Incorporated May 6, 2000

City of Wimberley

221 Stillwater, P.O. Box 2027, Wimberley, Texas, 78676
Phone: (512) 847-0025 - Fax: (512) 847-0422

Bob Flocke, Mayor - John White, Mayor Pro-Tem
Council Members - Mac McCullough, Tom Talcott, Steve Thurber, Matt Meeks
Don Ferguson, City Administrator

January 24, 2013

Ms. Stacy L. Barna
Director
Program & Policy Development
Texas Water Development Board
P.O. Box 13231
Austin, TX 78711

RE: City of Wimberley CWSRF Application (Planning & Design)

Dear Ms. Barna:

The purpose of this letter is to amend the City of Wimberley's (the "City") application for a *Texas Water Development Board Clean Water State Revolving Fund* (the "CWSRF Application") loan for the planning and design of a wastewater system to serve central Wimberley.

The City's original CWSRF Application outlined a project funding plan whereby the City will issue System Revenue Bonds, with a pledge of utility revenues from the City and ad valorem taxes from a Municipal Management District (MMD) that will encompass the proposed service area for the wastewater system. The bond issuance will be contingent on creation of the MMD and a successful tax election.

The above-mentioned funding plan anticipated the legislative creation of the MMD. However, District 45 State Representative Jason Isaac has recently notified the City that he cannot sponsor MMD legislation because he has taken a stand against the creation of any new taxes, regardless of their purpose. As a result of Representative Isaac's decision, the MMD will have to be created by the Texas Commission on Environmental Quality (TCEQ) – a process that is expected to take up to eighteen (18) months to complete.

To avoid further delay in consideration of the City's CWSRF Application, the City is requesting the subject application be amended to reflect System Revenue Bonds will be issued, with a pledge of utility and general fund revenues from the City and ad valorem tax revenues from the City, if necessary. It is anticipated that adequate general and utility fund revenues will exist, over the term of the loan, to make the required debt service payments without having to impose the referenced City ad valorem tax. Attached please find a copy of the City of Wimberley's *Annual Financial and Compliance Report for the Year Ended*

September 30, 2011. The report for Fiscal Year 2012 will be available after February 7, 2013.

Upon completion of the planning and design of the wastewater system, the City intends to submit a second loan application seeking funding to construct the system. By that time, it is anticipated that the MMD will have been created and the original project funding plan, as detailed in City's CWSRF Application, would be utilized.

Your timely consideration of the requested amendment to the City's CWSRF loan application is greatly appreciated. Please let me know if you have any questions or need additional information.

Sincerely,

Don Ferguson
City Administrator

Cc: T. Clay Schultz, Ph.D., Texas Water Development Board
Caaren Skrobarczyk, Texas Water Development Board

CITY OF WIMBERLEY, TEXAS

ANNUAL FINANCIAL AND COMPLIANCE REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2011

Singleton, Clark & Company, PC
Certified Public Accountants

930 S. Bell Blvd., Suite 105
Cedar Park, Texas 78613
Phone (512) 310-5600 Fax (512) 310-5689

CITY OF WIMBERLEY, TEXAS
ANNUAL FINANCIAL AND COMPLIANCE REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2011

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SINGLETON, CLARK
& COMPANY, PC
CERTIFIED PUBLIC ACCOUNTANTS

930 S. Bell Blvd., Suite 105 Cedar Park, Texas 78613
Phone (512) 310-5600 Fax (512) 310-5689

Independent Auditors' Report

Honorable Mayor and City Council
City of Wimberley, Texas

Mayor and Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Wimberley, Texas (hereafter the "City") as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's administrators. Our responsibility is to express an opinion 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Wimberley, Texas, as of September 30, 2011, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis on pages 2-7 of this report is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2012, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Singleton, Clark & Company, PC

Singleton, Clark & Company, PC
Cedar Park, Texas

January 25, 2012

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Wimberley's annual financial report presents our discussion and analysis of the financial performance of the City during the fiscal year ended September 30, 2011. Please read it in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- For the year ended September 30, 2011, the City of Wimberley's General Fund realized a fund balance increase of $140,664 to end the year at $664,890. This increase is attributable, in part, to road reconstruction and maintenance costs coming in under estimated amounts during the year and realized revenues coming in over estimated amounts for the year.
- Total governmental-type funds (the General Fund plus the Municipal Court, Capital Projects, Sidewalks Donations, and the Blue Hole Park Funds) of the City of Wimberley reported an overall fund balance decrease of $252,970, to end at $1,039,299.
- The total cost of the City of Wimberley's programs and services was $861,678. This amount is inclusive of depreciation expense recorded on the City's capital assets.

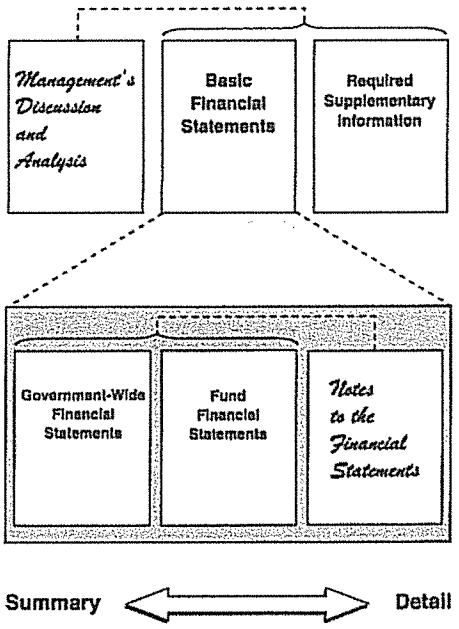
OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - *management's discussion and analysis* (this section), the *basic financial* statements, and *required supplementary information.* The basic financial statements include two types of statements that present different views of the City of Wimberley:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City of Wimberley's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the government, reporting the City of Wimberley's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general government services were financed in the short-term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-1. Required Components of the City's Annual Financial Report



Government-wide Statements

The government-wide statements report information about the City of Wimberley as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the City of Wimberley's net assets and how they have changed. Net assets –the difference between the City's assets and liabilities– is one way to measure the City's of Wimberley's financial health or position. Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the City of Wimberley include the *governmental activities.* All of the City of Wimberley's basic services are included here, such as general government services, public safety, street repairs, and parks services. Sales taxes, franchise taxes, and user charges finance most of these activities.

FINANCIAL ANALYSIS OF THE CITY OF WIMBERLEY AS A WHOLE

Our analysis here focuses on the net assets (Table I) and changes in net assets (Table II) of the City's governmental activities.

Table I
City of Wimberley's Net Assets

	Governmental Activities		
	2011	2010	Change
Assets:			
Current and other assets	$ 1,135,943	$ 1,462,343	$ (326,400)
Capital assets	8,819,652	6,773,831	2,045,821
Total Assets	$ 9,955,596	$ 8,236,174	$ 1,719,422
Liabilities:			
Current liabilities	$ 112,592	$ 184,355	$ (71,763)
Total Liabilities	112,592	184,355	(71,763)
Net Assets:			
Invested in capital assets, net of debt	8,819,652	6,773,831	2,045,821
Restricted	253,523	596,753	(343,230)
Unrestricted	769,828	681,235	88,593
Total Net Assets	$ 9,843,004	$ 8,051,819	$ 1,791,185

FINANCIAL ANALYSIS OF THE CITY OF WIMBERLEY AS A WHOLE (continued)

Table II
City of Wimberley's Changes in Net Assets

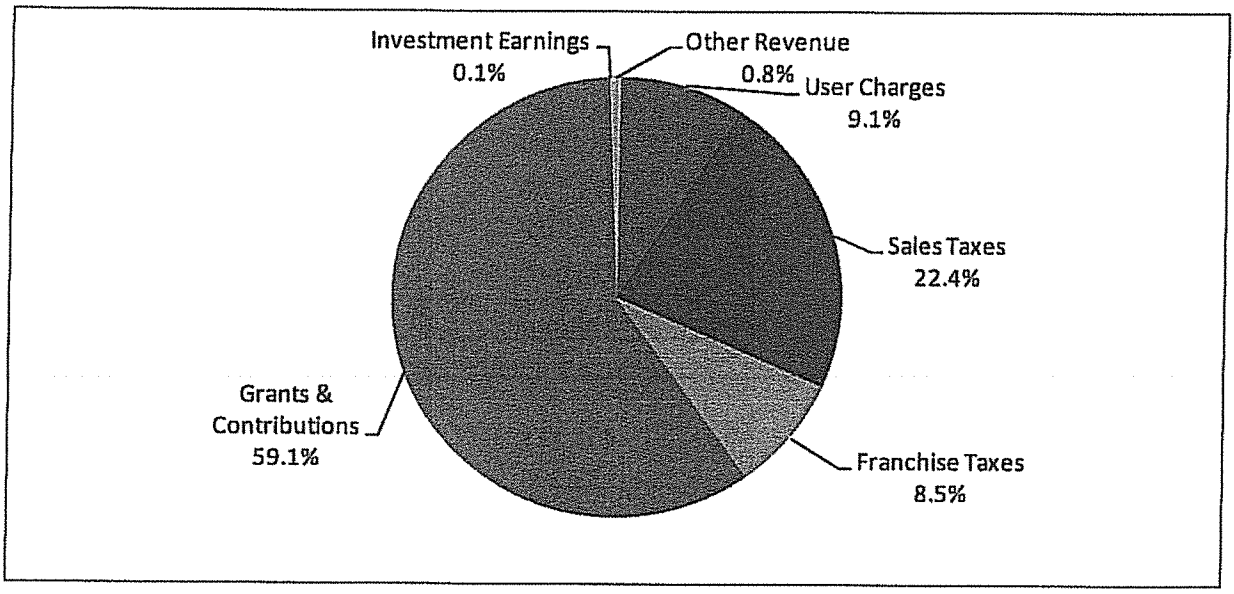
	Governmental Activities		
	2011	2010	Change
Revenues			
Program Revenues:			
Charges for services	$ 242,309	$ 213,532	$ 28,777
Operating and capital grants	1,293,177	500,000	793,177
General Revenues:			
Sales taxes	594,429	561,292	33,137
Franchise taxes	224,573	220,799	3,774
Grants & contributions/unrestricted	274,574	-	274,574
Investment earnings	3,105	4,871	(1,766)
Other	20,694	22,696	(2,002)
Total Revenues	2,652,862	1,523,190	1,129,672
Expenses			
General government	407,711	431,288	(23,577)
Public safety	33,296	22,570	10,726
Public works	152,586	245,282	(92,695)
Highways and streets	45,408	95,621	(50,213)
Parks and recreation	222,676	156,513	66,163
Total Expenses	861,678	951,273	(89,596)
Gain/loss on sale of assets	-	(7,658)	7,658
Change in net assets	1,791,184	564,259	1,226,925
Beginning net assets	8,051,819	7,487,560	564,259
Ending Net Assets	$ 9,843,004	$ 8,051,819	$ 1,791,184

FINANCIAL ANALYSIS OF THE CITY OF WIMBERLEY AS A WHOLE (continued)

Governmental Activities

As indicated by the chart below, the City of Wimberley's revenue stream for Fiscal Year 2010/2011 was composed of various sources. Major revenue sources were sales taxes (22.4%) and grants/contributions (59.1%). Other sources of revenues were franchise taxes (8.5%), user charges (9.1%), and investment earnings (0.1%) and other miscellaneous revenue (0.8%). The City did not levy or collect a property tax for Fiscal Year 2010-2011.

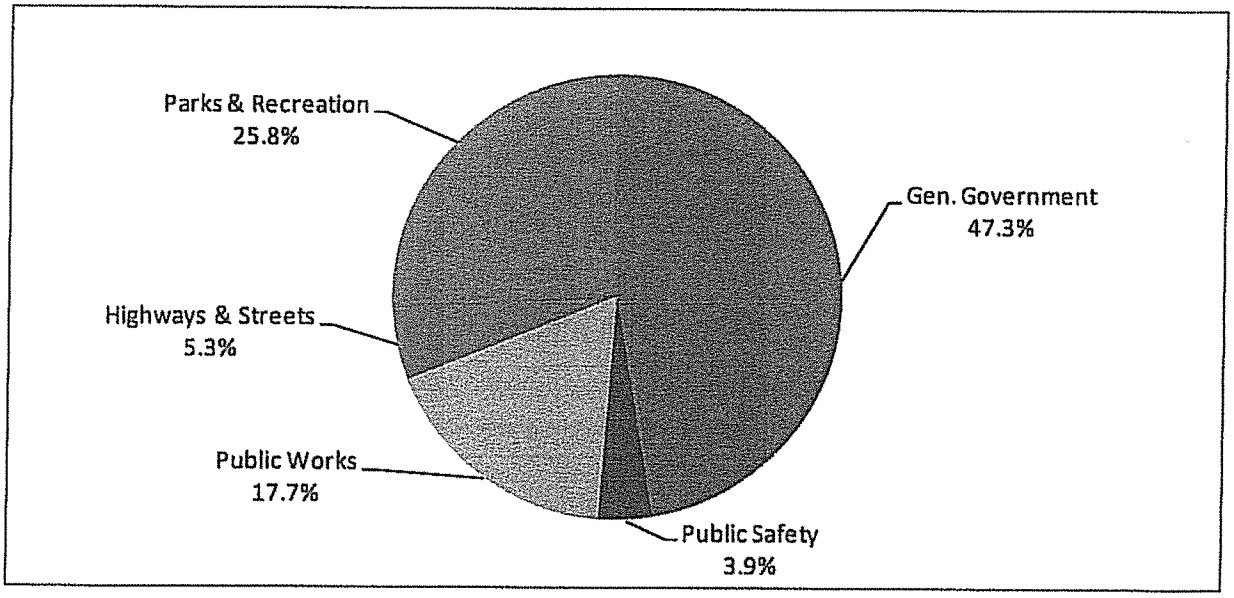
FY 2010-2011 Revenues



Departmental Expenses

The City of Wimberley's various departmental expenses totaled $861,678 for the year ended September 30, 2011. The percentage distribution by department is illustrated in the table below.

FY 2010-2011 Expenditures



Financial Analysis of Governmental Funds

Fund balance of the General Fund increased during the year by $140,664. This change reflects the effects of purchases of capital assets, revenues being realized approximately 3.0% over budgeted amounts, and expenditures arriving approximately 12.2% under budget.

In addition to the General Fund, the City maintains four special revenue funds; the Municipal Court Fund, the Capital Projects Fund, the Sidewalks Donations Fund, and the Blue Hole Park Fund. These separate funds are maintained to segregate the financial transactions of the activities accounted for in those funds.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of Fiscal Year 2011, the City of Wimberley had invested approximately $8.82 million in a broad range of capital assets, including land, buildings, roads, and equipment. (See table below) This amount is net of accumulated depreciation and represents an increase of $2,045,821 over the prior year. The increase in capital asset balances over the prior year is primarily due to construction in progress for the year at the Blue Hole Park, as well as the addition of new infrastructure.

Table III
City of Wimberley's Capital Assets
Net of Depreciation

Capital Assets	2011	2010	Change
Land	$ 3,391,499	$ 3,391,499	$ -
Buildings and improvements	2,646,669	2,646,669	-
Infrastructure	543,473	386,355	157,118
Furniture, equipment, and vehicles	145,908	138,859	7,049
Construction in progress	2,650,418	662,454	1,987,964
Total at historical cost	9,377,967	7,225,836	2,152,131
Less accumulated depreciation	(558,315)	(452,005)	(106,310)
Net capital assets	$ 8,819,652	$ 6,773,831	$ 2,045,821

Long-Term Debt

The City had no outstanding long-term debt during Fiscal Year 2011.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the Fiscal Year 2012 Budget and fees to be charged. One of the major factors was the unstable economy. As a result of the financial challenges facing all municipalities, the City established a Fiscal Year 2012 Budget designed to maintain financial stability, along with the City's lean community services minded organization, a competitively paid staff and investments in capital outlay. The Fiscal Year 2012 Budget is $976,200. This represents an increase of $7,878, less than 1% more than the adopted budget for the previous fiscal year.

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ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES (continued)

Professional service contracts for the cost of legal services have been increased to meet projected demands associated with the City's municipal court operation. Fiscal Year 2012 projected capital outlay expenses include costs projected for a city vehicle to be used by the City Marshall.

In the absence of a property tax, the General Fund's largest single revenue source is sales taxes which represent 55 percent of the total General Fund budgeted revenues for Fiscal Year 2012. The City collects a 1% sales tax on all taxable goods in the City. Projected sales tax revenue for Fiscal Year 2012 is $535,000 – consistent with budgeted amounts from the previous fiscal year.

CONTACTING THE CITY OF WIMBERLEY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City of Wimberley's finances and to demonstrate the City of Wimberley's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Wimberley's Administrator, Don Ferguson at 512-847-0025. You may also visit the City of Wimberley's website at www.vil.wimberley.tx.us.

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GOVERNMENT-WIDE STATEMENTS

CITY OF WIMBERLEY, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

	Primary Government Governmental Activities
ASSETS	
Cash and Cash Equivalents	$ 1,034,352
Receivables (net of allowance for uncollectibles)	101,592
Capital Assets:	
Land	3,391,499
Infrastructure, net	466,344
Buildings, net	2,297,656
Machinery and Equipment, net	13,736
Construction in Progress	2,650,418
Total Assets	$ 9,955,596
LIABILITIES	
Accounts Payable	$ 96,643
Compensated Absences Payable	15,949
Total Liabilities	112,592
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	8,819,652
Restricted For:	
Restricted for Soccer Fields	109,279
Restricted for Capital Projects	144,245
Unrestricted Net Assets	769,828
Total Net Assets	$ 9,843,004

The notes to the Financial Statements are an integral part of this statement.

CITY OF WIMBERLEY, TEXAS
STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2011

		Program Revenues		Net (Expense) Revenue & Changes in Net Assets
	Expenses	Charges for Services	Capital Grants and Contributions	Primary Government Governmental Activities
Primary Government				
GOVERNMENTAL ACTIVITIES:				
General Government	$ 407,711	$ 200,026	$ -	$ (207,686)
Public Safety	33,296	-	-	(33,296)
Public Works	152,586	-	-	(152,586)
Highways and Streets	45,408	-	-	(45,408)
Culture and Recreation	222,676	42,284	1,293,177	1,112,785
TOTAL PRIMARY GOVERNMENT:	$ 861,678	$ 242,309	$ 1,293,177	673,809

General Revenues:	
Taxes:	
Sales Taxes	594,429
Franchise Taxes	224,573
Grants & Contributions Not Restricted	274,574
Miscellaneous Revenues	20,694
Investment Earnings	3,105
Total General Revenues	1,117,375
Change in Net Assets	1,791,184
Net Assets - Beginning	8,051,819
Net Assets - Ending	$ 9,843,004

The notes to the Financial Statements are an integral part of this statement.

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FUND BASIS STATEMENTS

CITY OF WIMBERLEY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011

	General Fund	Sidewalks Donations Fund	Blue Hole Park Fund	Municipal Court Fund
ASSETS				
Cash and Cash Equivalents	$ 654,500	$ 5,001	$ 126,703	$ 1,256
Receivables (Net)	101,592	-	-	-
Due from Other Funds	-	-	444	-
Total Assets	$ 756,092	$ 5,001	$ 127,147	$ 1,256
LIABILITIES & FUND BALANCES				
Liabilities:				
Accounts Payable	$ 77,298	$ -	$ 2,357	$ -
Wages and Salaries Payable	13,460	-	2,662	-
Due to Other Funds	444	-	2,500	-
Total Liabilities	91,202	-	7,519	-
Fund Balances:				
Restricted For:				
Capital Projects	-	5,001	-	-
Soccer Fields	-	-	-	-
Committed For:				
Public Works	265,956	-	-	-
Future Grant Matches	166,223	-	-	-
Wastewater Improvements	232,711	-	-	-
Parks	-	-	119,628	-
Municipal Court	-	-	-	1,256
Total Fund Balances	664,890	5,001	119,628	1,256
Total Liabilities & Fund Balances	$ 756,092	$ 5,001	$ 127,147	$ 1,256

The notes to the Financial Statements are an integral part of this statement.

Capital Projects Fund	Total Governmental Funds
$ 246,891	$ 1,034,351
-	101,592
2,500	2,944
$ 249,391	$ 1,138,887
$ 868	$ 80,523
-	16,122
-	2,944
868	99,589
139,244	144,245
109,279	109,279
-	265,956
-	166,223
-	232,711
-	119,628
-	1,255
248,523	1,039,298
$ 249,391	$ 1,138,887

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CITY OF WIMBERLEY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Total Fund Balances - Governmental Funds	$ 1,039,298
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was $7,225,836 and the accumulated depreciation was $452,005. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net assets.	6,773,831
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2011 capital outlays and debt principal payments is to increase (decrease) net assets.	2,152,131
The 2011 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.	(106,310)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.	(15,947)
Net Assets of Governmental Activities	$ 9,843,004

The notes to the Financial Statements are an integral part of this statement.

CITY OF WIMBERLEY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	General Fund	Sidewalks Donations Fund	Blue Hole Park Fund	Municipal Court Fund
REVENUES				
Taxes:				
General Sales & Use Taxes	$ 594,429	$ -	$ -	$ -
Franchise Tax	224,573	-	-	-
Licenses and Permits	42,284	-	-	-
Intergovernmental Revenue & Grants	-	-	-	-
Charges for Services	26,977	-	129,617	-
Fines	87	-	-	-
Investment Earnings	1,774	1	488	-
Contributions & Donations/Private Sources	20	5,000	-	-
Other Revenue	64,038	-	-	-
Total Revenues	954,182	5,001	130,105	-
EXPENDITURES				
Current:				
General Government	479,666	-	-	-
Public Safety	29,118	-	-	-
Public Works	144,284	-	-	-
Culture and Recreation	3,331	-	85,913	-
Capital Outlay	157,119	-	7,049	-
Total Expenditures	813,518	-	92,962	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	140,664	5,001	37,143	-
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out (Use)	-	-	(234,250)	-
Total Other Financing Sources (Uses)	-	-	(234,250)	-
Net Change in Fund Balances	140,664	5,001	(197,107)	-
Fund Balance - Oct 1 (Beginning)	524,226	-	316,735	1,256
Fund Balance - Sept 30 (Ending)	$ 664,890	$ 5,001	$ 119,628	$ 1,256

The notes to the Financial Statements are an integral part of this statement.

Capital Projects Fund	Total Governmental Funds
$ -	$ 594,429
-	224,573
-	42,284
1,293,177	1,293,177
-	156,594
-	87
842	3,105
269,554	274,574
-	64,038
1,563,573	2,652,861
-	479,666
-	29,118
-	144,284
11,388	100,632
1,987,964	2,152,131
1,999,352	2,905,831
(435,779)	(252,970)
234,250	234,250
-	(234,250)
234,250	-
(201,529)	(252,970)
450,052	1,292,269
$ 248,523	$ 1,039,299

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CITY OF WIMBERLEY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED SEPTEMBER 30, 2011

Total Net Change in Fund Balances - Governmental Funds	$ (252,970)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2011 capital outlays and debt principal payments is to increase (decrease) net assets.	2,152,131
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.	(106,310)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.	(1,666)
Change in Net Assets of Governmental Activities	$ 1,791,184

The notes to the Financial Statements are an integral part of this statement.

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CITY OF WIMBERLEY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL - GENERAL FUND FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance With
	Original	Final	General Fund	Final Budget
REVENUES				
Taxes:				
General Sales and Use Taxes	$ 532,300	$ 585,000	$ 594,429	$ 9,429
Franchise Tax	235,000	205,884	224,573	18,689
Licenses and Permits	21,338	42,035	42,284	249
Charges for Services	52,000	27,021	26,977	(44)
Fines	30,000	87	87	-
Investment Earnings	5,000	1,750	1,774	24
Contributions & Donations/Private Sources	-	20	20	-
Other Revenue	92,684	64,442	64,038	(404)
Total Revenues	968,322	926,239	954,182	27,943
EXPENDITURES				
Current:				
General Government	487,401	485,873	479,666	6,207
Public Safety	52,100	29,500	29,118	382
Public Works	213,501	166,466	144,284	22,182
Culture and Recreation	7,500	4,000	3,331	669
Capital Outlay	207,820	240,400	157,119	83,281
Total Expenditures	968,322	926,239	813,518	112,721
Net Change	-	-	140,664	140,664
Fund Balance - Oct 1 (Beginning)	524,226	524,226	524,226	-
Fund Balance - Sept 30 (Ending)	$ 524,226	$ 524,226	$ 664,890	$ 140,664

The notes to the Financial Statements are an integral part of this statement.

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

Wimberley, Texas was incorporated on May 5th, 2000 as the "Village of Wimberley" under the provisions of the State of Texas. In June of 2008, the Village of Wimberley officially changed its name to the "City of Wimberley" (hereafter the "City"). The City, a general law municipality, operates as a Mayor/Council form of government and the Mayor is the executive officer of the City. With few exceptions, all powers of the City are vested in the Mayor and the elective Council, which enacts local legislation, adopts budgets, determines policies, and appoints the City Administrator, Attorney, and the Municipal Court Judge. The Mayor and Council also have the primary accountability for fiscal matters. The City provides the following services: public safety, street maintenance, recreation programs, community development, public improvements, and general administrative services.

The City prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in Statement on Auditing Standards No. 69 of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of Texas's uniform accounting requirements and the requirements of contracts and grants of agencies from which it receives funds.

The City is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity." In addition, component units which may be included are organizations for which the nature and the significance of their operational or financial relationship with the City are such that the exclusion would cause the City's financial statements to be misleading or incomplete.

Based upon the foregoing criteria, no component units were required to be included within the financial statements of the City.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Assets and the Statement of Activities are government-wide financial statements. They report information on all of the City's activities with most of the interfund activities removed. Governmental activities include programs supported primarily by taxes, grants, and other intergovernmental revenues. The Statement of Activities demonstrates how other people or entities that participate in programs the City operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the City. The "grants and contributions" column include amounts paid by organizations outside the City to help meet the operational or capital requirements of a given function. If a revenue is not a program revenue, it is a general revenue used to support all of the City's functions. Taxes are always general revenues.

Interfund activities between governmental funds appear as due to/due from on the governmental fund Balance Sheet and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances. All interfund transactions between governmental funds are eliminated on the government-wide statements.

The fund financial statements provide reports on the financial condition and results of operations for governmental funds. The City considers some governmental funds major and reports their financial condition and results of operations in a separate column.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements use 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for the unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Grant funds are considered to be earned to the extent of expenditures made under provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the City to refund all or part of the unused amount.

D. FUND ACCOUNTING

Basis of Accounting

The accounts of the City are organized on the basis of funds or account groups, each of which is considered to be a separate fiscal and accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts recording cash and other financial resources together with all related liabilities and residual equities or balances and changes therein. They are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions, or limitations.

The City reports the following major governmental funds:

- General Fund – The General Fund is the primary operating fund of the City. It accounts for all financial resources except those required to be accounted for in another fund.
- Municipal Court Fund – This fund is used to account for the proceeds of revenue sources that are legally restricted to expenditures for the Municipal Court.
- Blue Hole Fund – This fund is used to account for the proceeds of revenue sources that are legally restricted to expenditures for the Blue Hole Park and for accounting for this park's general operations.

- Sidewalks Donations Fund – This fund is used to account for donations made to the city to contribute to the costs required to complete the sidewalk capital project in downtown along Ranch Road 2325.

- Capital Projects Fund – This fund is used to account for the activity related to the Blue Hole Park improvements.

E. OTHER ACCOUNTING POLICIES

Capital Assets

Capital assets, which include land, buildings and improvements, furniture and equipment, and infrastructure, are reported in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than $1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Infrastructure and machinery and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

Asset	Years
Buildings	20-40
Infrastructure	40
Machinery and Equipment	5

Fund Balances

Only restrictions imposed by external sources are shown as restricted fund balance in the fund basis financial statements and as restricted net assets on the government-wide financial statements. Classification of fund balance restraints imposed by the reporting government itself, whether by administrative policy or legislative action of the reporting government, are shown in aggregate on the governmental fund financial statements as committed fund balance. Committed fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the City Council, the government's highest level of decision-making authority. A formal action would also be required to modify or rescind an established commitment. Assigned fund balance amounts are intended to be used by the government for specific purposes but do not meet the criteria to be restricted or committed. Assigned fund balance represents the remaining amount that is not restricted or committed in governmental funds other than the general fund, where it is classified as unassigned. Assigned fund balance is expressed by the direction of the City Council or other individual with the authority to assign amounts to be used for specific purposes. Nonspendable fund balance represents amounts that are nonspendable such as inventories and prepaid expenditures.

II. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

The funds of the City must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the City's agent bank in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At September 30, 2011, the carrying amount of the City's deposits (cash, certificates of deposit, money market, and interest-bearing savings accounts included in temporary investments) was $748,471, and the bank balance was $752,040.

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies. The City's investments at September 30, 2011 were as follows:

Investment	Carrying Amount	Fair Value
TexPool	$ 285,881	$ 285,881
Ozona Bank CD	227,052	227,052
Total Investments	$ 512,933	$ 512,933

Policies Governing Deposits and Investments

In compliance with the Public Funds Investments Act, the City has adopted a deposit and investment policy. That policy addresses the following risks:

Custodial Credit Risk – Deposits: This is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City was not exposed to custodial credit risk since its deposits, at year-end and during the year ended September 30, 2011, were covered by depository insurance or by pledged collateral held by the City's agent bank in the City's name.

Custodial Credit Risk – Investments: This is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are subject to custodial credit risk only if they are evidenced by securities that exist in physical or book entry form. Thus positions in external investment pools are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.

Other Credit Risk: There is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. To minimize credit risk, investment policies of the City's investment pools allow the portfolio's investment manager to only invest in obligations of the U.S. Government, its agencies; repurchase agreements; and no-load AAAm money market mutual funds registered with the SEC. As of September 30, 2011, TexPool's investment credit quality rating was AAAm (Standard & Poor's).

B. INTERFUND BALANCES AND TRANSFERS

Short-term advances between funds are recorded as a receivable (Due From) and payable (Due To) between the funds involved in the transaction. As of September 30, 2011 the General Fund had a recorded Due To amount of $444 to the Blue Hole Park Fund, and the Blue Hole Park fund had a recorded Due To amount of 2,500 to the Capital Projects Fund.

During the year the Blue Hole Park Fund transferred $234,250 to the Capital Projects fund.

C. CAPITAL ASSETS

Capital asset activity for City of Wimberley for the year ended September 30, 2011 was as follows:

	Balance 9/30/10	Additions	Retirements	Balance 09/30/11
Governmental Activities:				
Land	$ 3,391,499	$ -	$ -	$ 3,391,499
Buildings and Improvements	2,646,669	-	-	2,646,669
Infrastructure	386,355	157,118	-	543,473
Machinery and Equipment	138,859	7,049	-	145,908
Construction in Progress	662,454	1,987,964	-	2,650,418
Totals at Historical Cost	7,225,836	2,152,131	-	9,377,967
Less Accumulated Depreciation	(452,005)	(106,310)	-	(558,315)
Governmental Activities Capital Assets, Net	$ 6,773,831	$ 2,045,821	$ -	$ 8,819,652

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Depreciation expense was charged to general government departments as follows:

Department	Allocated Depreciation Amount
General Government	$ 67,657
Public Safety	4,107
Public Works	20,352
Culture and Recreation	14,194
Total	$ 106,310

D. RISK MANAGEMENT

A public entity risk pool is a cooperative group of governmental entities joining together to finance an exposure, liability, or risk. The City participates in the Texas Municipal League Risk Pool, a risk-sharing pool for property, liability, and worker's compensation, wherein member cities pool risks and funds and share in the costs of losses. Claims against the City are expected to be paid by that public entity risk pool. Should the risk pool become insolvent, or otherwise unable to pay claims, the City may have to pay the claims. There were no significant reductions in insurance coverage or insurance settlements exceeding insurance coverage during each of the past three years.

E. LITIGATION

The City was not involved in any litigation at year-end that the City's attorney feels would result in a negative outcome or present any material liability to the City.

F. SUBSEQUENT EVENTS

On September 27, 2011, the City of Wimberley signed an agreement with the Guadalupe-Blanco River Authority ("GBRA") to purchase and take ownership of the GBRA wastewater plant located within the City. The agreement specifies that a transfer date of ownership will occur on January 1, 2012. The City will provide eight annual payments of $31,250 for a total of $250,000 to GBRA as consideration for the wastewater plant. The City will make the first payment of $31,250 on the transfer date of January 1, 2012 and then each January 1st through 2019.

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OTHER INFORMATION REQUIRED BY GAO

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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*

Honorable Mayor and City Council
City of Wimberley, Texas

Mayor and Members of the City Council:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Wimberley, Texas (hereafter "the City") as of and for the year ended September 30, 2011 and have issued our report thereon dated January 25, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency or combination of control deficiencies that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses as defined above.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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*.

This report is intended for the information of the Mayor, City Council, and the City administrators, and is not intended to be used and should not be used by anyone other than these specified parties.

Singleton, Clark & Company, PC

Singleton, Clark & Company, PC
Cedar Park, Texas

January 25, 2012