

**CITY OF WIMBERLEY, TEXAS**

**ANNUAL FINANCIAL AND  
COMPLIANCE REPORT**

**FOR THE YEAR ENDED  
SEPTEMBER 30, 2010**

**Singleton, Clark & Company, PC**  
**Certified Public Accountants**

**930 S. Bell Blvd., Suite 105  
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**CITY OF WIMBERLEY, TEXAS  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

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CERTIFIED PUBLIC ACCOUNTANTS

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**Independent Auditor's 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, 2010, 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, 2010, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2010, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Singleton, Clark & Company, PC*

Singleton, Clark & Company, PC  
Cedar Park, Texas

December 22, 2010

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# 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, 2010. Please read it in conjunction with the financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- For the year ended September 30, 2010, the City of Wimberley's General Fund realized a fund balance decrease of \$484,081 to end the year at \$524,226. This decrease is attributable to capital outlay for roads, and the purchase of a new building for City Hall.
- Total governmental-type funds (the General Fund plus the Municipal Court, Capital Projects and the Blue Hole Park Funds) of the City of Wimberley reported an overall fund balance decrease of \$420,800, to end at \$1,292,268.
- The total cost of the City of Wimberley's programs and services was \$951,274. This amount is inclusive of depreciation expense recorded on the City's capital assets.

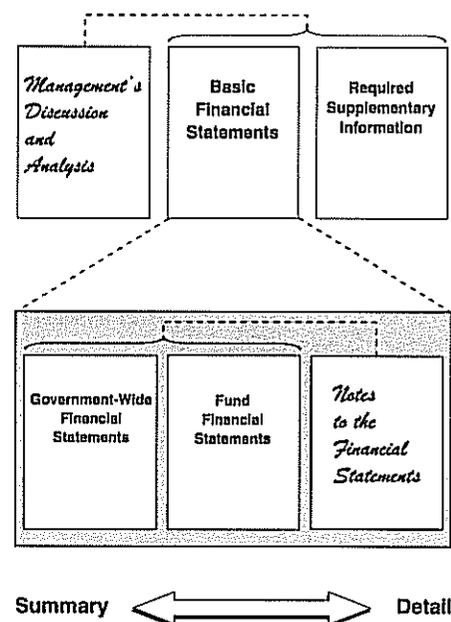
### OVERVIEW OF THE FINANCIAL STATEMENTS

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**

	<b>Governmental Activities</b>		<b>Change</b>
	<b>2010</b>	<b>2009</b>	
<b>Assets</b>			
Current and other assets	\$ 1,462,343	\$ 1,624,898	\$ (162,555)
Capital assets	6,773,831	5,792,652	981,179
Total Assets	<u>\$ 8,236,174</u>	<u>\$ 7,417,550</u>	<u>\$ 818,624</u>
<b>Liabilities</b>			
Current liabilities	\$ 184,355	\$ 53,712	\$ 130,643
Non-current liabilities	-	17,981	(17,981)
Total Liabilities	<u>184,355</u>	<u>71,693</u>	<u>112,662</u>
<b>Net Assets</b>			
Invested in capital assets, net of debt	6,773,831	5,774,490	999,341
Restricted	596,753	1,134,763	(538,010)
Unrestricted	681,234	578,307	102,927
Total Net Assets	<u>\$ 8,051,819</u>	<u>\$ 7,487,560</u>	<u>\$ 564,259</u>

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

**Table II  
Changes in Net Assets**

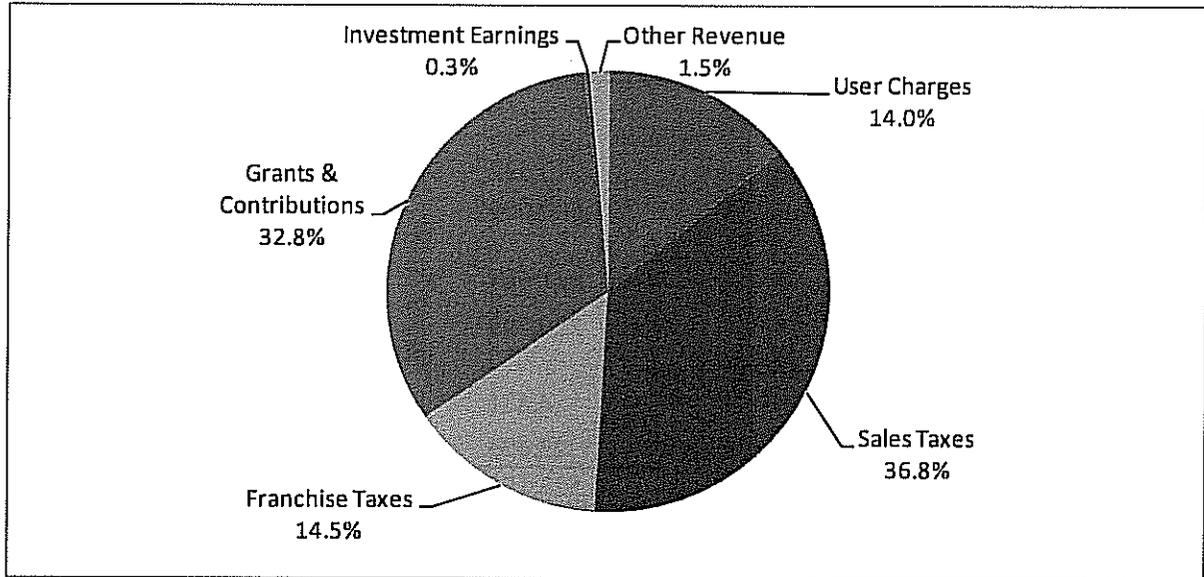
	<u>Governmental Activities</u>		<u>Change</u>
	<u>2010</u>	<u>2009</u>	
<b>Revenues</b>			
Program Revenues:			
Charges for services	\$ 213,532	\$ 121,914	\$ 91,618
Operating and capital grants	500,000	-	500,000
General Revenues:			
Sales taxes	561,292	578,827	(17,535)
Franchise taxes	220,799	207,142	13,657
Grants and contr., not restricted	-	605,000	(605,000)
Investment earnings	4,871	12,371	(7,500)
Other	22,696	37,057	(14,361)
<b>Total Revenues</b>	<u>1,523,190</u>	<u>1,562,311</u>	<u>(39,121)</u>
<b>Expenses</b>			
General government	431,288	416,920	14,368
Public safety	22,570	79,902	(57,332)
Public works	245,282	20,325	224,957
Highways and streets	95,621	209,360	(113,739)
Parks and recreation	156,513	65,433	91,080
<b>Total Expenses</b>	<u>951,274</u>	<u>791,940</u>	<u>159,334</u>
Gain/(Loss) on Sale of Assets	(7,658)	-	(7,658)
<b>Change in Net Assets</b>	<u>564,259</u>	<u>770,371</u>	<u>(206,112)</u>
<b>Beginning Net Assets</b>	<u>7,487,560</u>	<u>6,717,189</u>	<u>770,371</u>
<b>Ending Net Assets</b>	<u>\$ 8,051,819</u>	<u>\$ 7,487,560</u>	<u>\$ 564,259</u>

**Governmental Activities**

As indicated by the chart on the following page, the City of Wimberley's revenue stream for Fiscal Year 2009/2010 was composed of (36.8%) sales taxes. Other sources of revenues were, grants & contributions (32.8%) franchise taxes (14.5%), user charges (14.0%), and investment earnings (0.3%) and other miscellaneous revenue (1.5%). The City did not levy or collect a property tax for Fiscal Year 2009-2010.

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

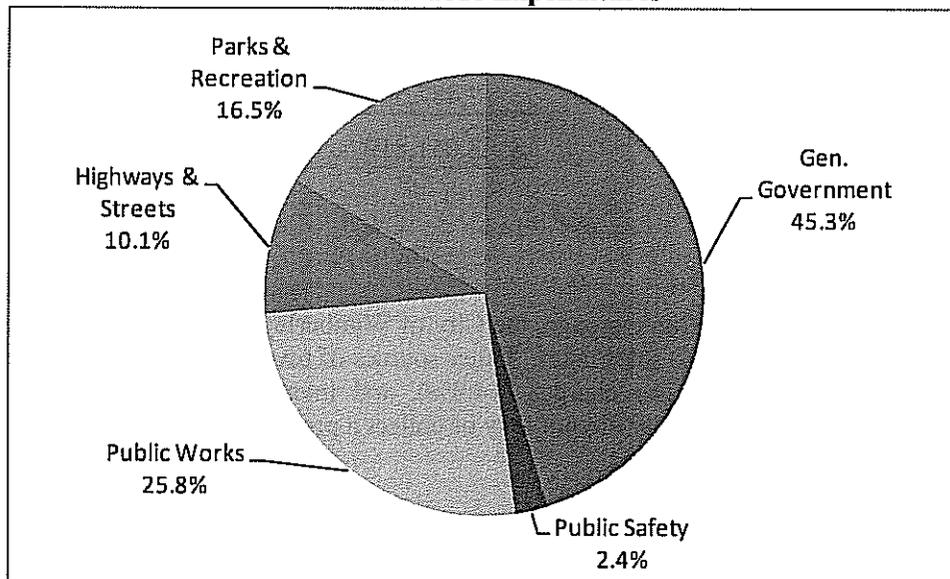
**FY 2009-2010 Revenue Analysis**



**Program Expenses**

The City of Wimberley's various program expenses totaled \$951,274 for the year ended September 30, 2010. The percentage distribution by program is illustrated in the table below.

**FY 2009-2010 Expenditures**



## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of Fiscal Year 2010 the City of Wimberley had invested approximately \$6.77 million in a broad range of capital assets, including land, buildings, roads, and equipment. (See table below) This amount is net of accumulated depreciation and represents an increase of \$981,179 over the prior year. The increase in capital asset balances over the prior year is primarily due to construction in progress for the year at the Blue Hole Park, as well as the addition of new infrastructure and a new City Hall building.

<u>Capital Assets</u>	<u>2010</u>	<u>2009</u>	<u>Change</u>
Land	\$ 3,391,499	\$ 3,391,499	\$ -
Buildings and improvements	2,646,669	2,243,321	403,348
Infrastructure	386,356	169,320	217,036
Furniture, equipment and vehicles	138,859	172,182	(33,324)
Construction in progress	662,453	165,477	496,976
Total at historical cost	<u>7,225,836</u>	<u>6,141,799</u>	<u>1,084,037</u>
Less accumulated depreciation	<u>(452,004)</u>	<u>(349,147)</u>	<u>(102,857)</u>
Net capital assets	<u>\$ 6,773,831</u>	<u>\$ 5,792,652</u>	<u>\$ 981,179</u>

### Long-Term Debt

At the end of Fiscal Year 2010, the City's had no outstanding long-term debt.

### Financial Analysis of Governmental Funds

Fund balance of the General Fund decreased during the year by \$484,081. This change reflects the effects of purchases of capital assets, revenues being realized approximately 4.07% over budgeted amounts, and expenditures arriving approximately 5.14% under budget.

In addition to the General Fund, the City maintains three special revenue funds; the Municipal Court Fund, Capital Projects 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 \$58,454 during the year as a result of revenues generated from the seasonal operation of the Blue Hole Park's swimming area.

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

The City's elected and appointed officials considered many factors when setting the Fiscal Year 2011 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 investments in capital outlay. These goals were taken into account when adopting the operating budget for Fiscal Year 2011. The Fiscal Year 2011 Budget is \$968,322. This represents an increase of \$38,822, or 3.8 %, under the adopted budget of the previous fiscal year.

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

Professional service contracts for the cost of legal services have been increased to meet projected demands associated with the City's municipal court operation. Fiscal Year 2011 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 54 percent of the total General Fund budgeted revenues for Fiscal Year 2011. The City collects a 1 % sales tax on all taxable goods in the City. Projected sales tax revenue for Fiscal Year 2011 is \$522,300 – consistent with budgeted amounts from the previous fiscal year.

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

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

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**GOVERNMENT-WIDE STATEMENTS**

CITY OF WIMBERLEY, TEXAS  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2010

	<u>Primary Government Governmental Activities</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 892,267
Receivables (net of allowance for uncollectibles)	570,076
Capital Assets:	
Land	3,391,499
Infrastructure, net	336,400
Buildings, net	2,371,245
Machinery and Equipment, net	12,234
Construction in Progress	662,453
Total Assets	<u>\$ 8,236,174</u>
<b>LIABILITIES</b>	
Accounts Payable	\$ 170,074
Compensated Absences Payable	14,281
Total Liabilities	<u>184,355</u>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	6,773,831
Restricted For:	
Restricted for Soccer Fields	146,702
Restricted for Capital Projects	450,052
Unrestricted Net Assets	681,234
Total Net Assets	<u>\$ 8,051,819</u>

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

CITY OF WIMBERLEY, TEXAS  
STATEMENT OF ACTIVITIES  
SEPTEMBER 30, 2010

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Capital Grants and Contributions	Primary Governmental Activities
<b>Primary Government</b>				
GOVERNMENTAL ACTIVITIES:				
General Government	\$ 430,238	\$ 170,772	\$ -	\$ (259,466)
Public Safety	22,570	-	-	(22,570)
Public Works	245,282	-	-	(245,282)
Highways and Streets	95,621	-	-	(95,621)
Culture and Recreation	156,513	42,760	500,000	386,248
Interest	1,050	-	-	(1,050)
<b>TOTAL PRIMARY GOVERNMENT:</b>	<u>\$ 951,274</u>	<u>\$ 213,532</u>	<u>\$ 500,000</u>	<u>\$ (237,741)</u>
General Revenues:				
Taxes:				
Sales Taxes				561,292
Franchise Taxes				220,799
Miscellaneous Revenues				22,696
Investment Earnings				4,871
Gain/(Loss) on Sale of Assets				(7,658)
Total General Revenues				<u>802,000</u>
				Change in Net Assets
				\$ 564,259
Net Assets - Beginning				<u>7,487,560</u>
Net Assets - Ending				<u>\$ 8,051,819</u>

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

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**FUND BASIS STATEMENTS**

CITY OF WIMBERLEY, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2010

	General Fund	Blue Hole Park Fund	Municipal Court Fund
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 570,856	\$ 320,016	\$ 1,256
Receivables (Net)	70,076	-	-
Due from Other Funds	-	70	-
<b>Total Assets</b>	<b>\$ 640,931</b>	<b>\$ 320,086</b>	<b>\$ 1,256</b>
<b>LIABILITIES &amp; FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts Payable	\$ 104,554	\$ 3,108	\$ -
Wages and Salaries Payable	12,082	244	-
Due to Other Funds	70	-	-
<b>Total Liabilities</b>	<b>116,706</b>	<b>3,351</b>	<b>-</b>
<b>Fund Balances:</b>			
<b>Reserved For:</b>			
Capital Projects	-	-	-
Soccer Fields	-	146,702	-
<b>Unreserved Designated for:</b>			
Public Works	209,690	-	-
Future Grant Matches	131,056	-	-
Wastewater Improvements	183,479	-	-
Parks	-	170,034	-
Municipal Court	-	-	1,256
<b>Total Fund Balances</b>	<b>524,226</b>	<b>316,735</b>	<b>1,256</b>
<b>Total Liabilities &amp; Fund Balances</b>	<b>\$ 640,931</b>	<b>\$ 320,086</b>	<b>\$ 1,256</b>

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

Capital Projects Fund	Total Governmental Funds
\$ 139	\$ 892,267
500,000	570,076
-	70
<u>\$ 500,139</u>	<u>\$ 1,462,413</u>
\$ 50,087	\$ 157,749
-	12,325
-	70
<u>50,087</u>	<u>170,144</u>
450,052	450,052
-	146,702
-	209,690
-	131,056
-	183,479
-	170,034
-	1,256
<u>450,052</u>	<u>1,292,268</u>
<u>\$ 500,139</u>	<u>\$ 1,462,413</u>

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CITY OF WIMBERLEY, TEXAS  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET ASSETS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 1,292,268</b>
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 \$6,141,799 and the accumulated depreciation was \$349,147. 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.	5,774,671
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 2010 capital outlays and debt principal payments is to increase (decrease) net assets.	1,135,341
The 2010 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.	(109,523)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.	(40,939)
<b>Net Assets of Governmental Activities</b>	<u><u>\$ 8,051,819</u></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, 2010

	General Fund	Blue Hole Park Fund	Municipal Court Fund
<b>REVENUES</b>			
Taxes:			
General Sales & Use Taxes	\$ 561,113	\$ -	\$ -
Franchise Tax	220,799	-	-
Licenses and Permits	42,760	-	-
Intergovernmental Revenue & Grants	-	-	-
Charges for Services	40,862	86,360	32
Fines	660	-	-
Investment Earnings	2,531	568	2
Contributions & Donations from	-	-	-
Other Revenue	84,498	55	-
Total Revenues	953,224	86,983	34
<b>EXPENDITURES</b>			
Current:			
General Government	368,996	-	-
Public Safety	6,433	-	-
Public Works	314,532	-	-
Culture and Recreation	107,930	28,529	-
Debt Service:			
Debt Principal	17,981	-	-
Debt Interest	1,050	-	-
Capital Outlay	620,384	-	-
Total Expenditures	1,437,305	28,529	-
Net Change in Fund Balances	(484,081)	58,454	34
Fund Balance-Oct 1 (Beginning)	1,008,307	258,282	1,222
Fund Balance-Sept 30 (Ending)	\$ 524,226	\$ 316,735	\$ 1,256

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

Capital Projects Fund	Total Governmental Funds
\$ -	\$ 561,113
-	220,799
-	42,760
500,000	500,000
-	127,254
-	660
1,769	4,871
-	-
-	84,553
<u>501,769</u>	<u>1,542,010</u>
-	368,996
-	6,433
-	314,532
-	136,459
-	17,981
-	1,050
496,976	1,117,360
<u>496,976</u>	<u>1,962,811</u>
4,793	(420,800)
<u>445,259</u>	<u>1,713,069</u>
<u>\$ 450,052</u>	<u>\$ 1,292,268</u>

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CITY OF WIMBERLEY, TEXAS  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
 EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

<b>Total Net Change in Fund Balances - Governmental Funds</b>	<b>\$ (420,800)</b>
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 2010 capital outlays and debt principal payments is to increase (decrease) net assets.	1,135,341
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.	(109,523)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.	(40,759)
<b>Change in Net Assets of Governmental Activities</b>	<u><u>\$ 564,259</u></u>

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

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CITY OF WIMBERLEY, TEXAS  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - GENERAL FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
			(GAAP Basis)	Positive or
			General Fund	(Negative)
<b>REVENUES</b>				
Taxes:				
General Sales and Use Taxes	\$ 532,300	\$ 532,300	\$ 561,113	\$ 28,813
Franchise Tax	230,000	220,000	220,799	799
Licenses and Permits	21,500	37,500	42,760	5,260
Charges for Services	55,500	51,500	40,862	(10,638)
Fines	5,000	1,000	660	(340)
Investment Earnings	12,000	2,500	2,531	31
Other Revenue	76,200	71,120	84,498	13,378
Total Revenues	932,500	915,920	953,224	37,304
<b>EXPENDITURES</b>				
Current:				
General Government	409,041	384,653	368,996	15,657
Public Safety	20,830	25,202	6,433	18,769
Public Works	292,317	321,338	314,532	6,806
Culture and Recreation	107,573	115,588	107,930	7,658
Debt Service:				
Debt Principal	17,981	17,981	17,981	-
Debt Interest	1,051	1,051	1,050	1
Capital Outlay	277,500	645,400	620,384	25,016
Total Expenditures	1,126,293	1,511,213	1,437,305	73,908
Net Change	(193,793)	(595,293)	(484,082)	111,211
Fund Balance - Oct 1 (Beginning)	1,008,307	1,008,307	1,008,307	-
Fund Balance - Sept 30 (Ending)	\$ 814,514	\$ 413,014	\$ 524,226	\$ 111,212

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

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CITY OF WIMBERLEY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010

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

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

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**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. **Municipal Court Fund** – This fund is used to account for the proceeds of revenue sources that are legally restricted to expenditures for the Municipal Court.

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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.
4. **Capital Projects Fund** – This fund is used to account for the activity related to the Blue Hole Park improvements in the Capital Projects 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 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  
 SEPTEMBER 30, 2010

**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, 2010, the carrying amount of the City’s deposits (cash, certificates of deposit, money market, and interest-bearing savings accounts included in temporary investments) was \$551,805 and the bank balance was \$559,493.

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, 2010 were as follows:

Investment	Carrying Amount	Fair Value
TexPool	\$ 340,462	\$ 340,462

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, 2010 were covered by depository insurance or by pledged collateral held by the City’s agent bank in the City’s name.

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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, 2010, 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, 2010 the General Fund had recorded Due To amounts of \$70, to the Blue Hole Park Fund, respectively.

There were no transfers during the year.

**C. CAPITAL ASSETS**

Capital asset activity for City of Wimberley for the year ended September 30, 2010, was as follows:

	Balance 9/30/2009	Additions	Retirements	Balance 9/30/2010
Governmental Activities:				
Land	\$ 3,391,499	\$ -	\$ -	\$ 3,391,499
Buildings and Improvements	2,243,321	403,348	-	2,646,669
Infrastructure	169,320	217,036	-	386,356
Machinery and Equipment	172,182	-	(33,324)	138,859
Construction in Progress	165,477	496,976	-	662,453
Totals at Historical Cost	<u>6,141,799</u>	<u>1,117,360</u>	<u>(33,324)</u>	<u>7,225,836</u>
Less Accumulated Depreciation	<u>(349,147)</u>	<u>(109,523)</u>	<u>6,666</u>	<u>(452,004)</u>
Governmental Activities Capital Assets, Net	<u>\$ 5,792,652</u>	<u>\$ 1,007,837</u>	<u>\$ (26,658)</u>	<u>\$ 6,773,831</u>

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Depreciation expense was charged to general government departments as follows:

<u>Department</u>	<u>Allocated Depreciation Amount</u>
General Government	\$ 48,902
Public Safety	852
Public Works	41,684
Culture and Recreation	18,085
Total	<u>\$ 109,523</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 City participates in the Texas Municipal League Risk Pool, a risk-sharing pool, for property, liability, and worker's compensation, wherein member cities pool risks and funds and share in the costs of losses. Claims against the City are expected to be paid by that public entity risk pool. Should the risk pool become insolvent, or otherwise unable to pay claims, the City may have to pay the claims. There were no significant reductions in insurance coverage or insurance settlements exceeding insurance coverage during each of the past three years.

**E. LITIGATION**

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

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OTHER INFORMATION REQUIRED BY GAO

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**SINGLETON, CLARK**  
& COMPANY, P C  
CERTIFIED PUBLIC ACCOUNTANTS

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

Honorable Mayor and City Council  
City of Wimberley, Texas

Mayor and Members of the Council:

We have audited the financial statements of the City of Wimberley, Texas (the "City") as of and for the year ended September 30, 2010 and have issued our report thereon dated December 22, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency or combination of control deficiencies that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

*Singleton, Clark & Company, PC*

Singleton, Clark & Company, PC  
Cedar Park, Texas

December 22, 2010