

Village of Wimberley, Texas

Annual Financial Report

**For the Year Ended
September 30, 2006**

Preston Singleton, CPA, PC
Certified Public Accountants & Consultants

**930 South Bell Boulevard, Suite 404
Cedar Park, Texas 78613
Phone (512) 310-5600 Fax (512) 310-5689**

VILLAGE OF WIMBERLEY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2006

TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page</u>
	Independent Auditors' Report	1
	Management's Discussion and Analysis	2
	<u>Basic Financial Statements</u>	
	Government-Wide Statements:	
A-1	Statement of Net Assets	8
B-1	Statement of Activities	9
	Governmental Fund Financial Statements:	
C-1	Balance Sheet	10
C-2	Reconciliation for C-1	12
C-3	Statement of Revenues, Expenditures, and Changes in Fund Balance	13
C-4	Reconciliation for C-3	15
	Notes to the Financial Statements	16
	<u>Required Supplementary Information</u>	
G-1	Budgetary Comparison Schedule - General Fund	23
	<u>Other Information Required by GAO</u>	
	Report on Compliance and Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	24

VILLAGE OF WIMBERLEY, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Village of Wimberley's annual financial report presents our discussion and analysis of the financial performance of the Village during the fiscal year ended September 30, 2006. Please read it in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- For the year ended September 30, 2006, the Village of Wimberley's General Fund realized a fund balance decrease of \$1,498 and ended the year at \$508,480.
- Total governmental-type funds (the General Fund plus all Special Revenue Funds and the Capital Projects Fund) of the Village of Wimberley reported an overall fund balance decrease of \$90,041.
- The total cost of the Village of Wimberley's programs and services was \$757,829. This amount is inclusive of depreciation expense recorded on the Village's capital assets.

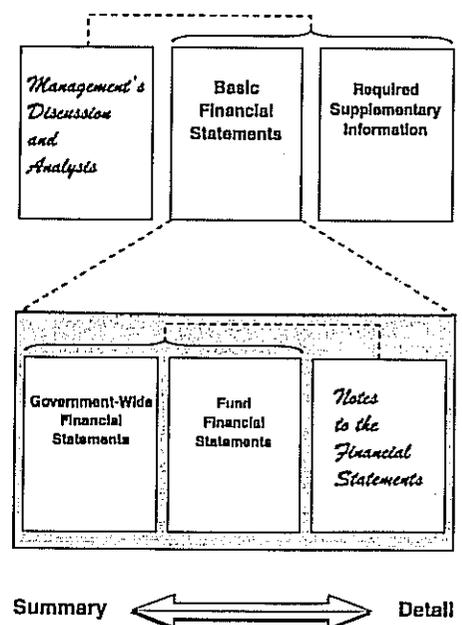
OVERVIEW OF THE FINANCIAL STATEMENTS

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 Village of Wimberley:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Village of Wimberley's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the government, reporting the Village 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 Village's Annual Financial Report



Government-wide Statements

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

The government-wide financial statements of the Village of Wimberley include the *governmental activities*. All of the Village 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 VILLAGE OF WIMBERLEY AS A WHOLE

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

Table I
Net Assets

	Governmental Activities	
	2006	2005
Assets		
Current and other assets	\$ 752,173	\$ 1,073,735
Capital assets	5,545,849	4,791,400
Total Assets	<u>6,298,022</u>	<u>5,865,135</u>
Liabilities		
Current liabilities	79,142	298,148
Total Liabilities	<u>79,142</u>	<u>298,148</u>
Net Assets		
Invested in capital assets, net of debt	5,545,849	4,791,400
Restricted	316,000	196,000
Unrestricted	327,031	579,587
Total Net Assets	<u>\$ 6,218,880</u>	<u>\$ 5,566,987</u>

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

Table II
Changes in Net Assets

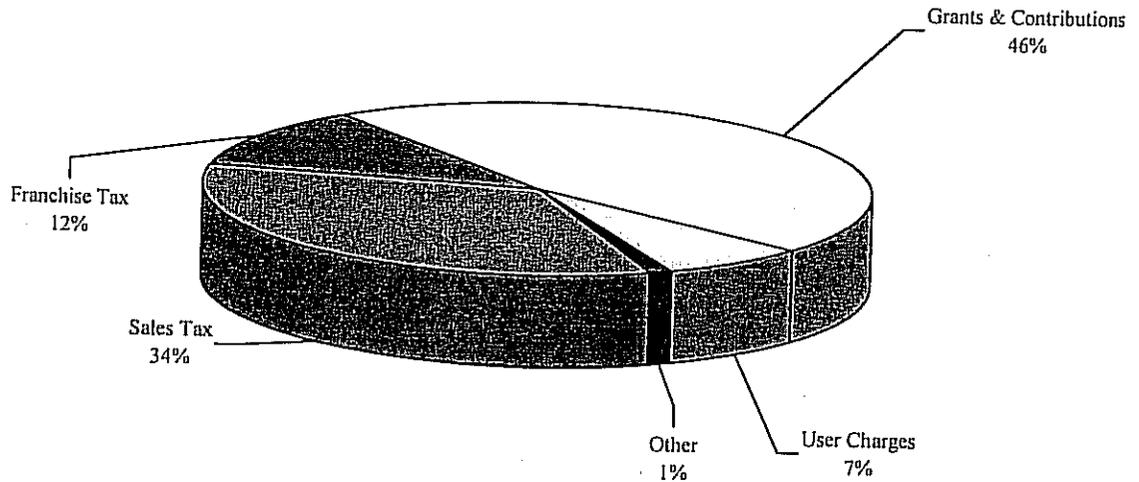
	Governmental Activities	
	2006	2005
Revenues		
Program Revenues:		
Charges for services	\$ 105,629	\$ 195,638
Operating grants and contributions	460,579	2,193,797
General Revenues:		
Sales taxes	480,239	437,616
Franchise taxes	167,536	147,702
Grants and contributions	194,251	429,560
Investment earnings	12,945	18,061
Other	1,058	1,210
Total Revenues	<u>1,422,237</u>	<u>3,423,584</u>
Expenses		
General government	376,673	306,686
Public safety	12,412	24,588
Highways and streets	288,353	314,642
Parks and recreation	80,391	55,459
Total Expenses	<u>757,829</u>	<u>701,375</u>
Change in Net Assets	<u>664,408</u>	<u>2,722,209</u>
Beginning Net Assets	<u>5,566,987</u>	<u>2,278,813</u>
Prior Period Adjustment	<u>(12,515)</u>	<u>565,965</u>
Ending Net Assets	<u>\$ 6,218,880</u>	<u>\$ 5,566,987</u>

Governmental Activities

As indicated by the chart on the following page, the Village of Wimberley's revenue stream was enhanced during the year by receipt of state and federal grants and donations from other sources during the year. Grants and contributions represented 46% of overall revenue for the year. These funds were primarily utilized for continuing improvements to parks and community facilities within the Village. Other significant sources of revenues were sales taxes, franchise taxes, and user charges which represented approximately 34%, 12%, and 7% of overall revenues, respectively. The Village did not levy or collect a tax on property for Fiscal Year 2005 2006.

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

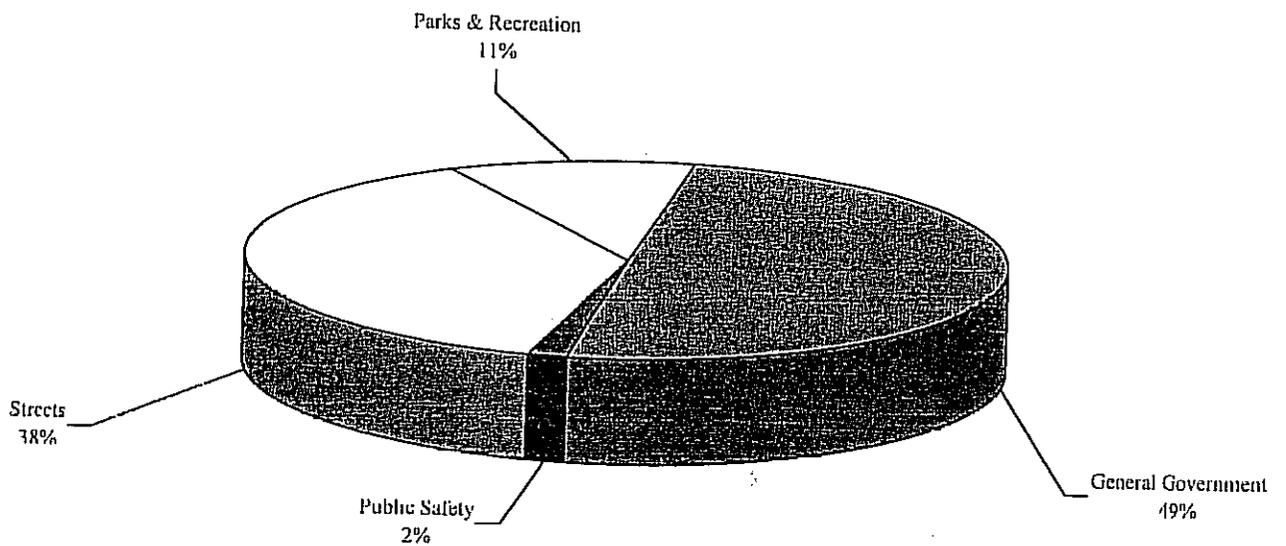
FY 2005-2006 Revenue Analysis



Program Expenses

The Village of Wimberley's various program expenses totaled \$757,829 for the year ended September 30, 2006. The percentage distribution by program function is illustrated in the table below.

FY 2005-2006 Expenditures



CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2006 the Village of Wimberley had invested approximately \$5.5 million in a broad range of capital assets, including land, buildings, and equipment. (See table below) This amount is net of accumulated depreciation and represents an increase of approximately \$750,000 over the prior year. The majority of the increase in capital asset balances over the prior year is due to the continued construction of the Community Center and Cypress Creek Nature Trail during the year. Capital asset activity is expected to subside during FY2006-2007.

<u>Capital Assets</u>	<u>2006</u>	<u>2005</u>
Land	\$ 3,386,499	\$ 3,371,546
Buildings and improvements	1,986,916	-
Infrastructure	104,821	104,821
Furniture, equipment and vehicles	118,173	55,779
Construction in progress	37,774	1,293,876
Total at Historical Cost	5,634,183	4,826,022
Less accumulated depreciation	(88,334)	(34,622)
Net Capital Assets	<u>\$ 5,545,849</u>	<u>\$ 4,791,400</u>

Financial Analysis of Governmental Funds

Fund balance of the General Fund decreased during the year by \$1,478. This change reflects the effects of revenues being realized approximately 8% over budgeted amounts, expenditures arriving slightly under budget, and a transfer out of the General Fund to the Community Center Fund in the amount of \$70,965.

The Village maintains two special revenue funds, the Cypress Creek Nature Trail Fund and the Blue Hole Park Fund, to segregate the financial transactions of the activities accounted for in those funds. The Village also maintained a capital projects fund, the Community Center Fund, to account for the activities related to the construction of the Community Center within the Village. The Blue Hole Fund experienced a fund balance increase of \$62,889 during the year and the Cypress Creek Nature Trail Fund experienced a fund balance decrease of \$38,331. These special revenue funds are expected to continue in future years. The Community Center Fund experienced a fund balance decrease of \$113,121 as it spent the remainder of its funds on construction of the Community Center. This fund is expected to be closed during Fiscal Year 2006-2007.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Village's elected and appointed officials considered many factors when setting the Fiscal Year 2007 Budget and fees to be charged. One of these factors is the slow economy. As a result of the financial challenges facing all municipalities, the Village set goals to maintain its financial stability, a lean community services minded organization, a competitively paid staff and investment in capital outlay. These goals were taken into account when adopting the operating budget for Fiscal Year 2007. The Fiscal Year 2007 Budget is \$728,738. This represents an increase of \$52,563 or 7.7 percent over the adopted Fiscal Year 2006 Budget. The increase is largely attributed to the addition of essential personnel along with increases in operating costs such as insurance, road maintenance and animal control.

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

Professional service contracts for the cost of legal services have been reduced while increases have been forecast for those professional service contracts which oversee new development as the Village continues to experience limited growth. Fiscal Year 2007 projected capital outlay expenses remain focused on parks, and infrastructure investment.

In the absence of a property tax, the General Fund's largest single revenue source is sales taxes which represent 62 percent of the total General Fund revenues for Fiscal Year 2007. The Village collects a 1-cent sales tax on all taxable goods in the Village. Despite the slowing economy, projected sales tax revenue for Fiscal Year 2007 is \$462,175 – up 9 percent from the previous fiscal year.

Of the remaining revenue sources, most remain unchanged from the previous fiscal year with the exception of franchise fees. Budgeted franchise fees have increased 16 percent as a result of the imposition of a new franchise fee for water service providers in the Village.

CONTACTING THE VILLAGE 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 Village of Wimberley's finances and to demonstrate the Village of Wimberley's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Village of Wimberley's Administrator, Don Ferguson @ 512-847-0025. You may also visit the Village of Wimberley's website at www.vil.wimberley.tx.us.

VILLAGE OF WIMBERLEY, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2006

EXHIBIT A-1

	Primary Government
	Governmental Activities
ASSETS	
Cash and Cash Equivalents	
Receivables (net of allowance for uncollectibles)	\$ 674,977
Capital Assets:	77,196
Land	
Infrastructure, net	3,386,499
Buildings, net	93,132
Machinery and Equipment, net	1,962,080
Construction in Progress	66,364
Total Assets	37,774
	6,298,022
LIABILITIES	
Accounts Payable and other current liabilities	79,142
Total Liabilities	79,142
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	5,545,849
Restricted for:	
Restricted for Public Works	196,000
Restricted for Soccer Fields	150,000
Unrestricted Net Assets	327,031
Total Net Assets	\$ 6,218,880

The accompanying notes are an integral part of this statement.

VILLAGE OF WIMBERLEY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2006

EXHIBIT B-1

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
General Government	\$ 360,793	\$ 73,599	\$ -	\$ (287,194)
Public Safety	11,891	-	-	(11,891)
Highways and Streets	276,235	-	-	(276,235)
Parks and Recreation	108,910	32,030	460,579	383,699
TOTAL PRIMARY GOVERNMENT:	<u>\$ 757,829</u>	<u>\$ 105,629</u>	<u>\$ 460,579</u>	<u>(191,621)</u>
General Revenues:				
Taxes:				
Sales Taxes				480,239
Franchise Taxes				167,536
Grants and Contributions Not Restricted				194,251
Miscellaneous Revenue				1,058
Investment Earnings				12,945
Total General Revenues				<u>856,029</u>
Change in Net Assets				664,408
Net Assets--Beginning				5,566,987
Prior Period Adjustment				(12,515)
Net Assets--Ending				<u>\$ 6,218,880</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF WIMBERLEY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2006

	General Fund	Cypress Creek Nature Trail Fund	Blue Hole Fund
ASSETS			
Cash and Cash Equivalents	\$ 453,748	\$ 23,072	\$ 166,571
Receivables (net of allowance for uncollectibles)	77,196	-	-
Due from Other Funds	51,555	-	13,817
Total Assets	\$ 582,499	\$ 23,072	\$ 180,388
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 57,616	\$ -	\$ 18,940
Wages and Salaries Payable	2,586	-	-
Due to Other Funds	13,817	19,555	-
Total Liabilities	74,019	19,555	18,940
Fund Balances:			
Reserved For:			
Public Works	196,000	-	-
Soccer Fields	-	-	150,000
Unreserved Designated For:			
Parks	-	-	11,448
Cypress Creek Nature Trail	-	3,517	-
Unreserved and Undesignated:			
Reported in the General Fund	312,480	-	-
Reported in the Community Center Fund	-	-	-
Total Fund Balances	508,480	3,517	161,448
Total Liabilities and Fund Balances	\$ 582,499	\$ 23,072	\$ 180,388

The accompanying notes are an integral part of this statement.

Community Center Fund	Total Governmental Funds
\$ 31,586	\$ 674,977
-	77,196
-	65,372
<u>\$ 31,586</u>	<u>\$ 817,545</u>
\$ -	\$ 76,556
-	2,586
32,000	65,372
<u>32,000</u>	<u>144,514</u>
-	196,000
-	150,000
-	11,448
-	3,517
-	312,480
(414)	(414)
<u>(414)</u>	<u>673,031</u>
<u>\$ 31,586</u>	<u>\$ 817,545</u>

VILLAGE OF WIMBERLEY, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET ASSETS
 SEPTEMBER 30, 2006

Total Fund Balances - Governmental Funds	\$	673,031
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 \$4,826,022 and the accumulated depreciation was \$34,622. The net effect of including the beginning balances for capital assets (net of depreciation) in the governmental activities is to increase (decrease) net assets.		4,791,400
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 2006 capital outlays and debt principal payments is to increase (decrease) net assets.		808,161
The 2006 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(53,712)
Net Assets of Governmental Activities	\$	6,218,880

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, 2006

	General Fund	Cypress Creek Nature Trail Fund	Blue Hole Fund
REVENUES:			
Taxes:			
General Sales and Use Taxes	\$ 480,239	\$ -	\$ -
Franchise Tax	167,536	-	-
Licenses and Permits	31,167	-	-
Intergovernmental Revenue and Grants	-	138,073	75,000
Charges for Services	38,250	-	32,030
Fines	4,182	-	-
Investment Earnings	10,628	453	1,038
Contributions & Donations from Private Sources	-	-	30,476
Other Revenue	1,058	-	-
Total Revenues	<u>733,060</u>	<u>138,526</u>	<u>138,544</u>
EXPENDITURES:			
Current:			
General Government	349,548	-	-
Public Safety	11,483	-	-
Public Works	266,760	-	-
Culture and Recreation	35,782	176,857	75,655
Total Expenditures	<u>663,573</u>	<u>176,857</u>	<u>75,655</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>69,487</u>	<u>(38,331)</u>	<u>62,889</u>
OTHER FINANCING SOURCES (USES):			
Transfers In	-	-	-
Transfers Out (Use)	(70,965)	-	-
Total Other Financing Sources (Uses)	<u>(70,965)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(1,478)	(38,331)	62,889
Fund Balance - October 1 (Beginning)	522,473	41,848	98,559
Prior Period Adjustment	(12,515)	-	-
Fund Balance - September 30 (Ending)	<u>\$ 508,480</u>	<u>\$ 3,517</u>	<u>\$ 161,448</u>

The accompanying notes are an integral part of this statement.

Community Center Fund	Total Governmental Funds
\$ -	\$ 480,239
-	167,536
-	31,167
247,506	460,579
-	70,280
-	4,182
826	12,945
163,775	194,251
-	1,058
<u>412,107</u>	<u>1,422,237</u>
-	349,548
-	11,483
-	266,760
<u>596,193</u>	<u>884,487</u>
<u>596,193</u>	<u>1,512,278</u>
<u>(184,086)</u>	<u>(90,041)</u>
70,965	70,965
-	(70,965)
<u>70,965</u>	-
(113,121)	(90,041)
112,707	775,587
-	(12,515)
<u>\$ (414)</u>	<u>\$ 673,031</u>

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, 2006

Total Net Change in Fund Balances - Governmental Funds	\$	(90,041)
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 2006 capital outlays and debt principal payments is to increase (decrease) net assets.		808,161
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.		(53,712)
 Change in Net Assets of Governmental Activities	 \$	 <u>664,408</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF WIMBERLEY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

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 and the Mayor is the executive officer of the Village. With few exceptions, all powers of the Village are vested in the Mayor and the elective Council, which enacts local legislation, adopts budgets, determines policies, and appoints the Village Manager, Village Attorney, and the Municipal Court Judge. The Mayor and Council also have the primary accountability for fiscal matters. The Village provides the following services: street maintenance, recreation programs, community development, public improvements, and general administrative services.

The Village 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 Village 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 Village are such that the exclusion would cause the Village'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 Village.

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 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 "grants and contributions" column include amounts paid by organizations outside the Village 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 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.

VILLAGE OF WIMBERLEY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

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 Village to refund all or part of the unused amount.

D. FUND ACCOUNTING

Basis of Accounting

The accounts of the Village 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 Village reports the following major governmental funds:

1. **General Fund** – The General Fund is the primary operating fund of the Village. It accounts for all financial resources except those required to be accounted for in another fund.
2. **Cypress Creek Nature Trail Fund** – This fund is used to account for the proceeds of revenue sources that are legally restricted to expenditures for the Cypress Creek Nature Trail.
3. **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.

VILLAGE OF WIMBERLEY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

4. **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.

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 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:

<u>Asset</u>	<u>Years</u>
Buildings	40
Infrastructure	40
Machinery and Equipment	5

Fund Balances

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. 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.

VILLAGE OF WIMBERLEY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2006

II. DETAILED NOTES ON ALL FUNDS

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, 2006, the carrying amount of the Village's deposits (cash, certificates of deposit, money market, and interest-bearing savings accounts included in temporary investments) was \$489,769 and the bank balance was \$498,048.

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. The Village's investments were in a temporary investment pool at September 30, 2006 and are included in cash and temporary investments on the combined balance sheet, are as follows:

<u>Investment</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
TexPool	\$ 185,208	\$ 185,208
	<u>\$ 185,208</u>	<u>\$ 185,208</u>

Policies Governing Deposits and Investments

In compliance with the Public Funds Investments Act, the Village 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 Village's deposits may not be returned to it. The Village was not exposed to custodial credit risk since its deposits at year-end and during the year ended September 30, 2006 were covered by depository insurance or by pledged collateral held by the Village's agent bank in the Village's name.

VILLAGE OF WIMBERLEY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

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.

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 Village’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, 2006, TexPool’s investment credit quality rating was AAAM (Standard & Poor’s).

B. INTERFUND BALANCES AND TRANSFERS

Short-term advances between funds are recorded a receivable (Due From) and payable (Due To) between the funds involved in the transaction. As of September 30, 2006, the Due From and Due To balances were as follows:

General Fund		
Due from Cypress Creek Fund	\$ 19,555	\$ -
Due to Blue Hole Fund	-	13,817
Due from Community Center Fund	32,000	-
	<u>51,555</u>	<u>13,817</u>
Cypress Creek Fund		
Due to General Fund	-	19,555
	<u>-</u>	<u>19,555</u>
Blue Hole Park Fund		
Due to General Fund	13,817	-
	<u>13,817</u>	<u>-</u>
Capital Projects Fund		
Due to Debt Service Fund	-	32,000
	<u>-</u>	<u>32,000</u>
Totals	<u>\$ 65,372</u>	<u>\$ 65,372</u>

Operating transfers are transactions of cash or other assets between funds that are intended to be permanent to serve operating needs. During the year the General Fund transferred \$70,965 to the Community Center Special Revenue Fund.

VILLAGE OF WIMBERLEY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

C. CAPITAL ASSETS

Capital asset activity for Village of Wimberley for the year ended September 30, 2006, was as follows:

<u>Description</u>	<u>Balance</u> <u>9/30/2005</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>9/30/2006</u>
Land	\$ 3,371,546	\$ 14,953	\$ -	\$ 3,386,499
Buildings & Improvements	-	1,986,916	-	1,986,916
Infrastructure	104,821	-	-	104,821
Machinery and Equipment	55,779	62,394	-	118,173
Construction In Progress	<u>1,293,876</u>	<u>37,774</u>	<u>1,293,876</u>	<u>37,774</u>
Total Historical Costs	<u>4,826,022</u>	<u>2,102,037</u>	<u>1,293,876</u>	<u>5,634,183</u>
Less Accumulated Depreciation	<u>(34,622)</u>	<u>(53,712)</u>	<u>-</u>	<u>(88,334)</u>
Governmental Activities Capital Assets, net	<u>\$ 4,791,400</u>	<u>\$ 2,048,325</u>	<u>\$ 1,293,876</u>	<u>\$ 5,545,849</u>

Depreciation expense was charged to general government departments as follows:

Depreciation expense was allocated to the governmental functions as follows:

<u>Function</u>	<u>Allocated</u> <u>Depreciation</u>
General Government	\$ 12,414
Public Safety	408
Streets	9,475
Culture and Recreation	<u>31,415</u>
Total	<u>\$ 53,712</u>

D. OPERATING LEASES

The Village of Wimberley has leased a modular building for the Police Department and the Library effective October 1, 2005. This agreement is treated as an operating lease, and the future minimum rental payments for these leases as of September 30, 2006 are as follows:

<u>Year Ending September 30,</u>	
2007	\$ 36,792
2008	<u>36,792</u>
Total Minimum Rental Payments	<u>\$ 73,584</u>

**VILLAGE OF WIMBERLEY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

E. 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 worker's 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.

F. PRIOR PERIOD ADJUSTMENT

During the year it was determined that the Due to Community Center Fund account within the General Fund had been misstated in the prior year. This balance was corrected within these financial statements as a prior period adjustment in the amount of \$12,515.

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF WIMBERLEY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2006

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
Taxes:					
5120	General Sales and Use Taxes	\$ 432,000	\$ 432,000	\$ 480,239	\$ 48,239
5170	Franchise Tax	155,000	155,000	167,536	12,536
5200	Licenses and Permits	36,000	36,000	31,167	(4,833)
5400	Charges for Services	25,950	25,950	38,250	12,300
5510	Fines	1,000	1,000	4,182	3,182
5610	Investment Earnings	6,000	6,000	10,628	4,628
5700	Other Revenue	20,225	20,225	1,058	(19,167)
5020	Total Revenues	676,175	676,175	733,060	56,885
EXPENDITURES:					
Current:					
0010	General Government	386,187	386,187	349,548	36,639
0020	Public Safety	9,000	9,000	11,483	(2,483)
0030	Public Works	215,282	215,282	266,760	(51,478)
0050	Culture and Recreation	65,706	65,706	35,782	29,924
6030	Total Expenditures	676,175	676,175	663,573	12,602
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	69,487	69,487
OTHER FINANCING SOURCES (USES):					
8911	Transfers Out (Use)	-	-	(70,965)	(70,965)
7080	Total Other Financing Sources (Uses)	-	-	(70,965)	(70,965)
1200	Net Change	-	-	(1,478)	(1,478)
0100	Fund Balance - October 1 (Beginning)	509,958	509,958	522,473	12,515
1300	Prior Period Adjustment	-	-	(12,515)	(12,515)
3000	Fund Balance - September 30 (Ending)	\$ 509,958	\$ 509,958	\$ 508,480	\$ (1,478)

OTHER INFORMATION REQUIRED BY GAO

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PRESTON SINGLETON, CPA, PC
Certified Public Accountants & Consultants
930 South Bell Boulevard, Suite 404
Cedar Park, Texas 78613
Phone (512) 310-5600 Fax (512) 310-5689

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor and Council
Village of Wimberley, Texas
Wimberley, Texas

Mayor and Members of the Council:

We have audited the financial statements of the Village of Wimberley, Texas (the "Village") as of and for the year ended September 30, 2006, and have issued our report thereon dated May 2, 2007. 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 Village's, internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Wimberley's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*. We noted certain other matters that we reported to management of the Village of Wimberley in a separate letter dated May 2, 2007.

This report is intended for the information of the Village's trustees, the audit committee, and the administration and is not intended to be used and should not be used by anyone other than these specified parties.

Preston Singleton, CPA, P.C.

Preston Singleton, CPA, PC
Cedar Park, Texas
May 2, 2007