

Village of Wimberley, Texas

Annual Financial Report

**For the Year Ended
September 30, 2007**

Preston Singleton, CPA, PC
Certified Public Accountant

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**VILLAGE OF WIMBERLEY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

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Independent Auditors' Report

Honorable Mayor and City Council
Village of Wimberley, Texas

Mayor and Members of the Council:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Wimberley, Texas, (the "Village") as of and for the year ended September 30, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village'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 Village of Wimberley, Texas, as of September 30, 2007, 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 Government 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 March 28, 2008, on our consideration of the Village'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.

Preston Singleton, CPA, P.C.

Preston Singleton, CPA, P.C.
Cedar Park, Texas
March 28, 2008

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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, 2007. Please read it in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- For the year ended September 30, 2007, the Village of Wimberley's General Fund realized a fund balance increase of \$127,055 to end the year at \$635,535.
- 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 increase of \$146,932.
- The total cost of the Village of Wimberley's programs and services was \$742,467. This amount is inclusive of depreciation expense recorded on the Village's capital assets.

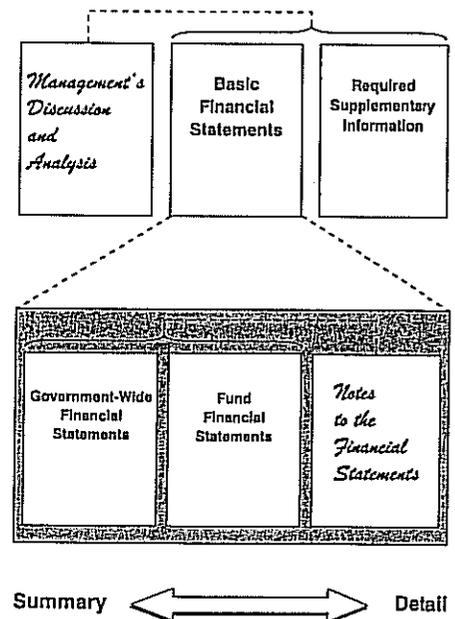
OVERVIEW OF THE FINANCIAL STATEMENTS

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 here 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	
	2007	2006
Assets		
Current and other assets	\$ 865,911	\$ 752,173
Capital assets	<u>5,656,970</u>	<u>5,545,849</u>
Total Assets	<u>6,522,881</u>	<u>6,298,022</u>
Liabilities		
Current liabilities	<u>45,948</u>	<u>79,142</u>
Total Liabilities	<u>45,948</u>	<u>79,142</u>
Net Assets		
Invested in capital assets, net of debt	5,656,970	5,545,849
Restricted	365,000	346,000
Unrestricted	<u>454,963</u>	<u>327,031</u>
Total Net Assets	<u>\$ 6,476,933</u>	<u>\$ 6,218,880</u>

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

Table II
Changes in Net Assets

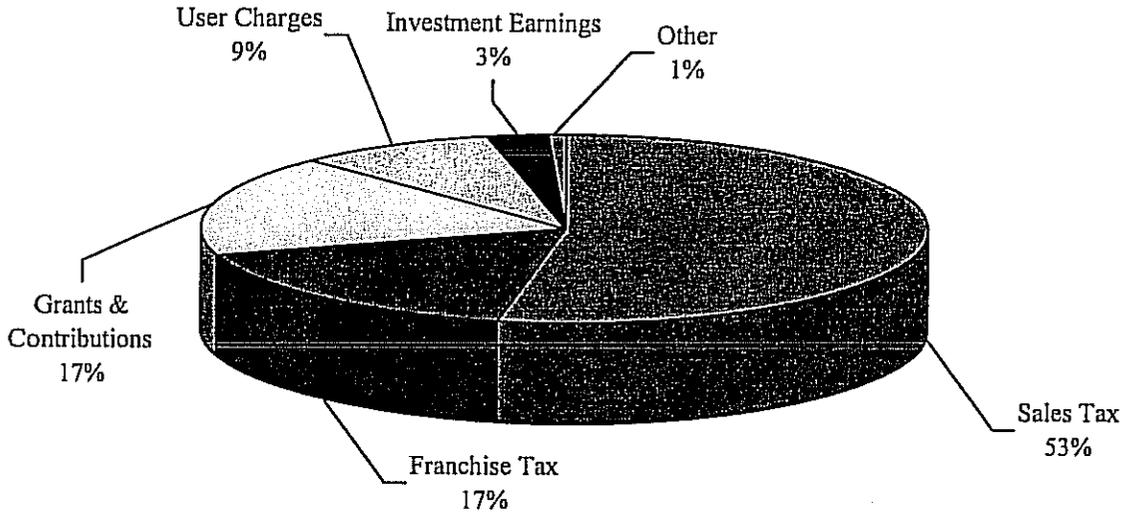
	Governmental Activities	
	2007	2006
Revenues		
Program Revenues:		
Charges for services	\$ 90,485	\$ 105,629
Operating and capital grants	46,127	460,579
General Revenues:		
Sales taxes	531,421	480,239
Franchise taxes	173,043	167,536
Grants and contributions, not restricted	124,127	194,251
Investment earnings	27,065	12,945
Other	8,252	1,058
Total Revenues	<u>1,000,520</u>	<u>1,422,237</u>
Expenses		
General government	395,257	376,673
Public safety	13,442	12,412
Highways and streets	299,053	288,353
Parks and recreation	34,715	80,391
Total Expenses	<u>742,467</u>	<u>757,829</u>
Change in Net Assets	<u>258,053</u>	<u>664,408</u>
Beginning Net Assets	<u>6,218,880</u>	<u>5,566,987</u>
Prior Period Adjustment	-	(12,515)
Ending Net Assets	<u>\$ 6,476,933</u>	<u>\$ 6,218,880</u>

Governmental Activities

As indicated by the chart on the following page, over half of the Village of Wimberley's revenue stream for Fiscal Year 2006/2007 was composed of sales taxes. Grants and contributions represented 17% of overall revenue for the year. This amount is inclusive of a non-cash donation of Community Center equipment and improvements the Village received during the year. Other significant sources of revenues were, franchise taxes (17%), user charges (9%), and investment earnings (3%). The Village did not levy or collect a tax on property for Fiscal Year 2006-2007.

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

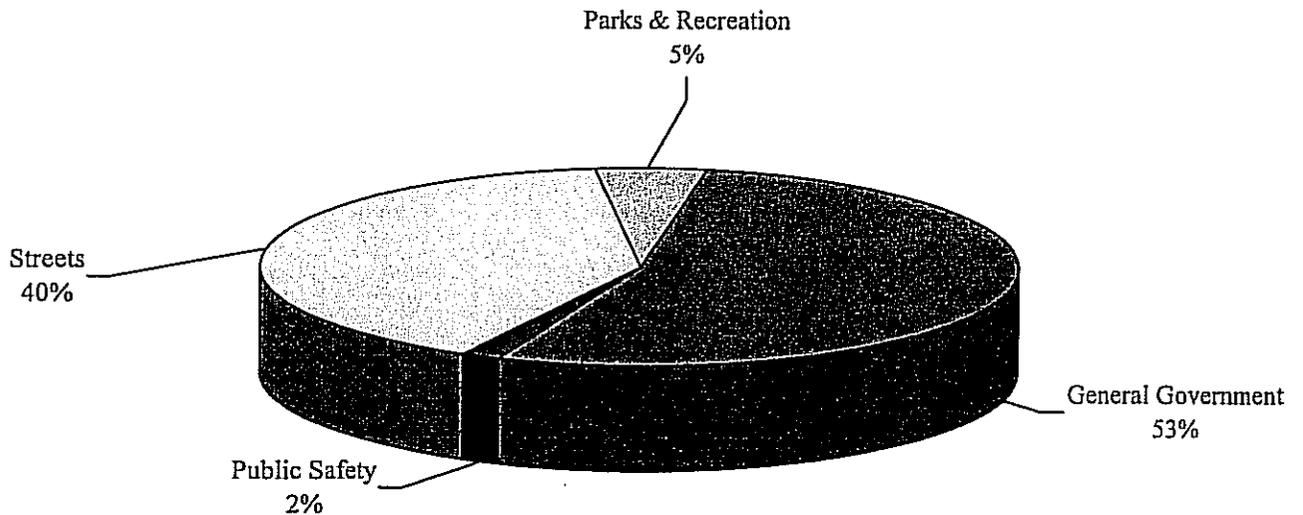
FY 2006-2007 Revenue Analysis



Program Expenses

The Village of Wimberley's various program expenses totaled \$742,467 for the year ended September 30, 2007. The percentage distribution by program function is illustrated in the table below.

FY 2006-2007 Expenditures



CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2007 the Village of Wimberley had invested approximately \$5.66 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 \$111,000 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 the Cypress Creek Nature Trail during the year. Capital asset activity is expected to subside during FY2007-2008.

<u>Capital Assets</u>	<u>2007</u>	<u>2006</u>	<u>Change</u>
Land	\$ 3,386,499	\$ 3,386,499	\$ -
Buildings and improvements	2,213,275	1,986,916	226,359
Infrastructure	104,821	104,821	-
Furniture, equipment and vehicles	121,150	118,173	2,977
Construction in progress	-	37,774	(37,774)
Total at Historical Cost	5,825,745	5,634,183	191,562
Less accumulated depreciation	(168,774)	(88,334)	(80,440)
Net Capital Assets	<u>\$ 5,656,971</u>	<u>\$ 5,545,849</u>	<u>\$ 111,122</u>

Financial Analysis of Governmental Funds

Fund balance of the General Fund increased during the year by \$127,055. This change reflects the effects of revenues being realized approximately 11% over budgeted amounts and expenditures arriving approximately 9% under budget.

After closing the Community Center Fund during the year, the Village now maintains two special revenue funds, the Cypress Creek Nature Trail 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. The Blue Hole Fund experienced a fund balance increase of \$19,586 during the year and the Cypress Creek Nature Trail Fund experienced a fund balance decrease of \$123. These special revenue funds are expected to continue in future years.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Village's elected and appointed officials considered many factors when setting the Fiscal Year 2008 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 2008. The Fiscal Year 2008 Budget is \$864,000. This represents an increase of \$124,405 or 16.8 percent over the adopted Fiscal Year 2007 Budget. The increase is largely attributed to the addition of essential personnel along with increases in operating costs such as insurance, fuel and road maintenance.

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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 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 2008 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 57.8 percent of the total General Fund budgeted revenues for Fiscal Year 2008. 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 2008 is \$500,000 – up 8 percent from the previous fiscal year.

Of the remaining revenue sources, most remain unchanged from the previous fiscal year with the exception of Municipal Court Fines. Court Fines have increased from \$1,500 to \$35,000 as a result of the imposition of a City Marshal program which is expected to generate more citations for traffic and code violations.

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.

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GOVERNMENT-WIDE STATEMENTS

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VILLAGE OF WIMBERLEY, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2007

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1010 Cash and Cash Equivalents	\$ 798,183
1150 Receivables (net of allowance for uncollectibles)	67,728
Capital Assets:	
1710 Land	3,386,499
1720 Infrastructure, net	87,891
1730 Buildings, net	2,135,936
1750 Machinery and Equipment, net	46,645
1000 Total Assets	6,522,881
LIABILITIES	
2020 Accounts Payable and other current liabilities	45,948
2000 Total Liabilities	45,948
NET ASSETS	
3200 Invested in Capital Assets, Net of Related Debt	5,656,970
Restricted for:	
3810 Restricted for Public Works	215,000
3820 Restricted for Soccer Fields	150,000
3900 Unrestricted Net Assets	454,963
3000 Total Net Assets	\$ 6,476,933

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

VILLAGE OF WIMBERLEY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2007

Data Control Codes	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
10 General Government	\$ 395,257	\$ 67,260	\$ -
20 Public Safety	13,442	-	-
31 Highways and Streets	299,053	-	-
50 Parks and Recreation	34,715	23,225	-
TOTAL PRIMARY GOVERNMENT:	<u>\$ 742,467</u>	<u>\$ 90,485</u>	<u>\$ -</u>

Data Control Codes	General Revenues:
	Taxes:
5120	Sales Taxes
5170	Franchise Taxes
5600	Grants and Contributions Not Restricted
5700	Miscellaneous Revenue
5800	Investment Earnings
	Total General Revenues
	Change in Net Assets
	Net Assets--Beginning
	Net Assets--Ending

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

Net (Expense) Revenue and Changes in Net Assets	
Capital Grants and Contributions	Primary Government Governmental Activities
\$ -	\$ (327,997)
-	(13,442)
-	(299,053)
96,139	84,649
<u>\$ 96,139</u>	<u>(555,843)</u>

531,421
173,043
74,115
8,252
<u>27,065</u>
813,896
258,053
6,218,880
<u>\$ 6,476,933</u>

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FUND BASIS STATEMENTS

VILLAGE OF WIMBERLEY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2007

Data Control Codes	General Fund	Cypress Creek Nature Trail Fund	Blue Hole Fund
ASSETS			
1010 Cash and Cash Equivalents	\$ 613,593	\$ 3,394	\$ 181,196
1150 Receivables (net of allowance for uncollectibles)	67,728	-	-
1000 Total Assets	<u>\$ 681,321</u>	<u>\$ 3,394</u>	<u>\$ 181,196</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
2010 Accounts Payable	\$ 37,316	\$ -	\$ 84
2020 Wages and Salaries Payable	8,470	-	78
2000 Total Liabilities	<u>45,786</u>	<u>-</u>	<u>162</u>
Fund Balances:			
Reserved For:			
3420 Soccer Fields	-	-	150,000
3430 Public Works	215,000	-	-
Unreserved Designated For:			
3510 Parks	-	3,394	31,034
Unreserved and Undesignated:			
3600 Reported in the General Fund	420,535	-	-
3000 Total Fund Balances	<u>635,535</u>	<u>3,394</u>	<u>181,034</u>
4000 Total Liabilities and Fund Balances	<u>\$ 681,321</u>	<u>\$ 3,394</u>	<u>\$ 181,196</u>

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

Community Center Fund	-	Total Governmental Funds
\$	-	\$ 798,183
	-	67,728
\$	-	\$ 865,911
<hr/>		
\$	-	\$ 37,400
	-	8,548
	-	45,948
<hr/>		
	-	150,000
	-	215,000
	-	34,428
	-	420,535
	-	819,963
<hr/>		
\$	-	\$ 865,911

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VILLAGE OF WIMBERLEY, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET ASSETS
 SEPTEMBER 30, 2007

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	819,963
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 \$5,634,183 and the accumulated depreciation was \$88,334. The net effect of including the beginning balances for capital assets (net of depreciation) in the governmental activities is to increase (decrease) net assets.		5,545,849
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 2007 capital outlays and debt principal payments is to increase (decrease) net assets.		191,561
The 2007 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(80,440)
Net Assets of Governmental Activities	\$	6,476,933

The notes to the Financial Statements 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, 2007

Data Control Codes	General Fund	Cypress Creek Nature Trail Fund	Blue Hole Fund
REVENUES:			
Taxes:			
5120 General Sales and Use Taxes	\$ 531,421	\$ -	\$ -
5170 Franchise Tax	173,043	-	-
5200 Licenses and Permits	22,176	-	-
5300 Intergovernmental Revenue and Grants	-	39,127	7,000
5400 Charges for Services	44,967	-	23,342
5610 Investment Earnings	21,538	-	5,527
5640 Contributions & Donations from Private Sources	74,115	-	50,012
5700 Other Revenue	8,252	-	-
5020 Total Revenues	<u>875,512</u>	<u>39,127</u>	<u>85,881</u>
EXPENDITURES:			
Current:			
0010 General Government	431,669	-	-
0020 Public Safety	12,284	-	-
0030 Public Works	273,298	-	-
0050 Parks and Recreation	-	70,042	66,295
6030 Total Expenditures	<u>717,251</u>	<u>70,042</u>	<u>66,295</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>158,261</u>	<u>(30,915)</u>	<u>19,586</u>
OTHER FINANCING SOURCES (USES):			
7915 Transfers In	-	30,792	-
8911 Transfers Out (Use)	(31,206)	-	-
7080 Total Other Financing Sources (Uses)	<u>(31,206)</u>	<u>30,792</u>	<u>-</u>
1200 Net Change in Fund Balances	127,055	(123)	19,586
0100 Fund Balance - October 1 (Beginning)	<u>508,480</u>	<u>3,517</u>	<u>161,448</u>
3000 Fund Balance - September 30 (Ending)	<u>\$ 635,535</u>	<u>\$ 3,394</u>	<u>\$ 181,034</u>

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

Community Center Fund	Total Governmental Funds
\$ -	\$ 531,421
-	173,043
-	22,176
-	46,127
-	68,309
-	27,065
-	124,127
-	8,252
-	<u>1,000,520</u>
-	431,669
-	12,284
-	273,298
-	<u>136,337</u>
-	853,588
-	<u>146,932</u>
414	31,206
-	<u>(31,206)</u>
414	-
414	146,932
<u>(414)</u>	<u>673,031</u>
<u>\$ -</u>	<u>\$ 819,963</u>

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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, 2007

Total Net Change in Fund Balances - Governmental Funds	\$	146,932
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 2007 capital outlays and debt principal payments is to increase (decrease) net assets.		191,561
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.		(80,440)
 Change in Net Assets of Governmental Activities	 \$	 <u>258,053</u>

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

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NOTES TO THE FINANCIAL STATEMENTS

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VILLAGE OF WIMBERLEY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

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 Administrator, 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, 2007

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 and for accounting for the nature trails general operations.
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 and for accounting for this park's general operations.

**VILLAGE OF WIMBERLEY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

4. **Community Center Fund** – The proceeds from revenues and expenditures related to authorized construction and other capital asset acquisitions for the 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	20-40
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, 2007

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, 2007, the carrying amount of the Village's deposits (cash, certificates of deposit, money market, and interest-bearing savings accounts included in temporary investments) was \$438,358 and the bank balance was \$490,954.

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, 2007 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	\$ 359,825	\$ 359,825
	<u>\$ 359,825</u>	<u>\$ 359,825</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, 2007 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, 2007

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, 2007, 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, 2007, there were no Due From and Due To balances recorded.

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 \$30,792 to the Cypress Creek Nature Trail Fund for operations and \$414 to the Community Center Fund to close out the fund.

C. CAPITAL ASSETS

Capital asset activity for Village of Wimberley for the year ended September 30, 2007, was as follows:

<u>Description</u>	<u>Balance</u> <u>9/30/2006</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>9/30/2007</u>
Land	\$ 3,386,499	\$ -	\$ -	\$ 3,386,499
Buildings & Improvements	1,986,916	226,359	-	2,213,275
Infrastructure	104,821	-	-	104,821
Machinery and Equipment	118,173	2,977	-	121,150
Construction In Progress	<u>37,774</u>	<u>-</u>	<u>(37,774)</u>	<u>-</u>
Total Historical Costs	<u>5,634,183</u>	<u>229,336</u>	<u>(37,774)</u>	<u>5,825,745</u>
Less Accumulated Depreciation	<u>(88,334)</u>	<u>(80,440)</u>	<u>-</u>	<u>(168,774)</u>
Governmental Activities Capital Assets, net	<u>\$ 5,545,849</u>	<u>\$ 148,896</u>	<u>\$ (37,774)</u>	<u>\$ 5,656,971</u>

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VILLAGE OF WIMBERLEY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

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 Depreciation</u>
General Government	\$ 40,679
Public Safety	1,158
Public Works	25,755
Culture and Recreation	<u>12,848</u>
Total	<u>\$ 80,440</u>

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 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.

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REQUIRED SUPPLEMENTARY INFORMATION

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VILLAGE OF WIMBERLEY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2007

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	\$ 471,175	\$ 511,175	\$ 531,421	\$ 20,246
5170	Franchise Tax	180,000	175,000	173,043	(1,957)
5200	Licenses and Permits	42,750	35,700	22,176	(13,524)
5400	Charges for Services	20,800	29,800	44,967	15,167
5510	Fines	1,500	1,500	-	(1,500)
5610	Investment Earnings	7,500	22,000	21,538	(462)
5640	Contributions & Donations from Private Sources	-	-	74,115	74,115
5700	Other Revenue	225	7,854	8,252	398
5020	Total Revenues	723,950	783,029	875,512	92,483
EXPENDITURES:					
Current:					
0010	General Government	420,228	452,259	431,669	20,590
0020	Public Safety	14,500	14,500	12,284	2,216
0030	Public Works	282,010	313,810	273,298	40,512
0050	Parks and Recreation	12,000	12,000	-	12,000
6030	Total Expenditures	728,738	792,569	717,251	75,318
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,788)	(9,540)	158,261	167,801
OTHER FINANCING SOURCES (USES):					
8911	Transfers Out (Use)	-	-	(31,206)	(31,206)
7080	Total Other Financing Sources (Uses)	-	-	(31,206)	(31,206)
1200	Net Change	(4,788)	(9,540)	127,055	136,595
0100	Fund Balance - October 1 (Beginning)	508,480	508,480	508,480	-
3000	Fund Balance - September 30 (Ending)	\$ 503,692	\$ 498,940	\$ 635,535	\$ 136,595

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OTHER INFORMATION REQUIRED BY GAO

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PRESTON SINGLETON, CPA, P.C.
Certified Public Accountant
930 South Bell Boulevard, Suite 404
Cedar Park, Texas 78613
Phone (512) 310-5600 Fax (512) 310-5689

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
Village of Wimberley, Texas

Mayor and Members of the Council:

We have audited the financial statements of the Village of Wimberley, Texas, (the "City") as of and for the year ended September 30, 2007, and have issued our report thereon dated March 28, 2008. 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 one instance of noncompliance or other matters that is required to be reported under Government Auditing Standards. This item is reported as item 2007-1 in a separate letter dated March 28, 2008.

This report is intended for the information of the City'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, P.C.
Cedar Park, Texas

March 28, 2008

