

**CITY OF WIMBERLEY, TEXAS**

**ANNUAL FINANCIAL AND  
COMPLIANCE REPORT**

**FOR THE YEAR ENDED  
SEPTEMBER 30, 2008**

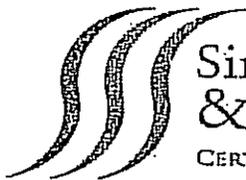
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CITY OF WIMBERLEY, TEXAS  
ANNUAL FINANCIAL AND COMPLIANCE REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

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Singleton, Moore  
& Company LLP

CERTIFIED PUBLIC ACCOUNTANTS

930 S. Bell Blvd., Suite 404 Cedar Park, Texas 78613  
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Independent Auditors' Report

Honorable Mayor and City Council  
City 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 City of Wimberley, Texas, (the "City") as of and for the year ended September 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's administrators. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Wimberley, Texas, as of September 30, 2008, 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 January 9, 2009, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Singleton, Moore & Company, LLP*

Singleton, Moore & Co., LLP  
Cedar Park, Texas  
January 9, 2009

# CITY OF WIMBERLEY, TEXAS

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Wimberley's annual financial report presents our discussion and analysis of the financial performance of the City during the fiscal year ended September 30, 2008. Please read it in conjunction with the financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- For the year ended September 30, 2008, the City of Wimberley's General Fund realized a fund balance increase of \$233,179 to end the year at \$868,714.
- Total governmental-type funds (the General Fund plus the Cypress Creek Nature Trail and the Blue Hole Park Funds) of the City of Wimberley reported an overall fund balance increase of \$278,681, to end at \$1,098,644.
- The total cost of the City of Wimberley's programs and services was \$705,256. This amount is inclusive of depreciation expense recorded on the City's capital assets.

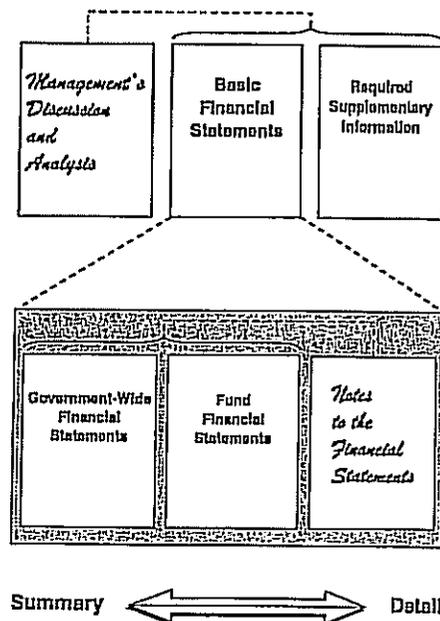
### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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



## Government-wide Statements

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

The two government-wide statements report the City of Wimberley's net assets and how they have changed. Net assets - the difference between the City of Wimberley's assets and liabilities - is one way to measure the City of Wimberley's financial health or position. Over time, increases or decreases in the City 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 City of Wimberley include the *governmental activities*. All of the City of Wimberley's basic services are included here, such as general government services, public safety, street repairs, and parks services. Sales taxes, franchise taxes, and user charges finance most of these activities.

## FINANCIAL ANALYSIS OF THE CITY OF WIMBERLEY AS A WHOLE

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

**Table I**  
**Net Assets**

	<u>Governmental Activities</u>		<u>Change</u>
	<u>2008</u>	<u>2007</u>	
<b>Assets</b>			
Current and other assets	\$ 1,154,143	\$ 865,911	\$ 288,232
Capital assets	<u>5,641,880</u>	<u>5,656,970</u>	<u>(15,090)</u>
<b>Total Assets</b>	<u>6,796,023</u>	<u>6,522,881</u>	<u>273,142</u>
<b>Liabilities</b>			
Current liabilities	<u>55,499</u>	<u>45,948</u>	<u>9,551</u>
<b>Total Liabilities</b>	<u>55,499</u>	<u>45,948</u>	<u>9,551</u>
Non-current liabilities	<u>23,335</u>	<u>-</u>	<u>23,335</u>
<b>Total Liabilities</b>	<u>78,834</u>	<u>45,948</u>	<u>32,886</u>
<b>Net Assets</b>			
Invested in capital assets, net of debt	5,618,545	5,656,970	(38,425)
Restricted	576,702	365,000	211,702
Unrestricted	<u>521,942</u>	<u>454,963</u>	<u>66,979</u>
<b>Total Net Assets</b>	<u>\$ 6,717,189</u>	<u>\$ 6,476,933</u>	<u>\$ 240,256</u>

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

Table II  
Changes in Net Assets

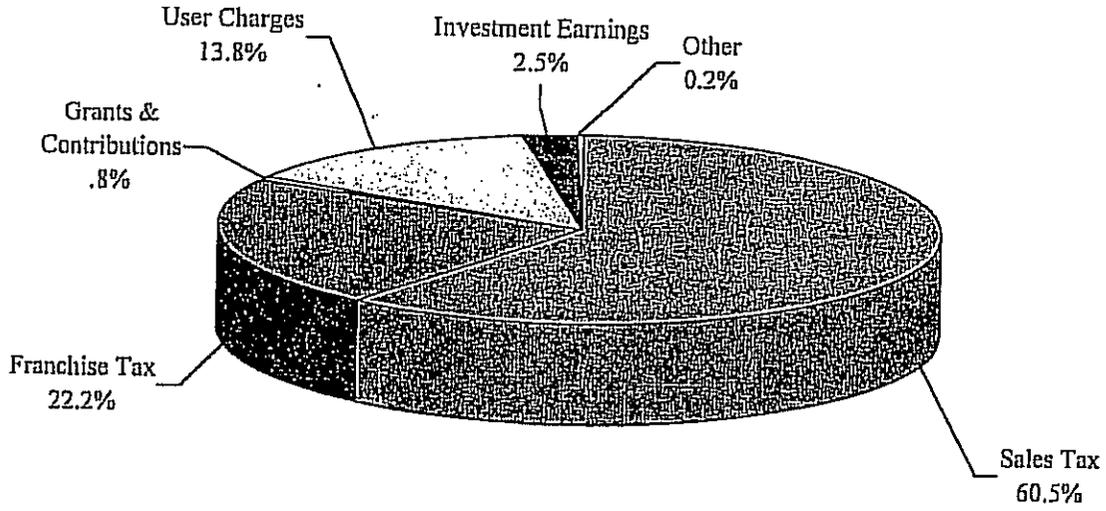
	Governmental Activities		Change
	2008	2007	
<b>Revenues</b>			
Program Revenues:			
Charges for services	\$ 130,762	\$ 90,485	\$ 40,277
Operating and capital grants	7,000	46,127	(39,127)
General Revenues:			
Sales taxes	572,120	531,421	40,699
Franchise taxes	209,880	173,043	36,837
Grants and contr., not restricted	-	124,127	(124,127)
Investment earnings	23,912	27,065	(3,153)
Other	1,838	8,252	(6,414)
<b>Total Revenues</b>	<u>945,512</u>	<u>1,000,520</u>	<u>(55,008)</u>
<b>Expenses</b>			
General government	388,720	395,257	(6,537)
Public safety	68,236	13,442	54,794
Highways and streets	233,118	299,053	(65,935)
Parks and recreation	15,182	34,715	(19,533)
<b>Total Expenses</b>	<u>705,256</u>	<u>742,467</u>	<u>(37,211)</u>
<b>Change in Net Assets</b>	<u>240,256</u>	<u>258,053</u>	<u>(17,797)</u>
<b>Beginning Net Assets</b>	<u>6,476,933</u>	<u>6,218,880</u>	<u>258,053</u>
<b>Ending Net Assets</b>	<u>\$ 6,717,189</u>	<u>\$ 6,476,933</u>	<u>\$ 240,256</u>

**Governmental Activities**

As indicated by the chart on the following page, over half of the City of Wimberley's revenue stream for Fiscal Year 2007/2008 was composed of sales taxes. Other significant sources of revenues were, franchise taxes (22%), user charges (13%), and investment earnings (2%). The City did not levy or collect a property tax for Fiscal Year 2007-2008.

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

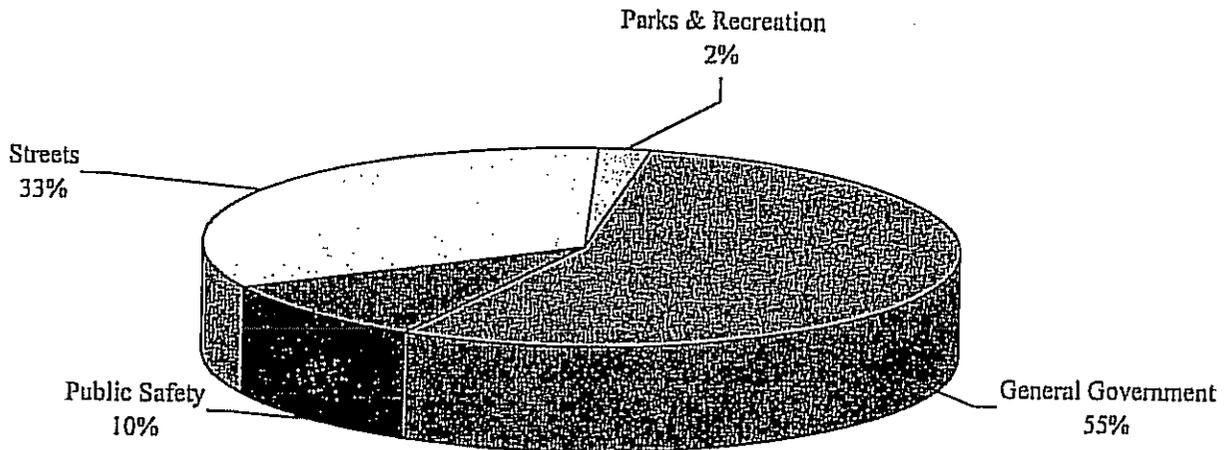
FY 2007-2008 Revenue Analysis



Program Expenses

The City of Wimberley's various program expenses totaled \$705,256 for the year ended September 30, 2008. The percentage distribution by program is illustrated in the table below.

FY 2007-2008 Expenditures



## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2008 the City of Wimberley had invested approximately \$5.64 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 a decrease of approximately \$15,000 over the prior year. The decrease in capital asset balances over the prior year is primarily due to depreciation for the year exceeding new asset additions.

<u>Capital Assets</u>	<u>2008</u>	<u>2007</u>	<u>Change</u>
Land	\$ 3,386,499	\$ 3,386,499	\$ -
Buildings and improvements	2,243,321	2,213,275	30,046
Infrastructure	104,821	104,821	0
Furniture, equipment and vehicles	165,012	121,151	43,861
Total at Historical Cost	5,899,653	5,825,746	73,907
Less accumulated depreciation	(257,770)	(168,774)	(88,996)
Net Capital Assets	<u>\$ 5,641,883</u>	<u>\$ 5,656,972</u>	<u>\$ (15,089)</u>

### Long-Term Debt

During 2008, the City entered into a lease agreement to finance the purchase of a police vehicle. The lease amount is \$23,335 and is payable over four years at an interest rate of 5.75% in annual amounts of \$6,696. This lease represents the only long-term debt of the City.

### Financial Analysis of Governmental Funds

Fund balance of the General Fund increased during the year by \$233,179. This change reflects the effects of revenues being realized approximately 2% over budgeted amounts and expenditures arriving approximately 32% under budget.

In addition to the General Fund, the City 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 \$48,896 during the year as a result of revenues generated from the seasonal operation of the Blue Hole Park's swimming area. The Cypress Creek Nature Trail Fund experienced a fund balance decrease of \$3,394 due to expenditures associated with several capital improvements made in the Cypress Creek Nature Trail Park during the fiscal year. These special revenue funds are expected to continue in future years.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the Fiscal Year 2009 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 City 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 2009. The Fiscal Year 2009 Budget is \$852,000. This represents a decrease of \$12,000, or 1.4 %, under the adopted budget of the previous fiscal year.

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

Professional service contracts for the cost of legal services have been increased to meet projected demands associated with the City's municipal court operation and planned downtown development. Decreases have been forecast for those professional service contracts which oversee new development as the City continues to experience limited growth. Fiscal Year 2009 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 56 percent of the total General Fund budgeted revenues for Fiscal Year 2009. The City collects a 1 percent sales tax on all taxable goods in the City. Projected sales tax revenue for Fiscal Year 2009 is \$476,400 – down 5 percent from the previous fiscal year.

## **CONTACTING THE CITY OF WIMBERLEY'S FINANCIAL MANAGEMENT**

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

CITY OF WIMBERLEY, TEXAS  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2008

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
<b>ASSETS</b>	
1010 Cash and Cash Equivalents	\$ 532,111
1030 Investments - Current	523,071
1150 Receivables (net of allowance for uncollectibles)	98,961
Capital Assets:	
1710 Land	3,386,499
1720 Infrastructure, net	82,649
1730 Buildings, net	2,103,734
1750 Machinery and Equipment, net	68,998
1000 Total Assets	6,796,023
<b>LIABILITIES</b>	
2020 Accounts Payable	55,499
Noncurrent Liabilities	
2501 Due Within One Year	6,696
2502 Due in More Than One Year	16,639
2000 Total Liabilities	78,834
<b>NET ASSETS</b>	
3200 Invested in Capital Assets, Net of Related Debt	5,618,545
Restricted for:	
3810 Restricted for Soccer Fields	146,702
3820 Restricted for Public Works	300,000
3830 Restricted for Special Projects	130,000
3900 Unrestricted Net Assets	521,942
3000 Total Net Assets	\$ 6,717,189

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

CITY OF WIMBERLEY, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

EXHIBIT B-1

Data Control Codes	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities	
<b>Primary Government:</b>					
<b>GOVERNMENTAL ACTIVITIES:</b>					
0010	General Government	\$ 388,720	\$ 106,745	\$ -	\$ (281,975)
0020	Public Safety	68,236	-	-	(68,236)
0031	Highways and Streets	233,118	-	-	(233,118)
0050	Parks and Recreation	15,182	24,017	7,000	15,835
<b>TOTAL PRIMARY GOVERNMENT:</b>		<u>\$ 705,256</u>	<u>\$ 130,762</u>	<u>\$ 7,000</u>	<u>(567,494)</u>

Data  
Control  
Codes

General Revenues:

Taxes:

5120	Sales Taxes	572,120
5170	Franchise Taxes	209,880
5700	Miscellaneous Revenue	1,838
5800	Investment Earnings	23,912
<b>Total General Revenues</b>		<u>807,750</u>

Change in Net Assets

240,256

Net Assets--Beginning

6,476,933

Net Assets--Ending

\$ 6,717,189

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

CITY OF WIMBERLEY, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2008

EXHIBIT C-1

Data Control Codes	General Fund	Cypress Creek Nature Trail Fund	Blue Hole Park Fund	Total Governmental Funds
<b>ASSETS</b>				
1010 Cash and Cash Equivalents	\$ 456,996	\$ 3,394	\$ 71,721	\$ 532,111
1030 Investments	360,632	-	162,439	523,071
1150 Receivables (Net)	98,961	-	-	98,961
1300 Due from Other Funds	5,444	-	-	5,444
1000 Total Assets	<u>\$ 922,033</u>	<u>\$ 3,394</u>	<u>\$ 234,160</u>	<u>\$ 1,159,587</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
2010 Accounts Payable	\$ 43,066	\$ -	\$ 2,065	\$ 45,131
2020 Wages and Salaries Payable	10,253	-	115	10,368
2080 Due to Other Funds	-	3,394	2,050	5,444
2000 Total Liabilities	<u>53,319</u>	<u>3,394</u>	<u>4,230</u>	<u>60,943</u>
Fund Balances:				
Reserved For:				
3420 Public Works	300,000	-	-	300,000
3430 Soccer Fields	-	-	146,702	146,702
3440 Special Projects	130,000	-	-	130,000
Unreserved Designated For:				
3510 Parks	-	-	83,228	83,228
Unreserved and Undesignated:				
3600 Reported in the General Fund	438,714	-	-	438,714
3000 Total Fund Balances	<u>868,714</u>	<u>-</u>	<u>229,930</u>	<u>1,098,644</u>
4000 Total Liabilities and Fund Balances	<u>\$ 922,033</u>	<u>\$ 3,394</u>	<u>\$ 234,160</u>	<u>\$ 1,159,587</u>

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

CITY OF WIMBERLEY, TEXAS  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
 STATEMENT OF NET ASSETS  
 SEPTEMBER 30, 2008

EXHIBIT C-2

<b>Total Fund Balances - Governmental Funds</b>	\$	1,098,644
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 \$5,825,745 and the accumulated depreciation was \$168,774. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net assets.		5,656,970
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2008 capital outlays and debt principal payments is to increase (decrease) net assets.		50,572
The 2008 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(88,997)
<b>Net Assets of Governmental Activities</b>	<u>\$</u>	<u>6,717,189</u>

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

CITY OF WIMBERLEY, TEXAS  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2008

Data Control Codes	General Fund	Cypress Creek Nature Trail Fund	Blue Hole Park Fund	Total Governmental Funds	
<b>REVENUES:</b>					
Taxes:					
5120	General Sales and Use Taxes	\$ 572,120	\$ -	\$ -	\$ 572,120
5170	Franchise Tax	209,880	-	-	209,880
5200	Licenses and Permits	24,017	-	-	24,017
5300	Intergovernmental Revenue and Grants	-	-	7,000	7,000
5400	Charges for Services	51,897	-	54,848	106,745
5610	Investment Earnings	18,756	-	5,156	23,912
5700	Other Revenue	1,838	-	-	1,838
5020	Total Revenues	<u>878,508</u>	<u>-</u>	<u>67,004</u>	<u>945,512</u>
<b>EXPENDITURES:</b>					
Current:					
0010	General Government	386,903	-	-	386,903
0020	Public Safety	60,442	-	-	60,442
0030	Public Works	206,491	-	-	206,491
0050	Parks and Recreation	-	18,222	18,108	36,330
6030	Total Expenditures	<u>653,836</u>	<u>18,222</u>	<u>18,108</u>	<u>690,166</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>224,672</u>	<u>(18,222)</u>	<u>48,896</u>	<u>255,346</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
7913	Proceeds from Capital Leases	23,335	-	-	23,335
7915	Transfers In	-	14,828	-	14,828
8911	Transfers Out (Use)	<u>(14,828)</u>	<u>-</u>	<u>-</u>	<u>(14,828)</u>
7080	Total Other Financing Sources (Uses)	<u>8,507</u>	<u>14,828</u>	<u>-</u>	<u>23,335</u>
1200	Net Change in Fund Balances	233,179	(3,394)	48,896	278,681
0100	Fund Balance - October 1 (Beginning)	<u>635,535</u>	<u>3,394</u>	<u>181,034</u>	<u>819,963</u>
3000	Fund Balance - September 30 (Ending)	<u>\$ 868,714</u>	<u>\$ -</u>	<u>\$ 229,930</u>	<u>\$ 1,098,644</u>

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

CITY OF WIMBERLEY, TEXAS  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED SEPTEMBER 30, 2008

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	278,681
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 2008 capital outlays and debt principal payments is to increase (decrease) net assets.		50,572
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.		(88,997)
 <b>Change in Net Assets of Governmental Activities</b>	 \$	 <u>240,256</u>

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

CITY OF WIMBERLEY, TEXAS  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - GENERAL FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2008

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
<b>REVENUES:</b>					
Taxes:					
5120	General Sales and Use Taxes	\$ 507,000	\$ 507,000	\$ 572,120	\$ 65,120
5170	Franchise Tax	180,000	180,000	209,880	29,880
5200	Licenses and Permits	66,500	66,500	24,017	(42,483)
5400	Charges for Services	53,000	53,000	51,897	(1,103)
5510	Fines	35,000	35,000	-	(35,000)
5610	Investment Earnings	17,500	17,500	18,756	1,256
5700	Other Revenue	5,000	5,000	1,838	(3,162)
5020	Total Revenues	864,000	864,000	878,508	14,508
<b>EXPENDITURES:</b>					
Current:					
0010	General Government	378,139	405,179	386,903	18,276
0020	Public Safety	109,875	109,875	60,442	49,433
0030	Public Works	365,486	330,046	206,491	123,555
0050	Parks and Recreation	10,500	18,500	-	18,500
6030	Total Expenditures	864,000	863,600	653,836	209,764
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	400	224,672	224,272
<b>OTHER FINANCING SOURCES (USES):</b>					
7913	Proceeds from Capital Leases	-	-	23,335	23,335
8911	Transfers Out (Use)	-	-	(14,828)	(14,828)
7080	Total Other Financing Sources (Uses)	-	-	8,507	8,507
1200	Net Change	-	400	233,179	232,779
0100	Fund Balance - October 1 (Beginning)	635,535	635,535	635,535	-
3000	Fund Balance - September 30 (Ending)	\$ 635,535	\$ 635,935	\$ 868,714	\$ 232,779

The accompanying notes are an integral part of this statement.

CITY OF WIMBERLEY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2008

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. REPORTING ENTITY**

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

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

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

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

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

Interfund activities between governmental funds appear as due to/due 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 City considers some governmental funds major and reports their financial condition and results of operations in a separate column.

CITY OF WIMBERLEY, TEXAS  
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SEPTEMBER 30, 2008

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

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

**D. FUND ACCOUNTING**

Basis of Accounting

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

The City reports the following major governmental funds:

1. **General Fund** – The General Fund is the primary operating fund of the City. It accounts for all financial resources except those required to be accounted for in another fund.
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.

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E. OTHER ACCOUNTING POLICIES

Capital Assets

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

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

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

<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 City 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.

CITY OF WIMBERLEY, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
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II. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

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

At September 30, 2008, the carrying amount of the City's deposits (cash, certificates of deposit, money market, and interest-bearing savings accounts included in temporary investments) was \$532,111 and the bank balance was \$538,399.

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies. The City's investments at September 30, 2008 were as follows:

<u>Investment</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
TexPool	\$ 523,071	\$ 523,071
	<u>\$ 523,071</u>	<u>\$ 523,071</u>

Policies Governing Deposits and Investments

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

**Custodial Credit Risk – Deposits:** This is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City was not exposed to custodial credit risk since its deposits at year-end and during the year ended September 30, 2008 were covered by depository insurance or by pledged collateral held by the City's agent bank in the City's name.

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

**Other Credit Risk:** There is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. To minimize credit risk, investment policies of the City's investment pools allow the portfolio's investment manager to only invest in obligations of the U.S. Government, its agencies; repurchase agreements; and no-load AAAM money market mutual funds registered with the SEC. As of September 30, 2008, 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, 2008, the General Fund had recorded Due From amounts of \$3,394 and \$2,050, from the Cypress Creek Nature Trail fund and the Blue Hole Park fund, respectively.

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 \$14,828 to the Cypress Creek Nature Trail Fund for operations.

**C. CAPITAL ASSETS**

Capital asset activity for City of Wimberley for the year ended September 30, 2008, was as follows:

<u>Description</u>	<u>Balance</u> <u>9/30/2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>9/30/2008</u>
Land	\$ 3,386,499	\$ -	\$ -	\$ 3,386,499
Buildings & Improvements	2,213,275	30,046	-	2,243,321
Infrastructure	104,821	-	-	104,821
Machinery and Equipment	<u>121,151</u>	<u>43,861</u>	-	<u>165,012</u>
Total Historical Costs	<u>5,825,746</u>	<u>73,907</u>	-	<u>5,899,653</u>
Less Accumulated Depreciation	<u>(168,774)</u>	<u>(88,996)</u>	-	<u>(257,770)</u>
Governmental Activities Capital Assets, net	<u>\$ 5,656,972</u>	<u>\$ (15,089)</u>	<u>\$ -</u>	<u>\$ 5,641,883</u>

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Depreciation expense was charged to general government departments as follows:

Depreciation expense was allocated to the governmental functions as follows:

Function	Allocated Depreciation
General Government	\$ 49,891
Public Safety	7,794
Public Works	26,627
Culture and Recreation	<u>4,685</u>
Total	<u>\$ 88,997</u>

**D. CAPITAL LEASE**

In July 2008, the City entered into a lease agreement with a bank to finance the purchase of a police vehicle. The police vehicle was purchased at a cost of \$30,031 and the City made a down payment in the amount of \$6,696 at closing and financed the remaining \$23,335 over a four year term. The lease interest rate is 5.75% per year and total payments of principal and interest are scheduled to be paid in July of each of the fiscal years 2009 through 2012 in set payments of \$6,696. Payments of principal over this four year term will be \$23,335 and interest payments will amount to \$3,448 for a total of \$26,783.

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

**F. LITIGATION**

Subsequent to the September 30, 2008 fiscal year end, a prior employee filed a lawsuit against the City with the Texas Workforce Commission (TWC) charging sex discrimination and retaliation. Because TWC only investigates complaints against employers having 15 or more employees, and the City has fewer, TWC will be closing its file on the charge. Subsequently, a lawsuit with the same allegations was filed against specific officials of the City in the 428<sup>th</sup> District Court of Hays County, Texas. The matter has been turned over to the City's liability carrier for review. Potential liability to the City in excess of insurance coverage has not yet been determined.