,134,528
Total Net Position	\$14,543,795	\$5,090,900	\$19,634,695

The accompanying notes are an integral part of the financial statements

CITY OF DRIPPING SPRINGS, TEXAS
STATEMENT OF ACTIVITIES revised and restated
FOR THE YEAR ENDED SEPTEMBER, 30, 2015

	Net (Expenses) Revenues and Changes in Net Position			
	Expenses	Program Revenues	Primary Government	Business-type Activities
		Charges for Services	Governmental Activities	
Primary Government				
Governmental Activities				
General Government	\$1,134,551	\$35,278	(\$1,099,273)	(\$1,099,273)
Parks and Recreation	738,459	307,989	(\$430,470)	(\$430,470)
Grant expenses	-		-	
Interest on Long-Term Debt	281,342		(\$39,425)	(241,917)
Total Primary Government	<u>\$2,154,352</u>	<u>\$343,267</u>	<u>(\$1,569,168)</u>	<u>(\$241,917)</u>
Business-type Activities				
Wastewater Fund	1,021,783	1,370,730		348,947
Total Government	<u>\$3,176,135</u>	<u>\$1,713,997</u>	<u>(\$1,569,168)</u>	<u>\$107,030</u>
Taxes				
Sales Tax & Mixed Bev. Tax			1,040,465	438,931
Property Taxes			453,726	0
Development Fees			1,294,090	0
Connection Fees				315,685
Grant income			0	0
Franchise Fees			0	159,482
Investment Income			16,929	20,218
Impact fees			0	1,397,564
Other Revenue			524,003	0
Donations			510,566	510,566
Total General Revenues			<u>3,839,779</u>	<u>2,331,880</u>
Service Charges			0	0
Transfers In			0	275,000
Transfers Out			(275,000)	0
Total General Revenues, Transfer and Service Charges			<u>3,564,779</u>	<u>2,606,880</u>
Changes in Net Position			1,995,611	2,713,910
Beginning Net Position			12,551,018	2,376,990
Adjustment to Beginning Net Position			-2,834	-2,834
Adjusted Beginning Net Position			<u>12,548,184</u>	<u>2,376,990</u>
Ending Net Position			<u>\$14,543,795</u>	<u>\$5,090,900</u>

The accompanying notes are an integral part of the financial statements

CITY OF DRIPPING SPRINGS, TEXAS
BALANCE SHEET – GOVERNMENT FUNDS revised and
restated
SEPTEMBER, 30, 2015

	General Fund	Debt Service Fund	Total Governmental Funds
ASSETS			
Cash and Investments	\$815,580		\$815,580
Restricted Cash	1,728,902	92,796	1,821,698
Accounts Receivable	61,178		61,178
Property Taxes Receivable, Net of Estimated Uncollectible Taxes of \$175	14,538		14,538
Sales Tax Receivable	121,318		121,318
Total Assets	\$2,741,516	\$92,796	\$2,834,312
LIABILITIES			
Accounts Payable	\$71,419		\$71,419
Employment Taxes & Retirement Payable	0		0
Unearned Revenue	27,725		27,725
Developer Deposits	53,693		53,693
Total Liabilities	152,837		152,837
FUND BALANCES			
Nonspendable	0	0	0
Restricted - Debt Service	0	92,796	92,796
Restricted - Grant Mercer Street Project	36,552		36,552
Restricted - Grant Expenditures DSRP	0		0
Committed - Reserve & Hotel Funds	737,287		737,287
Assigned - DSRP, PEG, Farmers Market	197,489	0	197,489
Unassigned	1,617,351		1,617,351
Total Fund Balances	2,588,679	92,796	2,681,475
Total Liabilities and Fund Balances	\$2,741,516	\$92,796	\$2,834,312

The accompanying notes are an integral part of the financial statements

CITY OF DRIPPING SPRINGS, TEXAS
RECONCILIATION OF THE STATEMENT OF NET ASSETS TO THE BALANCE SHEET -
GOVERNMENTAL FUNDS revised and restated
SEPTEMBER, 30, 2015

Total Fund Balance - Governmental Funds	\$2,681,475
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Some revenues in the governmental funds are deferred because they are not collected within the prescribed time period after year end. On the accrual basis, however, those revenues would be recognized, regardless of when they are collected.	
Deferred property taxes not collected within 60 days	14,538
Remove Deferred Outflows of Resources as they are not current assets	31,762
remove Deferred Inflows of Resources as they are not current liabilities	(4,374)
Capital assets used in the operation of governmental funds are not financial resources and, therefore, are not reported in the Governmental Fund Balance Sheet	
These assets consist of the following:	
Land	5,377,961
Building	1,038,297
Improvements other than Buildings	7,387,341
Machinery and Equipment	679,195
Infrastructure	622,790
Less: Accumulated Depreciation	(2,290,587)
Long-term liabilities are not due in the current period and therefore, are not reported in the Governmental Fund Balance Sheet	(935,745)
Compensated absences are not due and payable in the current period and therefore are not reported in the Governmental Fund Balance Sheet	<u>(58,858)</u>
Net Position of governmental activities	<u>\$14,543,795</u>

The accompanying notes are an integral part of the financial statements

CITY OF DRIPPING SPRINGS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER, 30, 2015 revised and restated

	General Fund	Debt Service Fund	Total Governmental Funds
REVENUES			
Sales Taxes	\$1,040,465		\$1,040,465
Ad Valorem Taxes	449,924		449,924
Franchise Fees	-		-
Charges for Services	35,278		35,278
Development Fees	1,294,090		1,294,090
Investment Income	12,684	4,245	16,929
Fines and Forfeits	0		0
Other Revenues	420,060	103,943	524,003
Grant Revenue	0		0
Park Revenues	307,989		307,989
Donations	510,566		510,566
Total Revenues	<u>4,071,056</u>	<u>108,188</u>	<u>4,179,244</u>
EXPENDITURES			
Administrative			
Personnel Services	638,724		638,724
Supplies and Operations	387,408		387,408
Contract Services	254,305		254,305
Capital Outlay	746,944		746,944
Miscellaneous	367,554	0	367,554
Total Administrative	<u>2,394,935</u>	<u>0</u>	<u>2,394,935</u>
Parks and Recreation			
Personnel Services	39,840		39,840
Supplies and Operations	153,448		153,448
Contract Services	84,143		84,143
DSRP Expenses	250,327		250,327
Founders Days	59,244		59,244
Total	<u>587,002</u>		<u>587,002</u>
Debt Service			
Interest - Certificates of Obligation			
Principal - Tax Notes		50,000	50,000
Interest - Tax Notes		39,425	39,425
Total Debt Service	0	89,425	89,425
Total Expenditures	<u>2,981,937</u>	<u>89,425</u>	<u>3,071,362</u>
Excess Revenues Over (Under) Expenditures	<u>1,089,119</u>	<u>18,763</u>	<u>1,107,882</u>
Other Financing Sources (Uses)			
Debt Service Transfer to Wastewater Fund	0	0	0
Transfer to Wastewater	(275,000)	0	(275,000)
Transfer from Wastewater Fund	673,596	(15,399)	658,197
Total Other Financing Sources (Uses)	<u>398,596</u>	<u>(15,399)</u>	<u>383,197</u>
Net Changes in Fund Balance	<u>1,487,715</u>	<u>3,364</u>	<u>1,491,079</u>
Fund Balance Beginning of Year	1,100,964	89,432	1,190,396
Adjustment to Beginning of Year Fund Balance	0	0	0
Adjusted Fund Balance Beginning of Year	<u>1,100,964</u>	<u>89,432</u>	<u>1,190,396</u>
Fund Balance End of Year	<u>\$2,588,679</u>	<u>\$92,796</u>	<u>\$2,681,475</u>

The accompanying notes are an integral part of the financial statements

CITY OF DRIPPING SPRINGS, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
SEPTEMBER, 30, 2015 revised and restated

Net Changes in Fund Balance -- Governmental Fund	\$1,491,079
Amounts reported for governmental activities in the Statement of Activities are different because:	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Property taxes not collected	\$14,538
Less prior year	\$(10,736)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over the estimated useful lives and is reported as depreciation expense. This is the amount of depreciation expense for the current year.	(3,802)
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Activities.	(280,813)
Total Pension Expense is not recognized in governmental funds	50,000
Expenses related to capital outlays and land donated are not included in governmental expenditures.	-
Transfer to Debt Service for Wastewater Debt Service	(5,523)
The increase in compensated absences liability does not require the use of current financial resources but is recorded as an expense in the Statement of Activities	746,944
Changes in Net Position of Governmental Activities	(12,326)
	10,052
	<u>\$1,995,611</u>

The accompanying notes are an integral part of the financial statements

CITY OF DRIPPING SPRINGS, TEXAS
STATEMENT OF NET ASSETS PROPRIETARY FUND
SEPTEMBER, 30, 2015 revised and restated

	Wastewater
Assets	
Current Assets	
Cash and Cash Equivalents	\$3,443,009
Restricted Assets	
Cash and Cash Equivalents	728,618
Accounts Receivable	251,964
Capital Assets	
Infrastructure - Wastewater, less depreciation	7,474,854
Capitalized Interest	375,000
Total Assets	\$12,273,445
Liabilities	
Accounts Payable	\$398
Tax and Revenue Certificates Payable	6,815,000
Wastewater & Reservation deposits	367,147
Total Liabilities	7,182,545
Net Position	
Net Investment in Capital Assets	1,034,854
Restricted for Debt Service	728,618
Unrestricted (Deficit)	3,327,428
Net Position	\$5,090,900

The accompanying notes are an integral part of the financial statements

CITY OF DRIPPING SPRINGS, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION PROPRIETARY FUND
SEPTEMBER, 30, 2015 revised and restated

	Wastewater
Operating Income	
Charges for Services	1,370,730
Operating Expenses	(1,021,783)
	348,947
Professional services	
Income (loss) from Operations	348,947
Nonoperating Revenues (Expenses)	
Property Taxes	0
Sales Tax	438,931
Interest expense	(241,917)
Franchise Fees	159,482
Connection Fees	315,685
Other Income	0
Impact fees	1,397,564
Investment Income	20,218
Transfers to Debt Service Fund	0
Transfers from General Fund	275,000
	2,364,963
Total Nonoperating Revenues (Expenses)	2,364,963
Changes in Net Position	2,713,910
Net Position - Beginning of Year	2,376,990
Net Position - End of Year	\$5,090,900

The accompanying notes are an integral part of the financial statements

CITY OF DRIPPING SPRINGS, TEXAS
STATEMENT OF CASH FLOWS / PROPRIETARY FUND revised and restated
SEPTEMBER, 30, 2015

	Wastewater
Cash Flows from Operating Activities	
Decrease in Accounts Payable	(90,530)
increase in Accounts Receivable	(47,246)
Increase in Wastewater Deposits	71,539
Operating Expenses	(1,021,783)
Operating Income	1,370,730
Other Income	0
Depreciation & Amortization	473,245
Net Cash Provided (Used by Operating Activities)	755,955
Cash Flows From Capital and Related Financing Activities	
Impact Fees, less receivables	1,397,564
Franchise Fees	159,482
Connection Fees	315,685
Sales taxes	438,931
Capital outlay	(764,966)
Decrease in Restricted cash	728
Net Cash Provided by Capital and Related Financing Activities	1,547,424
Cash Flows From Noncapital Financing Activities and Transfers	
Payment on Tax and Revenue Certificates	(475,000)
Transfer to Other Funds	-
Transfer from Other Funds	275,000
Net Cash from Noncapital Financing Activities	(200,000)
Cash Flows from Investing Activities	
Interest Expense	(241,917)
Investment Income	20,218
Net Cash from Investing Activities	(221,699)
Net Increase (Decrease) in Cash and Cash Equivalents	1,881,680
Cash and Cash Equivalents -- Beginning of Year	1,561,329
Cash and Cash Equivalents - End of Year	3,443,009

The accompanying notes are an integral part of the financial statements

CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS revised and restated
SEPTEMBER, 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

A. Reporting Entity

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

B. Basis of Presentation

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

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

CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS revised and restated
SEPTEMBER, 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Funds

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

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

Proprietary Fund

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

Fiduciary Funds

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

C. Measurement Focus and Basis of Accounting

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

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

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

D. Cash and Cash Equivalents

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

E. Property Taxes

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

CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS revised and restated
SEPTEMBER, 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Capital Assets

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

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

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

G. Budgetary Data

The City Council adopts an annual budget for its governmental type funds which are prepared on the modified accrual basis of accounting. The original budgets for the fiscal year ending September 30, 2015 were adopted by the City Council on October 13, 2014 and the final amendments to the budgets were made on October 13, 2014. Budgets are prepared in conformity with GAAP using the modified accrual basis of accounting. The City does not utilize an encumbrance system, and all appropriations lapse at year end. As required by GASB Statement No 34, budgetary information for the general fund is presented as Required Supplementary Information.

H. Pensions

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's Total Pension Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions.

I. Deferred Outflows/Inflows of Resources

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

CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS revised and restated
SEPTEMBER, 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

J. Net Position

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

K. Compensated Absences

Full time employees may accumulate vacation leave at the rate of five days per year for the first year, ten days for years 2, 3 and 4 and fifteen days per year for 5 years and thereafter. Vacation leave may not be carried to the succeeding year.

Full time employees may accumulate sick leave at the rate of one-half day per month up to thirty days.

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

L. Interfund Activity

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

CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS revised and restated
SEPTEMBER, 30, 2015

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

3. DEPOSITS AND INVESTMENTS

Deposits – State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies or direct obligations of the State of Texas or its agencies and instrumentalities that have a fair market value of not less than the principal amount of the deposits. At September 30, 2015 the City’s deposits were fully insured or collateralized as required by state statutes. At fiscal year-end, the carrying amount of the City’s deposits was \$6,808,905 and the respective bank balances totaled \$6,923,061. Of the total bank balances, \$250,000 was insured by the Federal Deposit Insurance Corporation. The remainder was covered by collateral with a fair value of \$7,000,000 consisting of U.S. Government agency obligations with a fair value of \$7,000,000 and State of Texas instrumentality obligations with a fair value of \$7,000,000. Collateral is held by the city’s agent in the City’s name.

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

The City did not have any investments during fiscal year ending September 30, 2015.

4. PROPERTY TAXES

The City is permitted, by Article XI, Section 5 of the State of Texas Constitution and the City Charter, to levy property taxes up to \$1.50 per \$100 of assessed valuation for general governmental services. Within the \$1.50 maximum levy, there is no legal limit upon the amount of property taxes which can be levied for debt service. The City’s Ad Valorem Tax Rate for 2015 was \$0.15 per \$100.00 assessed valuation. The adjusted original tax roll was \$448,848 on total taxable assessed value of \$299,232,213.

Property taxes as of September 30, 2015, are as follows:

	General Fund
Current Taxes Receivable	\$4,660
Delinquent Taxes Receivable	9,878
	\$14,538

CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS revised and restated
SEPTEMBER, 30, 2015

5. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2015 was as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Governmental Activities				
Capital Assets not Being Depreciated:				
Land	\$4,897,255	\$0	\$0	\$4,897,255
Capital Assets Being Depreciated:				
Buildings	1,038,297	0	0	1,038,297
Improvements Other Than Buildings	7,149,219	238,122		7,387,341
Machinery and Equipment	651,079	28,116	0	679,195
Infrastructure	622,790			622,790
Total Assets Being Depreciated	9,461,385	266,238	0	9,727,623
Less Accumulated Depreciation for:				
Buildings	255,926	25,957	0	281,883
Improvements Other Than Buildings	1,127,955	184,684		1,312,639
Machinery & Equipment	442,755	39,032		481,787
Infrastructure	183,138	31,140		214,278
Total Accumulated Depreciation	2,009,774	280,813	0	2,290,587
Total Capital Assets Being Depreciated, Net	7,451,611	(14,575)	0	7,437,036
	<u>\$12,348,866</u>	<u>(\$14,575)</u>	<u>\$0</u>	<u>12,334,291</u>
Proprietary Activities				
Wastewater Infrastructure	9,156,460	764,966	0	9,921,426
Capitalized Interest	375,000	-		375,000
Loan Origination Fees	171,686	-		171,686
Less Accumulated Depreciation for:				
Wastewater Infrastructure	2,145,013	473,245	0	2,618,258
Total Capital Assets Being Depreciated, Net	7,558,133	291,721	0	7,849,854

CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS revised and restated
SEPTEMBER, 30, 2015

5. CAPITAL ASSETS (CONTINUED)

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

Governmental Activities	
General and Administrative	\$129,356
Parks	<u>151,457</u>
Total	<u>\$280,813</u>
Proprietary Activities	
Water/Wastewater	<u>473,245</u>

6. LONG-TERM DEBT

At September 30, 2015, the City's long-term debt consisted of the following:

1. \$7,410,000 General Obligation Refunding Bonds, Series 2015, Payments between \$540,063 and \$733,288 with interest payable semi-annually on June 1 and December 1 and principal payable annually on June 1. Term of loan expires June 1, 2026. The interest rates on the certificates range from 0.437% to 2.352%. Proceeds were used to refinance an existing loan to construct a wastewater utility system.
2. \$1,000,000 Combination Tax and Limited Revenue Certificates of Obligation, Series 2013, with interest payable semi-annually on March 1 and September 1 and principal annually on September 1. The interest rate on the tax notes is 4.15%. Proceeds were used for the completion of the DSRP Convention Center.

The following is a summary of long-term debt transactions for the year ended September 30, 2015.

	Payable Beginning of Year	Additions	Reductions	Payable End of Year
Governmental - Type Activities:				
Combination Tax and Limited Revenue Certificates of Obligation Taxable Series 2013	950,000	-	50,000	900,000
Total Governmental - Type Activities	<u>950,000</u>	<u>-</u>	<u>50,000</u>	<u>900,000</u>
Business-Type Activities:				
General Obligation Refunding Bonds Series 2015	7,290,000	-	475,000	6,815,000
Total business-Type Activities	<u>7,290,000</u>	<u>-</u>	<u>475,000</u>	<u>6,815,000</u>
Total Government	<u>8,240,000</u>	<u>-</u>	<u>525,000</u>	<u>7,715,000</u>

Debt Service Requirements

Tax Notes:

For each Tax Note Series, the ordinances provide for the City to maintain an interest and sinking fund. The ordinances also provide for a tax to be levied on taxable property within the City or the utilization of other lawfully available funds to provide for the payment of the debt service requirements on the notes being (1) the interest on the notes and (2) a sinking fund for their redemption at Stated Maturity or a sinking fund of 2%, whichever is greater. At September 30, 2015 the funding requirements had been met.

CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS revised and restated
SEPTEMBER, 30, 2015

6. LONG-TERM DEBT (CONTINUED)

Combination Tax and Junior Lien Certificates of Obligation (the certificates)

The certificates are payable from an ad valorem tax levied on all taxable property within the City and are further payable from and secured by a junior lien on and pledge of net revenues derived from the operation of the City's wastewater utility, such lien and pledge being subordinate and inferior to the lien on and pledge of such net revenues securing payment on any Prior Line Obligations hereafter issued by the City.

To provide for payment of the debt service requirements of the certificates being (1) the interest on the certificates and (2) a sinking fund for redemption at stated maturity or a sinking fund of 2%, whichever amount is greater, the amount received from property tax collected shall be paid into the Certificate Fund. At September 30, 2015, the funding requirements had been met.

The principal and interest requirements on the above long-term debt at September 30, 2015 are as follows:

Tax Notes	Fiscal Year	Principal	Interest	Total
	2016	55,000	37,350	92,350
1,000,000 Combination	2017	55,000	35,068	90,068
Tax and Limited Revenue	2018	60,000	32,785	92,785
Certificates of Obligation	2019	60,000	30,295	90,295
Series 2013	2020	65,000	27,805	92,805
	2021-2028	605,000	118,068	723,068
		<u>900,000</u>	<u>281,371</u>	<u>1,181,371</u>
Combination Tax				
and Junior Lien	2016	560,000	113,596	673,596
Certificates of Obligation	2017	575,000	109,671	684,671
Series 2015	2018	600,000	104,156	704,156
	2019	610,000	97,059	707,059
	2020	625,000	88,726	713,726
	2021	650,000	79,182	729,182
	2022-2026	3,195,000	373,920	3,568,920
Total		<u>6,815,000</u>	<u>966,310</u>	<u>7,781,310</u>

Prior Period Adjustments

The GASB has issued Statement No. 68, "Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27," which became effective for fiscal year 2015. This statement changes the focus of pension accounting for employers from whether they are responsibly funding their plan over time to a point-in-time liability that is reflected in the employer's financial statements for any actuarially unfunded portion of pension benefits earned to date. The implementation of Statement No. 68 resulted in restatement of beginning net position for the elimination of the previously reported net pension obligation, the recording of the beginning net pension liability and the beginning deferred outflow for contributions made after the measurement date.

Prospectively applying these changes results in the adjustments below.

Governmental Activities

Net Position at September 30, 2014

As previously reported \$12,551,018

Recording of net pension liability

as of September 30, 2014 \$(29,505)

Deferral for pension contributions

made after the measurement date \$26,671

Net Position at September 30, 2014

As restated \$12,548,184

CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS revised and restated
SEPTEMBER, 30, 2015

7. OPERATING LEASE

The City has an outstanding lease agreement for a copier. The lease payment is \$593 per month. Total payments for the reporting period were \$8052. The lease is subject to annual appropriation.

8. RECREATIONAL FACILITY LEASE AGREEMENT

The City has entered into a lease agreement with Dripping Springs Independent School District to lease the recreational sports complex facility for a period of fifty years beginning August 1, 1998. The school district is to pay ten dollars annually as rent.

9. RISK MANAGEMENT

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

10. PENSION PLAN

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

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

B. Benefits Provided

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

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

Employees covered by benefit terms.

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms.

Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	2
Active employees	<u>6</u>
Total	8

CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS revised and restated
SEPTEMBER, 30, 2015

NOTE 10 – PENSION PLANS (continued)

C. Contributions

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

Employees for the City of Dripping Springs were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of Dripping Springs were 5% and 5% in calendar years 2014 and 2015 respectively. The city's contributions to TMRS for the year ended September 30, 2015 were \$5,423, and were in excess of the required contributions.

D. Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation 3.0% per year

Overall payroll growth 3.0% per year

Investment Rate of Return 7.0% net of pension plan investment expense, including inflation

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

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS revised and restated
SEPTEMBER, 30, 2015

NOTE 10 – PENSION PLANS (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

City of Dripping Springs
Schedule of Changes in Net Pension Liability and Related Ratios Current Period
September 30, 2015

A.	Total pension liability	
	1. Service Cost	\$ 21,762
	2. Interest (on the Total Pension Liability)	20,810
	3. Changes of benefit terms	-
	4. Difference between expected and actual experience	4,877
	5. Changes of assumptions	-
	6. Benefit payments, including refunds of employee contributions	-
	7. Net change in total pension liability	<u>\$ 47,449</u>
	8. Total pension liability - beginning	<u>286,410</u>
	9. Total pension liability - ending	<u><u>\$ 333,859</u></u>
B.	Plan fiduciary net position	
	1. Contributions - employer	\$ 6,280
	2. Contributions - employee	20,391
	3. Net investment income	14,704
	4. Benefit payments, including refunds of employee contributions	-
	5. Administrative Expense	(153)
	6. Other	(13)
	7. Net change in plan fiduciary net position	<u>\$ 41,209</u>
	8. Plan fiduciary net position - beginning	<u>256,905</u>
	9. Plan fiduciary net position - ending	<u><u>\$ 298,114</u></u>
C.	Net pension liability [A.9-B.9]	<u><u>\$ 35,745</u></u>
D.	Plan fiduciary net position as a percentage of the total pension liability [B.9 / A.9]	89.29%
E.	Covered-employee payroll	\$ 407,828
F.	Net pension liability as a percentage of covered employee payroll [C / E]	8.76%

Sensitivity of the net pension liability to changes in the discount rate.

The following presents the net pension liability of the City, calculated using the discount rate of 7.0%, 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 (6.0%) or 1 percentage point higher (8.0%) than the current rate:

	1% Decrease in Discount Rate (6.0%)	Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
City's net pension liability	\$102,024	\$35,745	\$(18,263)

Pension Plan Fiduciary Net Position

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

**CITY OF DRIPPING SPRINGS
SCHEDULE OF PENSION EXPENSE
SEPTEMBER 30, 2015**

1.	Total Service Cost	\$ 21,762
2.	Interest on the Total Pension Liability	20,810
3.	Current Period Benefit Changes	-
4.	Employee Contributions (Reduction of Expense)	(20,391)
5.	Projected Earnings on Plan Investments (Reduction of Expense)	(17,983)
6.	Administrative Expense	153
7.	Other Changes in Fiduciary Net Position	13
8.	Recognition of Current Year Outflow (Inflow) of Resources - Liabilities	503
9.	Recognition of Current Year Outflow (Inflow) of Resources - Assets	656
10.	Amortization of Prior Year Outflows (Inflows) of Resources - Liabilities	-
11.	Amortization of Prior Year Outflows (Inflows) of Resources - Assets	-
12.	Total Pension Expense	\$ 5,523

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

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

CITY OF DRIPPING SPRINGS
SCHEDULE OF OUTFLOWS AND INFLOWS - CURRENT AND FUTURE EXPENSE
SEPTEMBER 30, 2015

	Recognition Period (or amortization yrs)	Total (Inflow) or Outflow of Resources	2014 Recognized in current pension expense	Deferred (Inflow) Outflow in future expense
<u>Due to Liabilities:</u>				
Difference in expected and actual experience [actuarial (gains) or losses]	9.7002	\$ 4,877	\$ 503	\$ 4,374
Difference in assumption changes [actuarial (gains) or losses]	9.7002	\$ -	\$ -	\$ -
			<u>\$ 503</u>	<u>\$ 4,374</u>
<u>Due to Assets:</u>				
Difference in projected and actual earnings on pension plan investments [actuarial (gains) or losses]	5.0000	\$ 3,279	\$ 656	\$ 2,623
			<u>\$ 656</u>	<u>\$ 2,623</u>
<u>Total:</u>				<u>\$ 6,997</u>

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

	Net deferred outflows (inflows) of resources
2015	\$ 1,159
2016	1,159
2017	1,159
2018	1,158
2019	503
Thereafter	1,859
Total	<u>\$ 6,997</u>

CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS revised and restated
SEPTEMBER, 30, 2015

NOTE 10 – SUPPLEMENTAL DEATH BENEFITS PLAN

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

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

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

The City’s contributions to the TMRS SDBF for the years ended 2015, 2014, and 2013 were \$1275, \$1275, and \$1,275 respectively, which equaled the required contributions each year.

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

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2012	0.00%	0.00%	100%
2013	0.01%	0.01%	100%
2014	0.01%	0.01%	100%
2015	0.02%	0.02%	100%
2016	0.02%	(city to provide)	(city to provide)

11. LITIGATION

Per the City Attorney, there were no cases of pending litigation that would have a material affect on the financial statements as of September 30, 2015.

12. SUBSEQUENT EVENTS

Projected growth in 2016 includes the addition of four large new subdivisions currently under construction. Three of these developments will include commercial development, strategic partnership agreements and have a large impact on building permit fees and sales tax collections. Additionally, a new Wastewater Lift Station still under construction will serve the Southwest portion of the City which increases development opportunities in that area.

CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS revised and restated
SEPTEMBER, 30, 2015

13. Revised and Restated

The audit report for the City of Dripping Springs for the fiscal year ended September 30, 2016 is revised and restated on June 13, 2016 to properly reflect the changes brought by GASB 68, Accounting and Financial Reporting for Pensions. Deferred Outflows of Resources and Deferred Inflows of Resources are to be reported separately from total assets and total liabilities. The originally filed audit report mistakenly included Deferred Outflows of Resources in total assets. All reports, financial statements and supplemental schedules have now been updated to properly report the effects of GASB 68, Accounting and Financial Reporting for Pensions.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

CITY OF DRIPPING SPRINGS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET & ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER, 30, 2015

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
General Government				
Taxes - Ad Valorem, penalties, interest	442,466	492,551	453,726	(38,825)
Sales & mixed beverage tax	881,015	1,875,508	1,040,465	(835,043)
Alcohol permits	2,300	2,300	3,585	1,285
	-	-	-	-
	-	-	-	-
Total Taxes	1,325,781	2,370,359	1,497,776	(872,583)
Charges for Services				
Zoning, Sign and Other Fees	15,000	15,000	29,410	14,410
Building Code Fees	275,000	702,100	683,964	(18,136)
Health Permit Inspections	35,000	35,000	42,647	7,647
Municipal court revenues	250	250	239	(11)
Total Charges for Services	325,250	752,350	756,260	3,910
Development Fees				
Subdivision	285,000	300,000	418,130	118,130
Mercer Street Project	-	20,000	42,305	22,305
Site Development	100,000	125,000	162,586	37,586
Total Development Fees	385,000	445,000	623,021	178,021
Other Revenues				
Rental Revenue	2,500	2,000	1,860	(140)
Ag Facility fees	-	-	10,640	10,640
Farmers Market	20,125	19,370	20,984	1,614
Hotel Occupancy tax	-	184,000	189,721	189,721
ESD Fire Inspections income	2,000	4,000	6,134	2,134
1% TWC fees	-	4,000	4,139	139
Other income	10,000	12,000	17,310	5,310
Transfer to Reserve Fund	-	-	-	-
Transfer from Mercer St Fund	-	-	-	-
Total Other Revenues	34,625	225,370	250,788	209,418
Investment Income	3,500	4,000	10,360	6,360
Total General Government Revenues	2,074,156	3,797,079	3,138,205	(474,874)

CITY OF DRIPPING SPRINGS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET & ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER, 30, 2015

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
Park Revenues				
VIP Boxes	25,000	5,000	5,350	350
Stall Rentals	4,000	8,000	18,336	10,336
RV Site rentals	15,000	16,500	19,334	2,834
Facility rentals	50,000	55,000	47,191	(7,809)
equipment rental	2,300	3,500	4,531	1,031
Riding Permits	10,500	25,000	23,485	(1,515)
Bleacher rentals	-	-	1,000	1,000
Arena rentals	-	-	-	-
Other rentals	-	-	-	-
Donated Parkland	-	-	-	-
Farmers Market	-	-	-	-
Park rental fees	2,500	2,500	1,675	(825)
Camping Fees	350	300	320	20
Total Park Revenues	<u>84,650</u>	<u>110,800</u>	<u>121,222</u>	<u>(10,422)</u>
DSRP Building Fund other income & ag fees	-	-	229,348	229,348
Grant Revenue	-	25,000	-	(25,000)
DSRP Ranch				
Sponsors & Events	-	85,000	-	(85,000)
Building Fund Donations DSRP	-	-	12,500	12,500
Landscaping funds Mercer St.	-	-	-	-
Mercer Street donations	-	-	-	-
General operating donations	-	-	-	-
Other income	-	1,000	3,823	2,823
Interest income	360	500	1,529	1,029
Total DSRP Ranch Revenues	<u>360</u>	<u>86,500</u>	<u>17,852</u>	<u>(68,648)</u>
Founders Day				
Craft Booths	4,000	5,000	5,283	283
Food Booths	1,000	1,000	1,045	45
BBQ Cookers	4,000	4,500	4,655	155
Carnival	7,000	7,500	7,927	427
Washers	300	-	-	-
Publicity	-	-	-	-
Parade	1,800	1,800	2,145	345
Sponsorships	35,000	37,250	33,250	(4,000)
Alcohol Sales	1,000	1,000	1,190	190
Parking Fees	2,000	1,200	1,383	183
Business Booths	-	-	-	-
Ice sales	100	-	-	-
Transfer from FD reserve	-	-	-	-
Total Founders Day Revenue	<u>56,200</u>	<u>59,250</u>	<u>56,878</u>	<u>(2,372)</u>
Total Park Revenues	<u>141,210</u>	<u>281,550</u>	<u>425,300</u>	<u>122,906</u>
Total General Fund Revenues	<u>2,215,366</u>	<u>4,078,629</u>	<u>3,563,505</u>	<u>(515,124)</u>

CITY OF DRIPPING SPRINGS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET & ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER, 30, 2015

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
GENERAL GOVERNMENT EXPENDITURES				
Administrative				
Personnel Services				
Salaries	546,177	691,101	537,568	153,533
Payroll Taxes	48,466	57,683	49,629	8,054
Health Insurance Employee Benefits	39,858	43,284	46,104	(2,820)
Retirement	8,608	10,968	5,423	5,545
Workers Compensation Insurance	3,800	3,500	3,376	124
Total Personnel Services	<u>646,909</u>	<u>806,536</u>	<u>642,100</u>	164,436
Supplies and Operation				
Supplies	22,500	20,000	21,158	(1,158)
Office Maintenance	10,000	41,000	8,737	32,263
Office Equipment	25,000	37,000	17,287	19,713
Dues, Fees, and Publications	15,000	15,000	16,146	(1,146)
Postage	2,000	2,500	2,864	(364)
Public Relations	5,000	5,000	5,931	(931)
Public Notices	1,000	1,400	2,826	(1,426)
Newsletters, Website	1,200	1,200	1,200	-
Hotel Occupancy Tax	-	-	175,893	(175,893)
Total Supplies and Operation	<u>81,700</u>	<u>123,100</u>	<u>252,042</u>	(128,942)
Contract Services				
Public Safety	8,400	8,400	8,400	-
Liability Insurance	7,000	7,000	6,205	795
Property Insurance	12,000	15,000	14,181	819
Network upgrade	3,800	3,500	3,376	124
Office electricity	3,000	4,000	4,458	(458)
Street Lighting	20,000	20,000	18,053	1,947
Training/Education	12,000	10,000	13,148	(3,148)
Telephone	16,500	-	18,012	(18,012)
Lighting compliance	5,000	1,000	-	1,000
Architectural consultant	22,000	20,000	18,225	1,775
Legal	105,000	100,000	111,294	(11,294)
Municipal Court Attorney/Judge	5,000	5,000	4,061	939
Water/wastewater	20,000	20,000	3,559	16,441
City Inspector	8,320	1,000	578	422
Health Inspector	20,000	21,000	29,046	(8,046)
Financial Services	62,000	70,500	73,903	(3,403)
City beautification	1,000	1,000	1,078	(78)
Copier Expense	9,000	7,100	9,992	(2,892)
Building Inspection	165,000	561,680	387,348	174,332
Historic District	8,100	3,000	4,162	(1,162)
Street Maintenance	214,800	100,000	144,037	(44,037)
Engineering/Surveying	50,000	-	43,423	(43,423)
Economic development	5,000	5,000	5,000	-
City Hall improvements lawn maintenance	-	10,900	1,067	9,833
Water-office	600	600	628	(28)
Water - city streets	8,000	8,000	6,149	1,851
Stephenson Building	1,500	1,500	1,306	194
Code Publication	10,000	5,000	4,735	265
Total Contract Services	<u>803,020</u>	<u>1,010,180</u>	<u>935,424</u>	74,756

CITY OF DRIPPING SPRINGS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET & ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER, 30, 2015

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
Parkland Dedication fund	-	-	-	-
Election	-	2,000	1,290	710
Architectural Consultant	-	-	-	-
communications network	-	22,000	-	22,000
Miscellaneous	-	7,000	2,565	4,435
Total Miscellaneous	-	31,000	3,855	27,145
Administrative				
Mercer Street Project expenses & transfers	-	-	33,973	(33,973)
Capital Outlay	-	188,000	266,238	(78,238)
Contingencies	5,917	25,000	-	25,000
Total	5,917	213,000	300,211	(87,211)
Total Administrative	1,537,546	2,183,816	2,133,632	50,184
Parks & Recreation - Personnel Services				
Park equipment	1,500	1,500	3,635	(2,135)
Park maintenance	-	3,500	3,500	-
Pool Management	30,000	30,000	30,000	-
Parks consultant and coordinator	20,000	20,000	9,840	10,160
Total Personnel Services	51,500	55,000	46,975	8,025
Supplies & Operation				
Supplies- Misc Park	-	-	-	-
Supplies - general parks equipment	-	-	-	-
Supplies - S & R Park	-	-	-	-
Supplies Charro Park	-	2,170	2,170	-
Flood plane study	-	-	-	-
Sustainable Places-Farmers Market	19,713	-	20,120	(20,120)
Grant writer	-	-	-	-
Financial services	-	-	-	-
Training and Education	-	-	-	-
Total Supplies & Operation	19,713	2,170	22,290	(20,120)
Contract Services				
Family violence center	3,600	6,200	3,600	2,600
City comprehensive plan	-	15,000	15,000	-
Electricity - Sports & Recreation Complex	-	1,000	-	1,000
Electricity - DSRP	-	-	-	-
Electricity - Triangle	1,000	-	695	(695)
Water-Sports & Recreation Complex	10,000	10,200	16,941	(6,741)
Water-Founders Park Pool	-	-	-	-
Fleet maintenance & acquisition	32,500	5,000	32,438	(27,438)
Water - Triangle	200	-	175	(175)
Park Telephone	-	-	-	-
Maintenance & Repair Founders Park	22,000	22,000	4,379	17,621
Maintenance & Repair - Sports & Recreation	21,500	17,900	13,069	4,831
Maintenance & Repair-Charro Ranch Park	10,400	10,400	1,644	8,756
Maintenance & Repair -DSRP Park	-	-	-	-
Pool Maintenance & Repair	-	-	-	-
Triangle maintenance	6,500	1,188	2,709	(1,521)
triangle maintenance	-	6,500	4,953	1,547
Lawn Maintenance	-	-	41,130	(41,130)

CITY OF DRIPPING SPRINGS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET & ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER, 30, 2015

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
Parks and Recreation				
Contract Services (Continued)				
Founders Park improvements	27,000	35,763	8,035	27,728
Park mileage, background checks	5,350	-	3,815	(3,815)
S& R Park improvements	-	7,986	7,986	-
Charro ranch park improvements	5,400	31,856	31,856	-
Rentals - Toilets	5,508	6,552	6,513	39
Total Contract Services	<u>150,958</u>	<u>177,545</u>	<u>194,938</u>	<u>(17,393)</u>
Founders Day				
Publicity	5,000	5,000	2,627	2,373
Rentals - Toilets	3,500	3,500	2,960	540
Security	10,000	11,000	9,510	1,490
Band	6,000	6,000	4,600	1,400
Sound System	3,000	4,000	3,900	100
Electrical setup	2,000	5,000	19,583	(14,583)
Barricades & traffic plan	7,000	6,000	4,946	1,054
Electricity	1,000	700	297	403
Tents, Tables, & Chairs	2,500	2,500	1,420	1,080
Sponsorships	1,000	1,300	1,230	70
Parade	350	400	400	-
MAP & Insurance	250	250	-	250
Postage & Miscellaneous	6,000	5,000	4,721	279
contingencies	-	2,600	-	2,600
Clean-up & waste disposal	6,000	6,000	3,050	2,950
Total Founders Day	<u>53,600</u>	<u>59,250</u>	<u>59,244</u>	<u>6</u>
DSRP Building Fund expenses	-	-	310,484	310,484
DSRP Operating Fund expense	199,594	-	258,655	258,655
Total Parks & Recreation	<u>475,365</u>	<u>293,965</u>	<u>633,931</u>	<u>(339,966)</u>
Total Governmental Expenditures	<u>2,012,911</u>	<u>2,477,781</u>	<u>2,767,563</u>	<u>(289,782)</u>
Revenues Over (Under) Expenditures	<u>202,455</u>	<u>1,600,848</u>	<u>795,942</u>	<u>(804,906)</u>
Other Financing Sources (Uses)				
Transfer to WW reserve	125,000	125,000	275,000	(125,000)
Transfer to WW Sales Tax	-	460,877	81,000	(379,877)
Transfer to Reserve Fund	100,000	125,000	275,000	(150,000)
Transfer to ECO D & WW Reserve	60,773	340,000	60,773	(279,227)
Total Other Financing Sources (Uses)	<u>285,773</u>	<u>1,050,877</u>	<u>691,773</u>	<u>(934,104)</u>
Net Changes in Fund Balance	<u>488,228</u>	<u>2,651,725</u>	<u>1,487,715</u>	<u>(1,739,010)</u>
Fund Balance Beginning of Year	<u>1,100,964</u>	<u>1,100,964</u>	<u>1,100,964</u>	
Adjustment to Beginning Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	
Adjusted Beginning Fund Balance	<u>1,100,964</u>	<u>1,100,964</u>	<u>1,100,964</u>	
Fund Balance End of Year	<u>1,589,192</u>	<u>3,752,689</u>	<u>2,588,679</u>	<u>(1,739,010)</u>

CITY OF DRIPPING SPRINGS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET & ACTUAL – PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER, 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
General Government				
Solid Waste	16,000	16,000	15,591	(409)
Franchise Fees	137,000	137,000	143,891	6,891
Portion of Sales Tax	379,580	432,721	438,931	6,210
Impact Fees	-	-	1,397,564	1,397,564
Planning & permitting			1,000,000	
Total Taxes	<u>532,580</u>	<u>585,721</u>	<u>2,995,977</u>	<u>2,410,256</u>
Charges for Services				
Wastewater sales	260,000	260,000	299,377	39,377
Late fees/return check Fees	4,000	4,000	5,746	1,746
Over Use fees	18,000	18,000	23,173	5,173
Line extensions	29,345	29,345	36,743	7,398
Reservation fees	-	-	-	-
Total Charges for Services	<u>311,345</u>	<u>311,345</u>	<u>365,039</u>	<u>53,694</u>
Development Fees				
Transfer fees	180	180	-	(180)
Delayed connection fees	233,400	233,400	223,569	(9,831)
WW Connection Fees	30,320	30,320	92,116	61,796
Total Development Fees	<u>263,900</u>	<u>263,900</u>	<u>315,685</u>	<u>51,785</u>
Other Revenues				
Prior year reimbursement	-	-	3,090	3,090
Other income	2,000	2,000	2,601	601
Transfers general fund	125,000	125,000	275,000	150,000
Total Other Revenues	<u>127,000</u>	<u>127,000</u>	<u>280,691</u>	<u>153,691</u>
Investment Income	7,000	7,000	20,218	13,218
Total Proprietary Fund Revenues	<u>1,241,825</u>	<u>1,294,966</u>	<u>3,977,610</u>	<u>2,682,644</u>

CITY OF DRIPPING SPRINGS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET & ACTUAL – PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER, 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
WASTEWATER UTILITY FUND EXPENDITURES				
Administrative expense	10,000	16,000	11,557	4,443
Auditing fees	6,000	6,000	6,000	-
Planning/Permitting	250,000	170,000	118,381	51,619
Chlorinator expenses	-	3,500	-	3,500
Engineering & surveying fees	50,000	50,000	38,580	11,420
Electricity	32,000	34,000	35,301	(1,301)
Phone	1,000	2,000	1,925	75
Supplies	2,500	5,000	1,753	3,247
Chemicals	5,000	10,000	7,796	2,204
Legal fees	25,000	36,000	29,414	6,586
Potable water	350	350	-	350
Lab testing	15,000	25,000	15,308	9,692
Preventative Maintenance	10,000	20,000	7,678	12,322
Jetting Lines	13,200	15,000	3,075	11,925
WW Interceptor	-	115,000	50,257	64,743
Odor Control	15,000	20,000	11,309	8,691
Pump Repairs	-	5,000	4,374	626
Drip Field Repairs	12,000	12,000	-	12,000
Public relations	150	30,150	17,673	12,477
WW Lawn maintenance	12,000	25,398	23,426	1,972
Lift Station Repairs	2,500	5,000	27,075	(22,075)
Other expenses & repairs	6,100	5,000	9,300	(4,300)
Regulatory fees	2,500	2,500	-	2,500
Non-routine operations	20,000	45,000	25,852	19,148
Depreciation & Amortization/Construction	-	215,000	473,245	(258,245)
Lift Station Water Tap	8,000	4,700	-	4,700
Routine operations	40,000	70,000	53,334	16,666
Sludge hauling	12,000	30,000	28,748	1,252
Contingencies	50,000	50,000	6,292	43,708
WWTP repairs	-	630,000	14,130	615,870
Transfer to Debt Service & reserve	716,918	809,671	241,917	567,754
Total WW Utility Fund Expenditures	1,317,218	2,467,269	1,263,700	1,203,569
Net Changes in Fund Balance	(75,393)	(1,172,303)	2,713,910	3,886,213
Fund Balance Beginning of Year	2,376,990	2,376,990	2,376,990	
Fund Balance End of Year	2,301,597	1,204,687	5,090,900	

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

Total pension liability	2014	2015	2016	2017
1. Service Cost	\$ 21,762	xxxx	xxxx	xxxx
2. Interest (on the Total Pension Liability)	20,810	xxxx	xxxx	xxxx
3. Changes of benefit terms	-			
4. Difference between expected and actual experience	4,877	xxxx	xxxx	xxxx
5. Changes of assumptions	-			
6. Benefit payments, including refunds of employee contributions	-	<u>xxxx</u>	<u>xxxx</u>	<u>xxxx</u>
7. Net change in total pension liability	\$ 47,449	xxxx	xxxx	xxxx
8. Total pension liability - beginning	286,410	xxxx	xxxx	xxxx
9. Total pension liability - ending	<u>\$ 333,859</u>	<u>xxxx</u>	<u>xxxx</u>	<u>xxxx</u>
 Plan fiduciary net position				
1. Contributions - employer	\$ 6,280	xxxx	xxxx	xxxx
2. Contributions - employee	20,391	xxxx	xxxx	xxxx
3. Net investment income	14,704	xxxx	xxxx	xxxx
4. Benefit payments, including refunds of employee contributions	-	xxxx	xxxx	xxxx
5. Administrative Expense	(153)	xxxx	xxxx	xxxx
6. Other	(13)	<u>xxxx</u>	<u>xxxx</u>	<u>xxxx</u>
7. Net change in plan fiduciary net position	\$ 41,209	xxxx	xxxx	xxxx
8. Plan fiduciary net position - beginning	256,905	<u>xxxx</u>	<u>xxxx</u>	<u>xxxx</u>
9. Plan fiduciary net position - ending	<u>\$ 298,114</u>	<u>xxxx</u>	<u>xxxx</u>	<u>xxxx</u>
 Net pension liability [A.9-B.9]	 <u>\$ 35,745</u>	 xxxx	 xxxx	 xxxx
 Plan fiduciary net position as a percentage of the total pension liability [B.9 / A.9]	 89.29%	 xxxx	 xxx	 xxx
 Covered-employee payroll	 \$ 407,828	 xxxx	 xxx	 xxx
 Net pension liability as a percentage of covered employee payroll [C / E]	 8.76%	 xxxx	 xxxx	 xxx

**City of Dripping Springs
Schedule of Contributions**

Last 10 Fiscal Years (will ultimately be displayed)

September 30, 2015

	2014	2015	2016	2017
Actually Determined Contribution	\$ 333,859	xxx,xxx	\$xxx,xxx	\$xxx,xxx
Contributions in relation to the actuarially determined contribution	<u>298,114</u>	<u>xxx,xxx</u>	<u>xxx,xxx</u>	<u>xxx,xxx</u>
	-		xxx,xxx	xxx,xxx
Contribution deficiency (excess)	35,745	xxx,xxx	xxx,xxx	xxx,xxx
Covered employee payroll	\$ 407,828	xxx,xxx	\$xxx,xxx	\$xxx,xxx
Contributions as a percentage of covered employee payroll	73.10%	xx.xx%	xx.xx%	xx.xx%

Noes to Schedule of Contributions

Valuation Date determined 12/31/2014

Notes

Valuation Date:

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

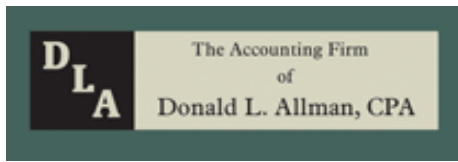
Notes

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	9 Years
Asset Valuation Method	10 Year Smoothed Market 15% Soft Corridor
Inflation	3.0%
Salary Increases	3.50% to 12.00% Including Inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005-2009
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information:

Notes There were no benefit changes during the year.



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CERTIFIED PUBLIC ACCOUNTANT

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH**

GOVERNMENT AUDITING STANDARDS
For the Year Ended September 30, 2015

To the Mayor & City Council
City of Dripping Springs, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Dripping Springs, Texas, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise City of Dripping Springs, Texas' basic financial statements, and have issued our report thereon dated March 2, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Dripping Springs, Texas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Dripping Springs, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of City of Dripping Springs, Texas' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Donald L. Allman, CPA, PC

Georgetown, TX

March 2, 2016