VILLAGE OF WIMBERLEY, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2005

Stovall Grandey & Allen LLP

CERTIFIED PUBLIC
ACCOUNTANTS &
BUSINESS ADVISORS

VILLAGE OF WIMBERLEY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2005

TABLE OF CONTENTS

VILLAGE OF WIMBERLEY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial Report, we, the managers of the Village of Wimberley, Texas, discuss and analyze the Village's financial performance for the fiscal year ended September 30, 2005. Please read it in conjunction with the independent auditors' report on page i and the Village's Basic Financial Statements, which begin on page 1.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Assets and the Statement of Activities (on pages 1 and 2). These provide information about the activities of the Village as a whole and present a longer-term view of the Village's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 3) report the Village's operations in more detail than the government-wide statements by providing information about the Village's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget.

The notes to the financial statements (starting on page 9) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

Reporting the Village as a Whole

The Statement of Net Assets and the Statement of Activities

The analysis of the Village's overall financial condition and operations begins on page 1. Its primary purpose is to show whether the Village is better off or worse off as a result of the year's activities. The Statement of Net Assets includes all of the Village's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the Village's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The Villages revenues are divided into those provided by outside parties who share the costs of some programs and revenues provided by the taxpayers (general revenues). All the Village's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the Village's net assets and changes in them. The Village's net assets (the difference between assets and liabilities) provide one measure of the Village's financial health, or financial position. Over time, increases or decreases in the Village's net assets are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the Village, however, you should consider nonfinancial factors as well, such as changes in the condition of the Village's facilities.

In the Statement of Net Assets and the Statement of Activities, we report the following types of activities:

Governmental activities - Most of the Village's basic services are reported in governmental here. Sales taxes and state and federal grants finance most of these activities.

Reporting the Village's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 3 and provide detailed information about the most significant funds, not the Village as a whole. Laws and contracts require the Village to establish some funds, such as grants. The Village's administration establishes other funds to help it control and manage money for particular purposes. The Village has one type of fund which is governmental.

Governmental funds - Most of the Village's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the Village's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Net assets of the Village's governmental activities increased from $2,278,813 to $5,566,987. Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - was $579,587 at September 30, 2005.

Table I
Village of Wimberley, Texas
Net Assets
(in thousands)

	Governmental Activities 2005	Governmental Activities 2004
Current and other assets	$ 1,074	$ 1,709
Capital assets	4,792	632
Total assets	5,866	2,341
Current liabilities	298	62
Total liabilities	298	62
Net Assets:		
Invested in capital assets, net of related debt	4,792	632
Restricted	196	196
Unrestricted	579	1,451
Total net assets	$ 5,567	$ 2,279

Table II
Village of Wimberley, Texas
Change in Net Assets
(in thousands)

	Governmental Activities 2005	Governmental Activities 2004
Program Revenues:		
Charges for services	$ 196	$ 81
Operating grants and contributions	2,194	862
General Revenues:		
Sales taxes	437	427
Franchise taxes	148	127
Grants and contributions not restricted	429	518
Miscellaneous revenue	1	54
Investment earnings	18	6
Total Revenue	3,423	2,075
Expenses:		
General government	307	368
Public safety	25	37
Public works	314	168
Culture and recreation	55	365
Total Expenses	701	938
Change in Net Assets	2,722	1,137
Prior Period Adjustment	566	-
Net assets at 10/01/04	2,279	1,142
Net assets at 9/30/05	$ 5,567	$ 2,279

THE VILLAGE'S FUNDS

As the Village completed the year, its governmental funds (as presented in the balance sheet on page 3-4) reported a combined fund balance of $775,587, which is less than last year's total of $1,647,144. Included in this year's total change in fund balance is a decrease of $31,794 in the Village's General Fund.

CAPITAL ASSETS CAPITAL ASSETS

At the end of 2005, the Village had $4,826,022 invested in a broad range of capital assets, including land, infrastructure, and machinery and equipment. This amount represents a net increase of $3,857,732 from last year, and includes $2.8 million to restore and develop the Blue Hole property into a public-use park.

Table III
Village of Wimberley, Texas
Capital Assets
(in thousands)

	Governmental Activities 2005	Governmental Activities 2004
Land	$ 3,372	$ 466
Infrastructure	105	24
Machinery and equipment	56	43
Construction in Progress	1,294	435*
	4,827	968
Less Accumulated Depreciation	35	18
Capital assets, net of depreciation	$ 4,792	$ 950

*Construction in progress was restated to include costs which should have been capitalized in earlier years.

CONTACTING THE VILLAGE'S FINANCIAL, MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Village's business office, at Village of Wimberley, Texas, 13210 R.R. 12, Wimberley, Texas 78676.

VILLAGE OF WIMBERLEY, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2005

	Primary Government
	Governmental Activities
ASSETS	
Cash and Cash Equivalents	$ 872,511
Receivables (net of allowance for uncollectibles)	201,224
Capital Assets:	
Land	3,371,546
Infrastructure	98,373
Machinery and Equipment	27,605
Construction in Progress	1,293,876
Total Assets	5,865,135
LIABILITIES	
Accounts Payable and Other Current Liabilities	298,148
Total Liabilities	298,148
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	4,791,400
Restricted for Public Works	196,000
Unrestricted Net Assets	579,587
Total Net Assets	$ 5,566,987

The accompanying notes are an integral part of this statement.

VILLAGE OF WIMBERLEY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
General Government	$ 306,686	$ 568	$ -	$ (306,118)
Public Safety	24,588	364	-	(24,224)
Public Works	314,642	176,464	-	(138,178)
Culture and Recreation	55,459	18,242	2,193,797	2,156,580
TOTAL PRIMARY GOVERNMENT:	$ 701,375	$ 195,638	$ 2,193,797	1,688,060

General Revenues:	
Taxes:	
Sales Taxes	437,616
Franchise Taxes	147,702
Grants and Contributions Not Restricted	429,560
Miscellaneous Revenue	1,210
Investment Earnings	18,061
Total General Revenues	1,034,149
Change in Net Assets	2,722,209
Net Assets--Beginning	2,278,813
Prior Period Adjustment	565,965
Net Assets--Ending	$ 5,566,987

The accompanying notes are an integral part of this statement.

VILLAGE OF WIMBERLEY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2005

	General Fund	Cypress Creek Nature Trail Fund	Blue Hole Fund
ASSETS			
Cash and Cash Equivalents	$ 475,200	$ 34,143	$ 135,882
Receivables (net of allowance for uncollectibles)	77,715	-	-
Intergovernmental Receivables	-	75,520	-
Due from Other Funds	73,227	8,445	-
Total Assets	$ 626,142	$ 118,108	$ 135,882
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	$ 40,265	$ 76,260	$ 50
Wages and Salaries Payable	4,054	-	-
Due to Other Funds	59,350	-	37,273
Total Liabilities	103,669	76,260	37,323
Fund Balances:			
Reserved For:			
Reserved for Public Works	196,000	-	-
Unreserved and Undesignated:			
Reported in the General Fund	326,473	-	-
Reported in the Special Revenue Fund	-	41,848	98,559
Reported in the Capital Projects Fund	-	-	-
Total Fund Balances	522,473	41,848	98,559
Total Liabilities and Fund Balances	$ 626,142	$ 118,108	$ 135,882

The accompanying notes are an integral part of this statement.

	Community Center Fund		Total Governmental Funds
$	227,286	$	872,511
	-		77,715
	47,989		123,509
	50,905		132,577
$	326,180	$	1,206,312
$	177,519	$	294,094
	-		4,054
	35,954		132,577
	213,473		430,725
	-		196,000
	-		326,473
	-		140,407
	112,707		112,707
	112,707		775,587
$	326,180	$	1,206,312

VILLAGE OF WIMBERLEY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2005

Total Fund Balances - Governmental Funds	$	775,587
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 $648,687 and the accumulated depreciation was $17,018. The net effect of including capital assets (net of depreciation) in the governmental activities is to increase net assets.		631,669
Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of including the 2005 capital outlays is to increase net assets.		3,857,732
The 2005 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(16,397)
A prior period adjustment to depreciation and to capitalize professional fees that were expensed in the previous year had the net effect of increasing net assets.		318,396
Net Assets of Governmental Activities	$	5,566,987

The accompanying notes are an integral part of this statement.

VILLAGE OF WIMBERLEY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	General Fund	Cypress Creek Nature Trail Fund	Blue Hole Fund
REVENUES:			
Taxes:			
General Sales and Use Taxes	$ 437,616	$ -	$ -
Franchise Tax	147,702	-	-
Licenses and Permits	41,411	-	-
Intergovernmental Revenue and Grants	-	44,951	2,156,063
Charges for Services	27,671	-	13,437
Fines	364	-	-
Investment Earnings	7,763	-	6,565
Contributions & Donations from Private Sources	-	2,000	79,996
Other Revenue	113,265	700	-
Total Revenues	775,792	47,651	2,256,061
EXPENDITURES:			
Current:			
General Government	314,013	-	-
Public Safety	24,588	-	-
Public Works	348,344	-	-
Culture and Recreation	35,641	199,914	2,821,156
Total Expenditures	722,586	199,914	2,821,156
Excess (Deficiency) of Revenues Over (Under) Expenditures	53,206	(152,263)	(565,095)
OTHER FINANCING SOURCES (USES):			
Transfers In	-	-	-
Transfers Out (Use)	(85,000)	-	-
Total Other Financing Sources (Uses)	(85,000)	-	-
Net Change in Fund Balances	(31,794)	(152,263)	(565,095)
Fund Balance - October 1 (Beginning)	554,267	(53,458)	663,654
Prior Period Adjustment	-	247,569	-
Fund Balance - September 30 (Ending)	$ 522,473	$ 41,848	$ 98,559

The accompanying notes are an integral part of this statement.

Community Center Fund	Total Governmental Funds
$ -	$ 437,616
-	147,702
-	41,411
340,347	2,541,361
-	41,108
-	364
3,733	18,061
-	81,996
-	113,965
344,080	3,423,584
-	314,013
-	24,588
-	348,344
799,054	3,855,765
799,054	4,542,710
(454,974)	(1,119,126)
85,000	85,000
-	(85,000)
85,000	-
(369,974)	(1,119,126)
482,681	1,647,144
-	247,569
$ 112,707	$ 775,587

VILLAGE 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, 2005

Total Net Change in Fund Balances - Governmental Funds	$ (1,119,126)
Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of removing the 2005 capital outlays is to increase net assets.	3,857,732
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.	(16,397)
Change in Net Assets of Governmental Activities	$ 2,722,209

The accompanying notes are an integral part of this statement.

VILLAGE OF WIMBERLEY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The Village of Wimberley, Texas (the Village) was incorporated on May 5, 2000 under the provisions of the State of Texas. The Village, a general law municipality, operates as a Mayor/Council form of government. The Mayor is the executive officer of the Village. With few exceptions, all powers of the Village are vested in the Mayor and an elective Council, which enacts local legislation, adopts budgets, determines policies, and appoints the Village Manager, Village Attorney and the Municipal Court Judge. The Village provides the following services: street maintenance, recreation programs, community development, public improvements, and general administrative services.

For financial reporting purposes, in conformance with generally accepted accounting principles, the Village's financial statements include all funds, account groups, agencies, boards, commissions and other organizations over which the Council is financially accountable.

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 Village's nonfiduciary 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 Village 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 Village. The "operating grants and contributions" column includes amounts paid by organizations outside the Village to help meet the operational requirements of a given function. If a revenue is not a program revenue, it is a general revenue used to support all of the Village's functions. Taxes are always general revenues.

Interfund activities between governmental funds appear as due to/due froms 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 Village 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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

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 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 o£ expenditures made under the 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 Village to refund all or part of the unused amount.

D. FUND ACCOUNTING

The Village reports the following major governmental funds:

General Fund - The General Fund is the Village's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

Cypress Creek Nature Trail - This fund is used to account for the proceeds of revenue sources that are legally restricted to expenditures for the Cypress Creek Nature Trail.

Blue Hole - This fund is used to account for the proceeds of revenue sources that are legally restricted to expenditures for the Blue Hole Park.

Community Center Fund - The proceeds from revenues and expenditures related to authorized construction and other capital asset acquisitions for the Village Community Center are accounted for in this fund.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

E. OTHER ACCOUNTING POLICIES

1. The Village reports inventories of supplies as the lower of cost (first-in, first-out) or market. Supplies are recorded as expenditures when they are consumed.

2. Capital assets, which include land, infrastructure, machinery and equipment and construction in progress are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Village 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 Village are depreciated using the straight-line method over the following estimated useful lives:

Asset	Years
Infrastructure	40
Machinery and Equipment	5

3. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

4. When the Village incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS

This statement provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net assets for governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. The details of capital assets at the beginning of the year were as follows:

Capital Assets at the Beginning of the year	Historic Cost
Land	$ 465,494
Infrastructure	24,134
Machinery and equipment	43,365
Construction in progress	115,694
Net Assets	648,687
Less accumulated depreciation	(17,018)
	$ 631,669

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

This statement provides a reconciliation between the net changes in fund balance as shown on the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Changes in Net Assets of Governmental Activities as reported on the government-wide Statement of Activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net asset balance and the change in net assets. The details of this adjustment are as follows:

Current Year Capital Outlay	Amount	Adjustments to Changes in Net Assets	Adjustments to Net Assets
Land	$ 2,906,052		
Infrastructure	41,644		
Machinery and equipment	12,414		
Construction in progress	897,622		
	$ 3,857,732	$ 3,857,732	$ 3,857,732

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

The funds of the Village 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 Village's agent bank in an amount sufficient to protect Village 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, 2005, the carrying amount of the Village's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was $872,511 and the bank balance was $898,267.

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 Village 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 Village 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 Village to have independent auditors perform test procedures related to investment practices as provided by the Act. The Village is in substantial compliance with the requirements of the Act and with local policies.

Policies Governing Deposits and Investments

In compliance with the Public Funds Investment Act, the Village has adopted a deposit and investment policy. That policy does address the following risks:

Custodial Credit Risk – Deposits: This is the risk that in the event of bank failure, the Village's deposits may not be returned to it. The Village's policy regarding types of deposits allowed and collateral requirements is to invest only in federally guaranteed or fully collateralized securities. The Village was not exposed to custodial credit risk since its deposits at year-end and during the year ended September 30, 2005 were covered by depository insurance or by pledged collateral held by the Village's agent bank in the Village's name.

Custodial Credit Risk – Investments: This is the risk that, in the event of the failure of the counterparty, the Village 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.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS, continued

A. DEPOSITS AND INVESTMENTS, continued

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, TexPool's investment policy allows 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, 2005, TexPool's investments credit quality rating was AAAm (Standard & Poor's).

B. INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at September 30, 2005 consisted of the following:

	Due From Other Funds	Due To Other Funds
General Fund		
Cypress Creek Nature Trail Fund	$ -	$ 8,445
Community Center Fund	35,954	50,905
Blue Hole Fund	37,273	
Cypress Creek Fund		
General Fund	8,445	-
Blue Hole Fund		
General Fund	-	37,273
Community Center Fund		
General Fund	50,905	35,954
Total	$ 132,577	$ 132,577

Interfund transfers for the year ended September 30, 2005 consisted of the following amounts:

Transfer from General Fund to Community Center Capital Projects Fund	$ 85,000

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS, continued

C. CAPITAL ASSET ACTIVITY

Capital asset activity for the Village for the year ended September 30, 2005, was as follows:

	Beginning Balance*	Additions	Completed Construction	Ending Balance
Governmental Activities:				
Land	$ 465,494	$ 2,906,052	$ -	$ 3,371,546
Infrastructure	24,134	41,644	39,043	104,821
Machinery and Equipment	43,365	12,414	-	55,779
Construction in Progress	435,297	897,622	(39,043)	1,293,876
Totals at Historical Cost	968,290	3,857,732	-	4,826,022
Less Accumulated Depreciation	(18,225)	(16,397)	-	(34,622)
Governmental Activities Capital Assets, Net	$ 950,065	$ 3,841,335	$ -	$ 4,791,400

*Beginning balance was restated to account for a prior period adjustment.

Depreciation expense was charged to governmental functions as follows:

General Government	$ 5,087
Public Works	7,942
Culture and Recreation	3,368
Total Depreciation Expense	$ 16,397

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 Village participates in the Texas Municipal League Risk Pool, a risk-sharing pool, for property, liability, and workers' compensation, wherein member cities pool risks and funds and share in the costs of losses. Claims against the Village are expected to be paid by that public entity risk pool. Should the risk pool become insolvent, or otherwise unable to pay claims, the Village 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.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS, continued

E. PRIOR PERIOD ADJUSTMENTS

The following adjustment was made to the governmental funds:

Correct posting of grant revenues in the Cypress Creek Nature Trail special revenue fund which increased fund balance.	$	247,569

The following adjustments were made to the government-wide financial statements:

Correctly capitalize prior year construction costs in the government-wide financial statement which increased capital assets, net of related debt.		319,603
Correct accumulated depreciation which reduced capital assets, net of related debt.		(1,207)
	$	565,965

VILLAGE OF WIMBERLEY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Budgeted Amounts		Actual	Variance With
	Original	Final	GAAP BASIS (See Note)	Final Budget Positive or (Negative)
REVENUES:				
Taxes:				
General Sales and Use Taxes	$ 401,900	$ 436,900	$ 437,616	$ 716
Franchise Tax	140,000	140,000	147,702	7,702
Licenses and Permits	36,000	39,500	41,411	1,911
Charges for Services	32,500	49,000	27,671	(21,329)
Fines	1,000	1,000	364	(636)
Investment Earnings	4,000	7,000	7,763	763
Other Revenue	131,936	131,936	113,265	(18,671)
Total Revenues	747,336	805,336	775,792	(29,544)
EXPENDITURES:				
Current:				
General Government	306,751	319,751	314,013	5,738
Public Safety	6,000	25,000	24,588	412
Public Works	386,696	327,696	348,344	(20,648)
Culture and Recreation	47,889	47,889	35,641	12,248
Total Expenditures	747,336	720,336	722,586	(2,250)
Excess of Revenues Over Expenditures	-	85,000	53,206	(31,794)
OTHER FINANCING SOURCES (USES):				
Transfers Out (Use)	-	(85,000)	(85,000)	-
Total Other Financing Sources (Uses)	-	(85,000)	(85,000)	-
Change in Fund Balance	-	-	(31,794)	(31,794)
Fund Balance - October 1 (Beginning)	554,267	554,267	554,267	-
Fund Balance - September 30 (Ending)	$ 554,267	$ 554,267	$ 522,473	$ (31,794)

VILLAGE OF WIMBERLEY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - COMMUNITY CENTER FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final	GAAP BASIS (See Note)	Positive or (Negative)
REVENUES:				
Intergovernmental Revenue and Grants	$ 750,000	$ 750,000	$ 340,347	$ (409,653)
Investment Earnings	-	-	3,733	3,733
Contributions & Donations from Private Sources	750,000	750,000	-	(750,000)
Total Revenues	1,500,000	1,500,000	344,080	(1,155,920)
EXPENDITURES:				
Current:				
Culture and Recreation	1,500,000	1,500,000	799,054	700,946
Total Expenditures	1,500,000	1,500,000	799,054	700,946
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(454,974)	(454,974)
OTHER FINANCING SOURCES (USES):				
Transfers In	-	-	85,000	85,000
Total Other Financing Sources (Uses)	-	-	85,000	85,000
Change in Fund Balance	-	-	(369,974)	(369,974)
Fund Balance - October 1 (Beginning)	482,681	482,681	482,681	-
Fund Balance - September 30 (Ending)	$ 482,681	$ 482,681	$ 112,707	$ (369,974)

VILLAGE OF WIMBERLEY, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2005

I. BUDGETARY DATA

A. GENERAL BUDGET POLICIES

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

The Village Administrator, at least thirty (30) days prior to the commencement of the fiscal year, shall prepare and submit a budget to the Council, which shall contain the following:

1. A budget message which shall outline the proposed financial policies for the year with explanations of significant changes in expenditures from previous years and any other major changes of policy and a statement regarding the financial condition of the Village;

2. An estimate of all revenues from taxes and other sources;

3. Summaries of proposed expenditures by function, department and activity and of proposed expenditures by character and object;

4. A description of all outstanding bond indebtedness, showing the amount, date of issue, rate of interest and maturity date, as well as any other indebtedness which the Village has incurred and which is unpaid;

5. A statement describing any capital expenditures proposed to be undertaken during the year and recommending provisions for financing such expenditures.

The budget and all supporting schedules shall be filed with the Village Secretary when submitted to the Council and shall be open to public inspections by anyone interested.

At the Council meeting at which time the budget is submitted, the Council shall, in conformance with the requirements of slate law, determine the place and time of a public hearing and shall cause to be published a notice of the place and time thereof. At this hearing, interested citizens may express their opinions concerning items of expenditure, giving their reasons for wishing to increase or decrease any such items.

After public hearing, the Council shall analyze the budget, making any additions or deletions considered appropriate, and shall, at least three (3) days prior to the beginning of the fiscal year, adopt the budget by a favorable vote.

On final adoption, the budget shall be in effect for the budget year. Final adoption of the budget by the Council shall constitute the official appropriations of proposed expenditures for the year. Estimated expenditures will in no case exceed proposed revenues plus reserves on hand.

The Village Administrator may recommend for approval by the Council one or more contingency accounts to be used for unanticipated items of expense which were not included in the budget as original items of expenditure, Under conditions which may arise and which could not have been foreseen in the normal process of budget preparation, the Council may, by a majority vote, amend the budget. Such amendments shall be by ordinance and shall become an attachment to the original budget, kept on file by the Village Secretary.

I. BUDGETARY DATA, continued

A. GENERAL BUDGET POLICIES, continued

A copy of the budget, as finally adopted, shall be filed with the Village Secretary. The final budget shall be printed or otherwise reproduced, and sufficient copies shall be made available for the use of all offices and agencies and for the use of interested persons and civic organizations.

B. ENCUMBRANCES

As part of formal budgetary control over governmental funds, purchase orders, contracts and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the non-GAAP budget basis in order to reserve that portion of the applicable appropriation. On the GAAP basis, encumbrances outstanding at year-end are reported as reservations of fund balance for subsequent-year expenditures for the governmental funds. There were no outstanding encumbrances as of September 30, 2005.

VILLAGE OF WIMBERLEY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

I. SUMMARY OF AUDITORS' RESULTS

- Financial Statements

1. An unqualified opinion was issued on the financial statements.
2. The audit disclosed no non-compliance which is material to the financial statements.
3. There were no reportable conditions'or material weaknesses identified.

- State Awards

1. An unqualified opinion was issued on compliance for major programs.
2. The audit disclosed no audit findings which are required to be reported in this schedule under the State of Texas Single Audit Circular.
3. There were no reportable conditions or material weaknesses identified.
4. Major programs are as follows:
   a. Wimberley Blue Hole Regional Park Grant #48-01056
   b. Wimberley Community Center Grant #51-00042
5. The threshold used to distinguish between Type A and Type B state programs was $300,000.
6. The Village was not classified as a low-risk auditee in the context of the State of Texas Single Audit Circular.

II. FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

NONE

III. FINDINGS AND QUESTIONED COSTS FOR STATE AWARDS

Program	Finding/ Noncompliance	Questioned Costs
NONE	NONE	$ -

VILLAGE OF WIMBERLEY, TEXAS
SCHEDULE OF STATUS OF PRIOR FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

The prior year report prepared by other auditors disclosed no findings.

VILLAGE OF WIMBERLEY, TEXAS
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	State Grant No.	State Expenditures
TEXAS DEPARTMENT OF PARKS AND WILDLIFE		
Direct Programs		
Wimberley Blue Hole Regional Park	48-01056	$ 1,808,500
Wimberley Cypress Creek Nature Trail and Preserve	50-00301	44,951
Wimberley Community Center	51-00042	340,347
Total Texas Department of Parks and Wildlife		2,193,798
Total Expenditures of State Awards		$ 2,193,798

VILLAGE OF WIMBERLEY, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

1. The Village uses the fund types specified by the Governmental Accounting Standards Board. Special revenue funds are used to account for resources restricted to, or designated for, specific purposes. Federal and state financial assistance generally is accounted for in a Special Revenue Fund because it is restricted for specific purposes.

2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus called the modified accrual basis of accounting. Nearly all State of Texas grant funds were accounted for in a Special Revenue Fund which is a Governmental Fund type. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

   The modified accrual basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

   Usually State of Texas grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. When State of Texas grant funds are received before related expenditures are made, they are recorded as deferred revenues.

3. The period of availability for State of Texas grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the state project period extends 30 days beyond the state project period ending date, in accordance with the State of Texas Single Audit Circular which complies with provisions in Section II Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Statement.