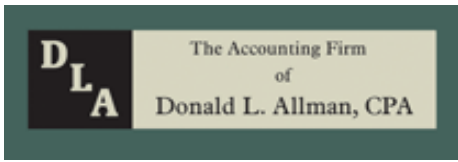


CITY OF DRIPPING SPRINGS, TEXAS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

CITY OF DRIPPING SPRINGS, TEXAS
 BASIC FINANCIAL STATEMENTS
 AND SUPPLEMENTAL SCHEDULES
 AND INDEPENDENT AUDITOR'S REPORT
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

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Donald L. Allman, CPA, PC
205 E. University Ave, Ste. 165
Georgetown, Texas 78626

CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

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, 2017, 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, 2017, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted the United States of America require that the management's discussion and analysis, budgetary comparison information, and Schedule of Changes in Net Pension Liability and Related Ratios and Schedule of Contributions on pages 3-8, and pages 34-42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2018 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
February 12, 2018

CITY OF DRIPPING SPRINGS, TEXAS MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER, 30, 2017

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, 2017. 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 \$21.2 million (net position). Of this amount, \$13.3 million was invested in capital assets, \$800 thousand was restricted, and \$7.1 million was unrestricted.
- The City's total net position increased by \$867 thousand for the year ended September 30, 2017.
- At September 30, 2017, the City's governmental funds reported a combined ending fund balance of \$3.6 million, an increase of \$500 thousand over the prior year governmental funds combined ending fund balance. The increase in governmental funds is due to large increases in property tax and sales tax and development fees income.
- The City's General Fund had excess revenues at the end of fiscal year 2017, due to mostly an increase in property taxes and sales taxes. The City of Dripping Springs continues to experience phenomenal growth in population and revenues.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

CITY OF DRIPPING SPRINGS, TEXAS MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER, 30, 2017

Government-wide financial statements

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

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

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

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

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

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

Reporting on the City's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

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

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

**CITY OF DRIPPING SPRINGS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER, 30, 2017**

Notes to the Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

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

The largest portion of the City's net position (63 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 4 percent of the City's net position. Unrestricted net position comprises 33 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	
	2017	2016	2017	2016	2017	2016
Current and Other Assets	3,796	3,469	5,003	4,773	8,799	8,242
Capital Assets	12,647	12,746	7,223	7,377	19,870	20,123
Total Assets	16,443	16,215	12,226	12,150	28,669	28,365
Deferred Outflows of Resources	47	68			47	68
Current Liabilities	276	456	1,130	406	1,406	862
Long-term Liabilities	871	919	5,170	6,255	6,041	7,174
Total Liabilities	1,147	1,375	6,300	6,661	7,447	8,036
Deferred Inflows of Resources	24	19			24	19
Net Position:						
Net Investment in Capital Assets	11,857	11,901	1,453	1,122	13,310	13,023
Restricted	95	858	704	685	799	1,543
Unrestricted	3,367	2,130	3,769	3,682	7,136	5,812
Total Net Position	15,319	14,889	5,926	5,489	21,245	20,378

**CITY OF DRIPPING SPRINGS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER, 30, 2017**

CHANGES IN NET POSITION

Table 11

City of Dripping Springs, Texas

Changes in Net Position

In thousands

Total governmental revenues increased approximately \$ 1.4 million over the previous year. This increase was caused primarily by an increase in development fee income of \$600 thousand in the current year and increased property tax revenues. Total governmental expenses increased about \$1.2 million over the previous year. The increases were due mainly to increased general government expenses.

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program Revenues						
Charges for Services	618	450	405	352	1,023	802
General Revenues:						
Property Tax & Hotel Tax	919	773	0	0	919	773
Sales Tax	1,269	1,190	470	476	1,739	1,666
Franchise Taxes	0	0	199	146	199	146
Development fees	1,634	1,041	0	0	1,634	1,041
Interest Income	24	28	36	30	60	58
Other & Impact fees	114	49	766	786	880	835
Grant income	1	19	244	0	245	19
Donations	2	1	0	0	2	1
Total Revenues	4,581	3,551	2,120	1,790	6,701	5,341
Expenses						
General government	3,514	2,520	1,329	1,403	4,843	3,923
Parks and Recreation	602	524	0	0	602	524
Grant expenses			244		244	
Interest on Long-term Debt	35	37	110	114	145	151
Total Expenses	4,151	3,081	1,683	1,517	5,834	4,598
Transfers In (Out)	0	(125)	0	125	0	0
Contributions	0	0	0	0	0	0
Increase(Decrease) in Net Position	430	345	437	398	867	743
Net Position Beginning of Year	14,889	14,544	5,489	5,091	20,378	19,635
Prior Period Adjustment to Beginning Net Position	0	0	0	0	0	0
Adjusted Beginning Net Position	14,889	14,544	5,489	5,091	20,378	19,635
Ending Net Position	15,319	14,889	5,926	5,489	21,245	20,378

**CITY OF DRIPPING SPRINGS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER, 30, 2017**

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Fund

The City has three governmental funds – the general fund, special revenue funds and the debt service fund. For the year ended September 30, 2017, the governmental fund balances increased by \$500 thousand to \$3.6 million. The restricted portion of the fund balance totaled \$1.2 million and the unrestricted portion was \$2.4 million.

Proprietary Fund

The proprietary fund is used to account for construction of the wastewater system and operating activity of the wastewater system. The proprietary fund net assets increased \$437 thousand due mainly to higher revenues in permitting.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At September 30, 2017, the governmental fund had \$12,647,039 net of depreciation, invested in capital assets.

Capital Assets, net of depreciation, are as follows:

	2017	2016
Land	\$5,407,095	\$5,407,095
Buildings	773,548	780,738
Improvements other than Buildings	6,006,952	5,988,293
Equipment	137,447	199,773
Infrastructure	321,997	369,849
Total	\$12,647,039	\$12,745,748
	2017	2016
Wastewater Infrastructure	6,931,283	7,048,599
Wastewater Loan Origination	91,564	103,010
Wastewater Capitalized Interest	200,000	225,000
Total	7,222,847	7,376,609

The proprietary fund capital assets consisted of wastewater infrastructure totaling \$7,222,847.

	Payable Beginning of Year	Additions	Reductions	Payable End of Year	Current portion
Governmental - Type Activities:					
Combination Tax and Limited Revenue	845,000	-	55,000	790,000	60,000
Certificates of Obligation Taxable Series 2013	-	-	-	-	
Total Governmental - Type Activities	845,000		55,000	790,000	60,000
Business-Type Activities:					
General Obligation Refunding Bonds Series 2015	6,345,000	-	575,000	5,770,000	600,000
Total Business-Type Activities	6,345,000		575,000	5,770,000	600,000
Total Government	7,190,000		630,000	6,560,000	660,000

DEBT

At September 30, 2017, The City had \$790,000 in Combination Tax and Limited Revenue Certificates of Obligation, Taxable Series 2013 outstanding as compared to \$845,000 at the end of the prior fiscal year. In 2013, the City issued \$1,000,000 Combination Tax and Limited Revenue Certificates of Obligation, Taxable Series 2013 to help fund the construction of the Convention Center at Drippings Springs Ranch Park. In 2015, the City refinanced \$7,410,000 of debt with General Obligation Refunding Bonds, Series 2015. The funds were used to construct the wastewater system. \$5,770,000 was outstanding at September 30, 2017.

**CITY OF DRIPPING SPRINGS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER, 30, 2017**

GENERAL FUND BUDGETARY HIGHLIGHTS

The largest single revenue source is the Sales Taxes collected and is estimated at \$2,011,554 for 2017. Other taxes and City Fees are budgeted at \$1,726,201 for a total of \$4,868,833. General Fund expenditures are budgeted at \$5,689,669.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

An excellent school system, new housing developments, city parks and recreation areas, and Hill Country living continue to draw an influx of residents to Dripping Springs. This provides an increase in sales tax, Ad Valorem and building and other fees. These enable the City to complete projects outlined in the City Comprehensive Plan and Transportation Plan to address the needs of a growing population and provide a unique living experience for the citizens of Dripping Springs.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

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

CITY OF DRIPPING SPRINGS, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER, 30, 2017

	Primary Government		
	Government	Business -	
	Activities	Type activity	Total
ASSETS			
Cash and Investments	\$3,315,425	\$3,606,684	\$6,922,109
Restricted Assets			
Cash and Cash Equivalents	94,791	704,156	798,947
Property Taxes Receivable, Net or Estimated			
Uncollectible Taxes of \$175	23,202		23,202
Sales Tax Receivable	163,449		163,449
Accounts Receivable	199,038	692,704	891,742
Land	5,407,095		5,407,095
Buildings	1,134,319		1,134,319
Improvements other than Buildings	7,484,171		7,484,171
Machinery and Equipment	830,993		830,993
Infrastructure	713,866	10,243,804	10,957,670
Loan Origination Fees		171,686	171,686
Capitalized Interest		375,000	375,000
Accumulated Depreciation & Amortization	(2,923,405)	(3,567,643)	(6,491,048)
Total Assets	<u>\$16,442,944</u>	<u>\$12,226,391</u>	<u>\$28,669,335</u>
Deferred Outflow of Resources	46,613		46,613
LIABILITIES			
Accounts Payable	\$42,107	\$11,403	\$53,510
Accrued Expenses, Taxes & Retirement Payable	61,460		61,460
Developer Deposits & other liabilities	112,530	0	112,530
Wastewater & Reservation Deposits		518,595	518,595
Combination Tax and Ltd Rev CO Tax'13 current	60,000		60,000
General Oblgtn Refund Bonds Series '15 current		600,000	600,000
Total Current Liabilities	<u>\$276,097</u>	<u>\$1,129,998</u>	<u>\$1,406,095</u>
Unearned Revenue	0		0
Compensated Absences Payable	66,295		66,295
Net Pension Liability	74,439		74,439
General Obligation Refunding Bonds Series 2015		5,170,000	5,170,000
Combination Tax and Limited Revenue CO Tax'13	730,000		730,000
Total Long Term Liabilities	<u>870,734</u>	<u>5,170,000</u>	<u>6,040,734</u>
Total Liabilities	<u>1,146,831</u>	<u>6,299,998</u>	<u>7,446,829</u>
Deferred Inflows of Resources	23,460		23,460
NET POSITION			
Net Investment in Capital Assets	11,857,039	1,452,847	13,309,886
Restricted	94,791	704,156	798,947
Unrestricted	3,367,436	3,769,390	7,136,826
Total Net Position	<u>\$15,319,266</u>	<u>\$5,926,393</u>	<u>\$21,245,659</u>

The accompanying notes are an integral part of the financial statements

CITY OF DRIPPING SPRINGS, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER, 30, 2017

	Net (Expenses) Revenues and Changes in Net Position			
	Expenses	Program Revenues	Primary Governmental	Business-type Activities
		Charges for Services	Governmental Activities	
Primary Government Governmental Activities				
General Government	\$3,514,510	\$150,842	(\$3,363,668)	(\$3,363,668)
Parks and Recreation	602,078	467,924	(\$134,154)	(\$134,154)
Grant expenses	244,644		-	(244,644)
Interest on Long-Term Debt	144,739		(\$35,068)	(109,671)
Total Primary Government	\$4,505,971	\$618,766	(\$3,532,890)	(\$354,315)
Business-type Activities				
Wastewater Fund	1,327,893	405,242		(922,651)
Total Government	\$5,833,864	\$1,024,008	(\$3,532,890)	(\$1,276,966)
Taxes				
Sales Tax & Mixed Bev. Tax			1,269,078	469,838
Property Taxes & Hotel tax			919,407	0
Development Fees			1,634,022	0
Connection Fees				214,513
Grant income			1,000	244,644
Franchise Fees			0	198,983
Interest Income			24,747	35,649
Impact fees			0	515,120
Other Revenue			113,210	36,165
Donations			1,800	1,800
Total General Revenues			3,963,264	1,714,912
Service Charges			0	0
Transfers In			0	0
Transfers Out			0	0
Total General Revenues, Transfer and Service Charges			3,963,264	1,714,912
Changes in Net Position			430,374	437,946
Beginning Net Position			14,888,892	5,488,447
Adjustment to Beginning Net Position			0	0
Adjusted Beginning Net Position			14,888,892	5,488,447
Ending Net Position			\$15,319,266	\$5,926,393

The accompanying notes are an integral part of the financial statements

**CITY OF DRIPPING SPRINGS, TEXAS
BALANCE SHEET – GOVERNMENT FUNDS
SEPTEMBER, 30, 2017**

	General Fund	Debt Service Fund	Special Revenue Funds	Total Governmental Funds
ASSETS				
Cash and Investments	\$2,271,930		1,043,495	\$3,315,425
Restricted Cash	-	94,791		94,791
Accounts Receivable	199,038			199,038
Property Taxes Receivable, Net of Estimated Uncollectible Taxes of \$175	23,202			23,202
Sales Tax Receivable	163,449			163,449
Total Assets	\$2,657,619	\$94,791	1,043,495	\$3,795,905
LIABILITIES				
Accounts Payable	\$42,107			\$42,107
Employment Taxes & Retirement Payable	61,460			61,460
Unearned Revenue	23,202			23,202
Developer Deposits	112,530			112,530
Total Liabilities	239,299			239,299
FUND BALANCES				
Nonspendable	0	0		0
Restricted - Debt Service	0	94,791		94,791
Restricted - Grant Mercer Street Project	-		6,525	6,525
Restricted - Grant Expenditures DSRP	0		-	
Committed - Reserve & Hotel Funds	0		756,703	756,703
Assigned - DSRP, PEG, Farmers Market	0	0	280,267	280,267
Unassigned	2,418,320			2,418,320
Total Fund Balances	2,418,320	94,791	1,043,495	3,556,606
Total Liabilities and Fund Balances	\$2,657,619	\$94,791	1,043,495	\$3,795,905

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
SEPTEMBER, 30, 2017

Total Fund Balance - Governmental Funds	\$3,556,606
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	23,202
Remove Deferred Outflows of Resources as they are not current assets	46,613
remove Deferred Inflows of Resources as they are not current liabilities	(23,460)
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	5,407,095
Building	1,134,319
Improvements other than Buildings	7,484,171
Machinery and Equipment	830,993
Infrastructure	713,866
Less: Accumulated Depreciation	(2,923,405)
Long-term liabilities are not due in the current period and therefore, are not reported in the Governmental Fund Balance Sheet	(790,000)
Net Pension Liability is not included in Governmental Funds	(74,439)
Compensated absences are not due and payable in the current period and therefore are not reported in the Governmental Fund Balance Sheet	<u>(66,295)</u>
Net Position of governmental activities	<u>\$15,319,266</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, 2017

	General Fund	Debt Service Fund	Special Revenue Funds	Total Governmental Funds
REVENUES				
Sales Taxes	\$1,269,078			\$1,269,078
Ad Valorem Taxes & Hotel Taxes	686,174		238,239	924,413
Franchise Fees	-			-
Charges for Services	150,842		-	150,842
Development Fees	1,634,022			1,634,022
Interest Income	15,836	872	8,038	24,746
Fines and Forfeits	0			-
Other Revenues	100,812	0	12,398	113,210
Grant Revenue	1,000			1,000
Park Revenues	107,133		360,791	467,924
Donations	1,800		-	1,800
Total Revenues	<u>3,966,697</u>	<u>872</u>	<u>619,466</u>	<u>4,587,035</u>
EXPENDITURES				
Administrative				
Personnel Services	1,061,256			1,061,256
Supplies and Operations	541,588			541,588
Contract Services	940,180			940,180
Capital Outlay	180,582		39,438	220,020
Miscellaneous	555,524	0	231,384	786,908
Total Administrative	<u>3,279,130</u>	<u>0</u>	<u>270,822</u>	<u>3,279,130</u>
Parks and Recreation				
Personnel Services	30,000			30,000
Supplies and Operations	92,464			92,464
Contract Services	10,284			10,284
Founders Day expenses	58,064			58,064
DSRP Expenses			223,391	223,391
Farmers Market			27,253	27,253
Total	<u>190,812</u>		<u>250,644</u>	<u>441,456</u>
Debt Service				
Principal - Taxable Certificates of Obligation		55,000		55,000
Interest - Taxable Certificates of Obligation		35,068		35,068
Total Debt Service	0	90,068		90,068
Total Expenditures	<u>3,469,942</u>	<u>90,068</u>	<u>521,466</u>	<u>4,081,476</u>
Excess Revenues Over (Under) Expenditures	<u>496,755</u>	<u>(89,196)</u>	<u>98,000</u>	<u>505,559</u>
Other Financing Sources (Uses)				
Transfer from General Fund	674,151	0	-	674,151
Transfer to Wastewater	0	(674,151)		(674,151)
Transfer from Wastewater Fund		0		0
Total Other Financing Sources (Uses)	<u>674,151</u>	<u>(674,151)</u>	<u>-</u>	<u>0</u>
Net Changes in Fund Balance	<u>1,170,906</u>	<u>(763,347)</u>	<u>98,000</u>	<u>505,559</u>
Fund Balance Beginning of Year	1,247,414	858,138	945,495	3,051,047
Adjustment to Beginning of Year Fund Balance	0	0		0
Adjusted Fund Balance Beginning of Year	<u>1,247,414</u>	<u>858,138</u>	<u>945,495</u>	<u>3,051,047</u>
Fund Balance End of Year	<u>\$2,418,320</u>	<u>\$94,791</u>	<u>1,043,495</u>	<u>\$3,556,606</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, 2017**

Net Changes in Fund Balance -- Governmental Fund	\$505,559
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>	
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
Property taxes not collected	\$23,202
Less prior year	\$(28,208)
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.	(5,006)
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.	(318,729)
Total Pension Expense is not recognized in governmental funds	55,000
Expenses related to capital outlays and land donated are not included in governmental expenditures.	6,836
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	(25,868)
Changes in Net Position of Governmental Activities	220,020
	(7,438)
	\$430,374

The accompanying notes are an integral part of the financial statements

**CITY OF DRIPPING SPRINGS, TEXAS
STATEMENT OF NET ASSETS PROPRIETARY FUND
SEPTEMBER, 30, 2017**

	Wastewater
Assets	
Current Assets	
Cash and Cash Equivalents	\$3,606,684
Restricted Assets	
Cash and Cash Equivalents	704,156
Accounts Receivable	692,704
Capital Assets	
Infrastructure - Wastewater, less depreciation	6,847,847
Capitalized Interest	375,000
Total Assets	\$12,226,391
Liabilities	
Accounts Payable	\$11,403
General Obligation Refunding Bonds Series 2015	5,770,000
Wastewater & Reservation deposits	518,595
Total Liabilities	6,299,998
Net Position	
Net Investment in Capital Assets	1,452,847
Restricted for Debt Service	704,156
Unrestricted (Deficit)	3,769,390
Net Position	\$5,926,393

The accompanying notes are an integral part of the financial statements

CITY OF DRIPPING SPRINGS, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS PROPRIETARY FUND
SEPTEMBER, 30, 2017

	Wastewater
Operating Income	
Charges for Services	405,242
Operating Expenses	(1,327,893)
Grant expenses	(244,644)
Professional services	
Income (loss) from Operations	(1,167,295)
Nonoperating Revenues (Expenses)	
Sales Tax	469,838
Interest expense	(109,671)
Franchise Fees	198,983
Connection Fees	214,513
Other Income	36,165
Impact fees	515,120
Interest Income	35,649
Grant income	244,644
Transfers from General Fund	0
	1,605,241
Total Nonoperating Revenues (Expenses)	
Changes in Net Position	437,946
Net Position - Beginning of Year	5,488,447
Net Position - End of Year	\$5,926,393

The accompanying notes are an integral part of the financial statements

CITY OF DRIPPING SPRINGS, TEXAS
STATEMENT OF CASH FLOWS / PROPRIETARY FUND
SEPTEMBER, 30, 2017

	<u>Wastewater</u>
Cash Flows from Operating Activities	
Decrease in Accounts Payable	(62,382)
Increase in Accounts Receivable	(350,877)
Increase in Wastewater Deposits	176,048
Operating Expenses	(1,237,893)
Operating Income	405,242
Grant income	244,644
Other Income	36,165
Depreciation & Amortization	486,140
Net Cash Provided (Used by Operating Activities)	<u>(302,913)</u>
Cash Flows From Capital and Related Financing Activities	
Impact Fees, less receivables	515,120
Franchise Fees	198,983
Connection Fees	214,513
Sales taxes	469,838
Capital outlay	(567,022)
Increase in Restricted cash	(19,485)
Net Cash Provided by Capital and Related Financing Activities	<u>811,947</u>
Cash Flows From Noncapital Financing Activities and Transfers	
Payment on General Obligation Refunding Bonds Series 2015	(575,000)
Transfer to Other Funds	-
Transfer from Other Funds	-
Net Cash from Noncapital Financing Activities	<u>(575,000)</u>
Cash Flows from Investing Activities	
Interest Expense	(109,671)
Interest Income	35,649
Net Cash from Investing Activities	(74,022)
Net Increase (Decrease) in Cash and Cash Equivalents	(139,988)
Cash and Cash Equivalents -- Beginning of Year	3,746,672
Cash and Cash Equivalents - End of Year	<u>3,606,684</u>

The accompanying notes are an integral part of the financial statements

**CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER, 30, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

A. Reporting Entity

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

B. Basis of Presentation

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

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

**CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER, 30, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Funds

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

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

Proprietary Fund

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

Fiduciary Funds

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

C. Measurement Focus and Basis of Accounting

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

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

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

D. Cash and Cash Equivalents

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

E. Property Taxes

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

**CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER, 30, 2017**

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, 2016 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
SEPTEMBER, 30, 2017**

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
SEPTEMBER, 30, 2017**

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, 2017 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 \$7,721,056 and the respective bank balances totaled \$7,980,555. 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 \$8,000,000 consisting of U.S. Government agency obligations with a fair value of \$8,000,000 and State of Texas instrumentality obligations with a fair value of \$8,000,000. 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, 2017.

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 2017 was \$0.17 per \$100.00 assessed valuation. The adjusted original tax roll was \$631,855 on total taxable assessed value of \$371,512,891.

Property taxes as of September 30, 2017, are as follows:

	General Fund
Current Taxes Receivable	5,109
Delinquent & Rollback Taxes Receivable	18,268
	<u>23,377</u>

**CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER, 30, 2017**

5. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2017 was as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Governmental Activities				
Capital Assets not Being Depreciated:				
Land	\$5,407,095	\$0	\$0	\$5,407,095
Capital Assets Being Depreciated:				
Buildings	1,101,238	33,081	0	1,134,319
Improvements Other Than Buildings	7,433,789	50,382		7,484,171
Machinery and Equipment and Vehicles	785,512	45,481	0	830,993
Infrastructure	622,790	91,076		713,866
Total Assets Being Depreciated	9,943,329	220,020	0	10,163,349
Less Accumulated Depreciation for:				
Buildings	320,500	40,271	0	360,771
Improvements Other Than Buildings	1,445,496	31,723		1,477,219
Machinery & Equipment	585,739	107,807		693,546
Infrastructure	252,941	138,928		391,869
Total Accumulated Depreciation	2,604,676	318,729	0	2,923,405
Total Capital Assets Being Depreciated, Net	7,338,653	(98,709)	0	7,239,944
	<u>\$12,745,748</u>	<u>(\$98,709)</u>	<u>\$0</u>	<u>12,647,039</u>
Proprietary Activities				
Wastewater Infrastructure	9,921,426	322,378	0	10,243,804
Capitalized Interest	375,000	-		375,000
Loan Origination Fees	171,686	-		171,686
Less Accumulated Depreciation & Amort for:				
Wastewater Infrastructure & Intangibles	3,081,503	486,140	0	3,567,643
Total Capital Assets Being Depreciated, Net	7,386,609	(163,762)	0	7,222,847

**CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER, 30, 2017**

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	\$159,279
Parks	<u>159,450</u>
Total	<u>\$318,729</u>
Proprietary Activities	
Water/Wastewater	<u>486,140</u>

6. LONG-TERM DEBT

At September 30, 2017, the City's long-term debt consisted of the following:

- \$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.
- \$1,000,000 Combination Tax and Limited Revenue Certificates of Obligation, Taxable Series 2013, with interest payable semi-annually on March 1 and September 1 and principal annually on September 1. The interest rate on the Taxable Certificates of Obligation 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, 2017.

	Payable Beginning of Year	Additions	Reductions	Payable End of Year	Current portion
Governmental - Type Activities:					
Combination Tax and Limited Revenue Certificates of Obligation Taxable Series 2013	845,000	-	55,000	790,000	60,000
Total Governmental - Type Activities	<u>845,000</u>		<u>55,000</u>	<u>790,000</u>	<u>60,000</u>
Business-Type Activities:					
General Obligation Refunding Bonds Series 2015	6,345,000	-	575,000	5,770,000	600,000
Total Business-Type Activities	<u>6,345,000</u>	<u>-</u>	<u>575,000</u>	<u>5,770,000</u>	<u>600,000</u>
Total Government	<u>7,190,000</u>		<u>630,000</u>	<u>6,560,000</u>	<u>660,000</u>

Debt Service Requirements

Taxable Certificates of Obligation:

For each Combination Tax and Limited Revenue Certificates of Obligation, Taxable Series 2013, 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, 2017 the funding requirements had been met.

**CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER, 30, 2017**

6. LONG-TERM DEBT (CONTINUED)

General Obligation Refunding Bonds Series 2015 (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, 2017, the funding requirements had been met.

The principal and interest requirements on the above long-term debt at September 30, 2017 are as follows:

Taxable Certificates of Obligation	Fiscal Year	Principal	Interest	Total
	2018	60,000	32,785	92,785
\$1,000,000 Combination	2019	60,000	30,295	90,295
Tax and Limited Certificates	2020	65,000	27,805	92,805
Taxable Series 2013	2021	65,000	25,108	90,108
	2022	70,000	22,410	92,410
	2023-2028	470,000	69,863	539,863
Total		790,000	208,266	998,266
\$7,410,000 General Obligation	2018	600,000	104,156	704,156
Refunding Bonds Series 2015	2019	610,000	97,059	707,059
	2020	625,000	88,726	713,726
	2021	650,000	79,182	729,182
	2022	665,000	68,288	733,288
	2023-2026	2,620,000	145,038	2,765,038
Total		5,770,000	582,449	6,352,449

**CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER, 30, 2017**

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 \$6,617. 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, 2016 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	9
Active employees	<u>18</u>
Total	27

**CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER, 30, 2017**

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 2016 and 2017 respectively. The city's contributions to TMRS for the year ended September 30, 2017 were \$14,212, 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, 2016, 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, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation 2.5% per year

Overall payroll growth 3.5 to 10.5% per year

Investment Rate of Return 6.75% net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB 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, 2016, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2010 through December 31, 2015, first used in the December 31, 2016 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, 2016. These assumptions were first used in the December 31, 2015 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

**CITY OF DRIPPING SPRINGS, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS
 SEPTEMBER, 30, 2017**

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 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan’s Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

City of Dripping Springs
Schedule of Changes in Net Pension Liability and Related Ratios Current Period
September 30, 2017

A.	Total pension liability	
	1. Service Cost	\$ 50,354
	2. Interest (on the Total Pension Liability)	29,124
	3. Changes of benefit terms	-
	4. Difference between expected and actual experience	(4,706)
	5. Changes of assumptions	-
	6. Benefit payments, including refunds of employee contributions	-
	7. Net change in total pension liability	<u>\$ 74,772</u>
	8. Total pension liability - beginning	<u>406,290</u>
	9. Total pension liability - ending	<u><u>\$ 481,062</u></u>
B.	Plan fiduciary net position	
	1. Contributions - employer	\$ 14,212
	2. Contributions - employee	38,205
	3. Net investment income	22,471
	4. Benefit payments, including refunds of employee contributions	-
	5. Administrative Expense	(253)
	6. Other	(14)
	7. Net change in plan fiduciary net position	<u>\$ 74,621</u>
	8. Plan fiduciary net position - beginning	<u>332,002</u>
	9. Plan fiduciary net position - ending	<u><u>\$ 406,623</u></u>
C.	Net pension liability [A.9-B.9]	<u><u>\$ 74,439</u></u>
D.	Plan fiduciary net position as a percentage of the total pension liability [B.9 / A.9]	84.53%
E.	Covered-employee payroll	\$ 764,092
F.	Net pension liability as a percentage of covered employee payroll [C / E]	9.74%

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

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.75%) or 1 percentage point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$161,053	\$74,439	\$3,690

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, 2017**

1.	Total Service Cost	\$ 50,354
2.	Interest on the Total Pension Liability	29,124
3.	Current Period Benefit Changes	-
4.	Employee Contributions (Reduction of Expense)	(38,205)
5.	Projected Earnings on Plan Investments (Reduction of Expense)	(22,410)
6.	Administrative Expense	253
7.	Other Changes in Fiduciary Net Position	14
8.	Recognition of Current Year Outflow (Inflow) of Resources - Liabilities	(703)
9.	Recognition of Current Year Outflow (Inflow) of Resources - Assets	(12)
10.	Amortization of Prior Year Outflows (Inflows) of Resources - Liabilities	2,711
11.	Amortization of Prior Year Outflows (Inflows) of Resources - Assets	<u>4,742</u>
12.	Total Pension Expense	<u>\$ 25,868</u>

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

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

CITY OF DRIPPING SPRINGS
SCHEDULE OF OUTFLOWS AND INFLOWS - CURRENT AND FUTURE EXPENSE
SEPTEMBER 30, 2017

	<u>Recognition Period (or amortization yrs)</u>	<u>Total (Inflow) or Outflow of Resources</u>	<u>2016 Recognized in current pension expense</u>	<u>Deferred (Inflow) Outflow in future expense</u>
<u>Due to Liabilities:</u>				
Difference in expected and actual experience [actuarial (gains) or losses]	6.6900	\$ (4,706)	\$ (703)	\$ (4,003)
Difference in assumption changes [actuarial (gains) or losses]	6.6900	\$ -	\$ -	\$ -
			<u>\$ (703)</u>	<u>\$ (4,003)</u>
<u>Due to Assets:</u>				
Difference in projected and actual earnings	5.0000	\$ (61)	\$ (12)	\$ (49)
on pension plan investments [actuarial (gains) or losses]			<u>\$ (12)</u>	<u>\$ (49)</u>
<u>Total:</u>				<u>\$ (4,052)</u>

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

	<u>Net deferred outflows (inflows) of resources</u>
2017	\$ 6,738
2018	6,737
2019	6,080
2020	1,995
2021	2,008
Thereafter	<u>2,151</u>
Total	\$ 25,709

**CITY OF DRIPPING SPRINGS, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS
 SEPTEMBER, 30, 2017**

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 2017, 2016, and 2015 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
2014	0.00%	0.00%	100%
2015	0.00%	0.00%	100%
2016	0.00%	0.00%	100%
2017	0.00%	(city to provide)	(city to provide)
2018	0.00%	(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, 2017.

**CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER, 30, 2017**

12. SUBSEQUENT EVENTS

In Fiscal Year 2018 planned development includes eleven residential developments currently being platted or under construction. Several of these have a commercial component to them which will not only generate site development, subdivision and building permit fees but also sales tax and job creation. Seven of these, which include a senior living development, are in the city limits and will generate a substantial increase in Ad Valorem tax. Many of these developments have wastewater capacity reserved through the City's South Regional Wastewater Treatment and Collection System. The City recently completed a Wastewater Expansion project which resulted in committed capacity to those aforementioned projects. Wastewater Impact Fees from these developments will generate over \$2 million dollars in impact fees in the next fiscal year.

A 70+ acre commercial tract currently under construction and partially completed and open for business will house shops, restaurants and a movie theater. Additionally, shops, medical office buildings, wineries, breweries and music venues continue to spring up throughout the City and Extraterritorial Jurisdiction, all having an impact on fees, sales tax and jobs.

Tourism has also been significantly impacted by growth in Dripping Springs. Dripping Springs Ranch Park which is currently in its fourth year of operation is home to the County livestock show as well as many rodeos, horse shows and other events throughout the year. It also has hiking, biking and equestrian trails that draw people from inside and outside the city. Dripping Springs, known as the Wedding Capital of Texas and is attracting couples from all over for scenic Hill Country Weddings. With an increase in the number of bed and breakfasts and hotels in the City we expect an increase in Ad Valorem, sales tax and Hotel Occupancy Tax which will aid in the expansion of job opportunities and tourism in the area.

**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, 2017

	<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				
Taxes - Ad Valorem, penalties, interest	624,170	636,326	681,168	44,842
Sales & mixed beverage tax	2,011,554	2,011,554	1,269,078	(742,476)
Alcohol permits	3,900	3,900	4,835	935
solide waste	400	1,025	-	(1,025)
Rental Income	6,000	10,000	1,600	(8,400)
Total Taxes	2,646,024	2,662,805	1,956,681	(706,124)
Charges for Services				
Zoning, Sign and Other Fees	25,000	45,000	65,972	20,972
Building Code Fees	595,500	595,500	859,992	264,492
Health Permit Inspections	36,000	36,000	50,786	14,786
Municipal court revenues	250	250	-	(250)
Total Charges for Services	656,750	676,750	976,750	300,000
Development Fees				
Subdivision	350,000	350,000	495,328	145,328
Mercer Street Project	-	-	-	-
Site Development	150,000	150,000	278,702	128,702
Total Development Fees	500,000	500,000	774,030	274,030
Other Revenues				
storm damage income	-	141,665	-	(141,665)
Ag Facility fees	-	5,460	-	(5,460)
HOT funds	-	-	-	-
Hotel Occupancy tax	-	260,000	238,239	238,239
ESD Fire Inspections income	4,500	4,500	14,546	10,046
1% TWC fees	-	4,000	13,104	9,104
Other income	15,000	23,000	96,381	73,381
Donations	-	2,000	1,800	-
Transfer from Park dedication	-	274,168	38,672	(235,496)
Total Other Revenues	19,500	714,793	402,742	(51,851)
Interest Income	4,500	15,000	29,283	14,283
Total General Government Revenues	3,826,774	4,569,348	4,139,486	(169,662)

CITY OF DRIPPING SPRINGS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET & ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER, 30, 2016

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
Farmers Market sponsor	200	200	50	(150)
Promotional fees	2,592	2,592	3,186	594
Applications	2,120	2,120	3,244	1,124
booth space	19,440	19,440	24,700	5,260
Tomato Festival	-	4,392	3,996	(396)
Total Farmers Market	200	200	24	(176)
Riding Permits	-	15,000	14,519	(481)
Bleacher rentals	-	-	5,000	5,000
Park donations	-	200	5	(195)
outdoor arena	-	-	450	450
Park rental fees	1,000	1,000	2,498	1,498
house rental	-	-	11,600	-
Total Park Revenues	1,200	1,200	69,272	(68,072)
Grant Revenue	1,000	1,000	1,000	-
DSRP Riding Series/transfer from HOT	-	45,000	82,493	37,493
DSRP VIP Boxes & Bleachers	-	2,500	2,500	-
DSRP Stall Rentals	-	10,000	6,275	(3,725)
RV Site Rentals	-	16,500	20,835	4,335
Camping fees	-	50	10	(40)
Facility rentals	-	70,000	59,982	(10,018)
Equipment rental	-	4,000	3,251	(749)
Sponsored events/Rodeo Series	-	50,000	8,900	(41,100)
field rental	-	-	1,250	1,250
Other income	-	1,000	13,921	12,921
Interest income	-	500	1,294	794
indoor arena rental/transfer from Ag facility	-	24,535	20,480	(4,055)
special event room rental	-	-	13,575	13,575
Total DSRP Ranch Revenues	-	224,085	118,218	(23,087)
Founders Day	-	-	-	-
Craft Booths	5,300	5,000	5,257	257
Food Booths	1,100	1,000	1,008	8
BBQ Cookers	4,700	4,700	4,550	(150)
Carnival	9,000	9,000	9,200	200
Washers	-	-	-	-
Publicity	-	-	-	-
Parade	3,200	3,200	2,600	(600)
Sponsorships	33,000	40,300	38,250	(2,050)
Electric	-	-	1,840	1,840
Parking Fees	-	-	2,394	2,394
Miscellaneous	-	-	875	875
Ice sales	-	-	-	-
Transfer from HOT	-	10,000	10,000	-
Total Founders Day Revenue	56,300	73,200	75,974	2,774
Total Park Revenues	57,500	299,485	264,464	(88,385)
Total General Fund Revenues	3,884,274	4,868,833	4,403,950	(464,883)

CITY OF DRIPPING SPRINGS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET & ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER, 30, 2017

	<u>Budgeted Amounts</u>			Variance with
	Original	Final	Actual Amounts	Final Budget Positive (Negative)
GENERAL GOVERNMENT EXPENDITURES				
Administrative				
Personnel Services		0	34,009	(34,009)
Salaries	1,103,308	1,103,308	1,027,246	76,062
Payroll Taxes	84,403	84,634	109,006	(24,372)
Health Insurance Employee Benefits	9,786	90,149	110,613	(20,464)
Retirement	23,833	33,630	44,448	(10,818)
Bad debt expense	-	2,500	4,970	(2,470)
Records management	-	20,000	1,682	18,318
Engineering	15,000	60,000	65,004	(5,004)
Office Supplies	15,000	15,000	19,969	(4,969)
Office Equipment/Software	12,095	23,000	21,464	1,536
historic register plaques	-	-	4,400	(4,400)
Copier	6,014	6,014	6,617	(603)
Copies	1,000	1,000	617	383
Street lights	20,000	20,000	20,004	(4)
streets water	8,000	8,000	2,611	5,389
Office electric	-	-	3,908	(3,908)
Office water	800	800	522	278
Stephenson & vTriangle Electric	3,000	3,000	1,902	1,098
Stephenson Water	500	500	428	72
Public safety	3,900	3,900	3,900	-
Street maintenance & Transportation Improve	900,000	900,000	169,233	730,767
office maintenance repairs	-	-	9,078	(9,078)
maintenance equipment	9,123	9,123	5,374	3,749
city hall remodel	150,000	130,000	33,081	96,919
city hall repairs & maintenance	6,000	6,000	-	6,000
City beautification	1,000	1,000	799	201
family violence center	6,200	6,200	6,200	-
City Comprehensive plan	-	10,000	6,418	3,582
Lighting compliance	1,000	1,000	-	1,000
historic district	1,000	1,000	2,766	(1,766)
economic development	5,000	5,000	5,000	-
Emergency Management	7,500	7,500	6,633	867
Emergency Equip Maint	-	1,601	1,507	94
public relations	5,000	5,000	4,660	340
website newsletter	1,500	1,500	1,500	-
postage	2,500	4,500	2,651	1,849
TML insurance liability	7,000	11,401	11,401	-
TML insurance property	16,000	18,289	18,289	-
TML insurance workers comp	8,000	15,788	15,788	-
dues fees pubs	20,000	20,000	29,826	(9,826)
public notices	1,500	2,500	4,403	(1,903)
election	2,000	2,000	1,583	417
Communications/Network	40,800	40,800	55,339	(14,539)
Total Contract Services	<u>2,497,762</u>	<u>2,675,637</u>	<u>1,840,840</u>	<u>834,797</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, 2017

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
Financial Services	80,000	80,000	93,288	(13,288)
City Attorney	100,000	150,000	192,554	(42,554)
Muni court	5,000	5,000	4,375	625
City Inspector	-	-	-	-
Building inspector	476,400	476,400	536,448	(60,048)
Health inspector	30,000	40,000	35,947	4,053
Electrical upgrade	5,400	5,400	4,277	1,123
Architectural Consultant	5,000	5,000	8,802	(3,802)
Lighting consultant	1,000	4,000	8,136	(4,136)
Training CE	11,378	11,378	5,538	5,840
Code publication	5,000	5,000	955	4,045
Fleet maintenance	5,000	8,000	9,319	(1,319)
mileage	2,000	2,500	1,637	863
miscellaneous	5,000	7,000	1,568	5,432
Visitors Bureau	-	-	63,270	(63,270)
TXF to WW Reserve	-	-	-	-
TXF to Reserve Fund	40,526	61,921	-	61,921
Sales Tax TXF to WWU	483,921	483,921	341,465	142,456
Eco D transfer	357,000	357,000	-	357,000
Total Administrative expenses	1,612,625	1,702,520	1,307,579	394,941
Storm Damage & Damage Repair	30,000	30,000	6,739	23,261
Park Consultants	7,500	7,500	10,284	(2,784)
Pool Management	30,000	30,000	30,000	-
pool equipment	-	-	7,159	(7,159)
general maintenance	3,500	3,500	227	3,273
Founders Park, Charro & Sports Rec Improvements	269,700	269,700	28,532	241,168
General park	-	-	1,074	(1,074)
Charro Ranch park	1,670	1,670	357	1,313
Park Public Improvements	272,700	272,700	-	272,700
portable toilets	5,000	5,000	4,284	716
electric	-	-	-	-
water	10,200	10,200	21,749	(11,549)
founders park maintenance	22,000	22,000	2,959	19,041
S&R park maintenance	34,900	34,900	5,895	29,005
Charro ranch park maintenannce	10,400	10,400	1,570	8,830
Triangle veterans memorial park	12,000	12,000	771	11,229
lawn maintenance All Parks	900	900	46,020	(45,120)
Total Parks	680,470	680,470	160,881	519,589
DSRP Operating expenses				-
Advertising	-	100	6,075	(5,975)
Office supplies	-	750	1,557	(807)
Supplies and materials	-	20,000	18,734	1,266
Sponsored Events	-	45,000	5,430	39,570
Fair & Rodeo expense	-	2,000	1,545	455
Equipment rental	-	1,000	1,392	(392)
Equipment maintenance	-	10,000	20,337	(10,337)
Janitorial services	-	2,500	-	2,500
portable toilets	-	6,714	714	6,000
electric	-	50,000	42,971	7,029

CITY OF DRIPPING SPRINGS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET & ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER, 30, 2017

water	-	7,000	6,629	371
propane	-	5,000	626	4,374
alarm d	-	1,080	1,080	-
Equipment & Improvements	-	35,000	39,438	(4,438)
communications	-	1,875	3,387	(1,512)
lawn maintenance	-	12,500	16,700	(4,200)
park trail maintenance	-	2,000	3,360	(1,360)
general maintenance	-	43,000	18,453	24,547
stall cleaning	-	5,000	1,350	3,650
vehicle fuel & maintenance	-	4,000	500	3,500
Dues fees subscriptions	-	650	1,554	(904)
Active Net	-	-	18,120	(18,120)
Miscellaneous	-	1,000	11,944	(10,944)
Riding Series	-	-	47,207	(47,207)
mileage	-	-	207	(207)
tools	-	-	342	(342)
fuel	-	4,000	2,736	1,264
Total DSRP expenses	-	260,169	272,388	
Founders Day expenses				
Publicity	-	-	538	(538)
Rentals - Toilets	4,000	4,550	4,920	(370)
Security	-	-	15,754	(15,754)
Band	9,450	15,000	9,620	5,380
Sound System	-	-	-	-
Electrical setup	-	9,941	339	9,602
Barricades & traffic plan	6,500	7,000	9,588	(2,588)
Electricity	-	400	1,515	(1,115)
Tents, Tables, & Chairs	-	2,000	1,420	580
Sponsorships	-	-	3,118	(3,118)
Parade	-	-	1,657	(1,657)
MAP & Insurance	-	-	1,191	(1,191)
Postage & Miscellaneous	-	3,000	4,656	(1,656)
Contingencies	2,600	20,000		20,000
Clean-up & waste disposal	3,250	4,000	3,750	250
Total Founders Day	<u>25,800</u>	<u>65,891</u>	<u>58,066</u>	<u>7,825</u>
Total Farmers Market Expenses	<u>23,802</u>	<u>20,127</u>	<u>27,253</u>	<u>(7,126)</u>
Total HOT, Parkland & Mercer St Project expenses	<u>269,855</u>	<u>284,855</u>	<u>231,384</u>	<u>53,471</u>
Total Parks & Recreation	<u>999,927</u>	<u>1,311,512</u>	<u>749,972</u>	<u>561,540</u>
Total Governmental Expenditures	<u>5,110,314</u>	<u>5,689,669</u>	<u>3,898,391</u>	<u>1,791,278</u>
Revenues Over (Under) Expenditures	<u>(1,226,040)</u>	<u>(820,836)</u>	<u>505,559</u>	<u>1,326,395</u>
Other Financing Sources (Uses)				
Transfer to WW reserve	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Changes in Fund Balance	<u>(1,226,040)</u>	<u>(820,836)</u>	<u>505,559</u>	<u>1,326,395</u>
Fund Balance Beginning of Year	<u>3,051,047</u>	<u>3,051,047</u>	<u>3,051,047</u>	
Adjustment to Beginning Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	
Adjusted Beginning Fund Balance	<u>3,051,047</u>	<u>3,051,047</u>	<u>3,051,047</u>	
Fund Balance End of Year	<u>1,825,007</u>	<u>2,230,211</u>	<u>3,556,606</u>	<u>1,326,395</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, 2017

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General Government				
Solid Waste	-	25,000	21,452	(3,548)
Franchise Fees	-	500	832	332
Portion of Sales Tax	-	483,921	469,838	(14,083)
PEC	-	80,000	95,977	15,977
ROW fees	-	20,000	20,242	
Total Taxes & revenues	-	609,421	608,341	(1,080)
Charges for Services				
Wastewater sales	-	315,000	339,755	24,755
Late fees/return check Fees	-	6,000	8,658	2,658
Over Use fees	-	17,000	21,744	4,744
Line extensions	-	84,841	-	(84,841)
Cable	-	27,000	81,931	54,931
Total Charges for Services	-	449,841	452,088	2,247
Development Fees				
Transfer fees	-	1,000	4,267	3,267
Delayed connection fees	-	249,350	201,248	(48,102)
Connection Fees	-	-	13,265	13,265
Total Development Fees	-	250,350	218,780	(31,570)
Other Revenues				
CDBG Grant for Water Service Co.	-	-	244,644	244,644
Prior year Balance Forward	-	-	108,542	108,542
Other income	-	2,000	35,552	33,552
Transfers general fund	-	-	-	-
Impact fees	-	969,400	515,120	(454,280)
Interest income	-	4,000	4,774	774
		-	-	-
Total Other Revenues	-	975,400	908,632	(66,768)
Interest Income	-	14,000	30,875	16,875
Total Proprietary Fund Revenues	-	2,299,012	2,218,716	(80,296)

CITY OF DRIPPING SPRINGS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET & ACTUAL – PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER, 30, 2017

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
WASTEWATER UTILITY FUND EXPENDITURES				
Meter calibrations	0	0		
Administrative expense	-	20,000	12,971	7,029
Financial fees	-	6,000	6,000	-
Planning/Permitting	-	-	186,470	(186,470)
Chlorinator expenses	-	3,500	276	3,224
Engineering & surveying fees	-	20,000	42,374	(22,374)
Electricity	-	45,000	32,274	12,726
Phone	-	2,500	2,794	(294)
Supplies	-	3,000	1,955	1,045
Chemicals	-	25,000	2,968	22,032
Legal fees	-	10,000	98,322	(88,322)
DPR	-	-	2,764	(2,764)
Lab testing	-	35,000	15,203	19,797
WWTP Phase 2	-	2,745,155	87,869	2,657,286
Amendment 2	-	16,160	37,253	(21,093)
Treated Effluent Lines	-	-	7,898	(7,898)
other expense	-	5,550	27,676	(22,126)
Odor Control	-	20,000	24,200	(4,200)
system repairs & maintenance	-	20,000	6,829	13,171
Meter calibrations	-	700	225	475
pump repairs	-	5,000	230	4,770
Drip Field Lawn maintenance	-	26,000	36,686	(10,686)
Lift Station Repairs	-	5,000	8,618	(3,618)
Other expenses & repairs	-	20,000	-	20,000
Regulatory fees	-	1,250	1,250	-
Non-routine operations	-	45,000	33,466	11,534
Construction Phase Services	-	7,500	-	7,500
Grant expenses for Water Service Co	-	-	244,644	(244,644)
Misc Planning Consulting	-	7,500	3,565	3,935
easements	-	-	1,150	(1,150)
bad debt expenses	-	-	10,500	(10,500)
WWTP repairs	-	10,000	34,106	(24,106)
Lift Station cleaning	-	4,000	-	4,000
Routine operations	-	70,000	63,136	6,864
Sludge hauling	-	30,000	39,755	(9,755)
Contingencies	-	-	3,100	(3,100)
dues fees subscriptions	-	-	86	(86)
Transfer to Debt Service	-	704,157	704,157	-
Transfer to WW reserve	-	-	-	-
Total WW Utility Fund Expenditures	-	3,912,972	1,780,770	2,132,202
Net Changes in Fund Balance	-	(1,613,960)	437,946	2,051,906
Fund Balance Beginning of Year	5,488,447	5,488,447	5,488,447	
Fund Balance End of Year	5,488,447	3,874,487	5,926,393	

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	30,743	50,354	xxxx
2. Interest (on the Total Pension Liability)	20,810	24,446	29,124	xxxx
3. Changes of benefit terms	-			
4. Difference between expected and actual experience	4,877	1,741	(4,706)	xxxx
5. Changes of assumptions	-	15,501	-	
6. Benefit payments, including refunds of employee contributions	-	-	-	xxxx
7. Net change in total pension liability	<u>\$ 47,449</u>	<u>72,431</u>	<u>74,772</u>	xxxx
8. Total pension liability - beginning	286,410	333,859	406,290	xxxx
9. Total pension liability - ending	<u><u>\$ 333,859</u></u>	<u><u>406,290</u></u>	<u><u>481,062</u></u>	xxxx
 Plan fiduciary net position				
1. Contributions - employer	\$ 6,280	8,735	14,212	xxxx
2. Contributions - employee	20,391	24,994	38,205	xxxx
3. Net investment income	14,704	440	22,471	xxxx
4. Benefit payments, including refunds of employee contributions	-	-	-	xxxx
5. Administrative Expense	(153)	(268)	(253)	xxxx
6. Other	(13)	(13)	(14)	xxxx
7. Net change in plan fiduciary net position	<u>\$ 41,209</u>	<u>33,888</u>	<u>74,621</u>	xxxx
8. Plan fiduciary net position - beginning	256,905	298,114	332,002	xxxx
9. Plan fiduciary net position - ending	<u><u>\$ 298,114</u></u>	<u><u>332,002</u></u>	<u><u>406,623</u></u>	xxxx
 Net pension liability [A.9-B.9]	 <u><u>\$ 35,745</u></u>	 <u><u>74,288</u></u>	 <u><u>74,439</u></u>	 xxxx
 Plan fiduciary net position as a percentage of the total pension liability [B.9 / A.9]	 89.29%	 81.72%	 84.53%	 xxx
 Covered-employee payroll	 \$ 407,828	 499,885	 764,092	 xxx
 Net pension liability as a percentage of covered employee payroll [C / E]	 8.76%	 14.86%	 9.74%	 xxx

City of Dripping Springs
Schedule of Contributions
Last 10 Fiscal Years (will ultimately be displayed)
September 30, 2017

	2014	2015	2016	2017
Actually Determined Contribution	\$ 26,671	\$ 33,729	\$ 52,417	\$xxx,xxx
Contributions in relation to the actuarially determined contribution	<u>26,671</u>	<u>33,729</u>	<u>52,417</u>	<u>xxx,xxx</u>
Contribution deficiency (excess)	-	-	-	xxx,xxx
Covered employee payroll	\$ 407,828	\$ 499,885	\$ 764,092	\$xxx,xxx
Contributions as a percentage of covered employee payroll	6.54%	6.75%	6.86%	xx.xx%

Noes to Schedule of Contributions

Valuation Date determined 12/31/2016
Notes

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Dripping Springs, Texas as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Dripping Springs, Texas' basic financial statements, and have issued our report thereon dated February 12, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Donald L. Allman, CPA, PC

Georgetown, TX
February 12, 2018

