

**CITY OF WIMBERLEY, TEXAS**

**ANNUAL  
FINANCIAL REPORT**

**FISCAL YEAR ENDED  
SEPTEMBER 30, 2016**



**Armstrong, Vaughan & Associates, P.C.**  
Certified Public Accountants

CITY OF WIMBERLEY  
 ANNUAL FINANCIAL REPORT  
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

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CITY OF WIMBERLEY  
PRINCIPAL OFFICERS

CITY OFFICIALS

MAYOR

MAC MCCULLOUGH

CITY COUNCIL

BOB DUSSLER

CRAIG FORE

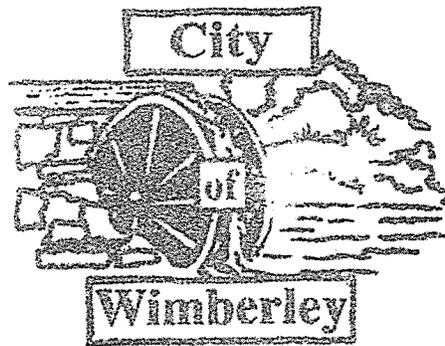
SALLY TRAPP

GARY BARCHFELD

JOHN WHITE

CITY ADMINISTRATOR

DON FERGUSON



SHAREHOLDERS:  
Nancy L. Vaughan, CPA  
Deborah F. Fraser, CPA  
Phil S. Vaughan, CPA



Armstrong, Vaughan & Associates, P.C.  
Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and  
Members of the City Council  
City of Wimberley, Texas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wimberley as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise City of Wimberley's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

The City of Wimberley's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wimberley, as of September 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Emphasis of Matter*

As discussed in Note A20 to the financial statements, in October 2015, the City changed their method of sales tax revenue recognition. This required a restatement of beginning fund balance of the General Fund and beginning net position of governmental activities. Our opinion is not modified with respect to these matters.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension schedules as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Wimberley's basic financial statements as a whole. The combining nonmajor fund financial statements and comparative individual fund statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. These statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

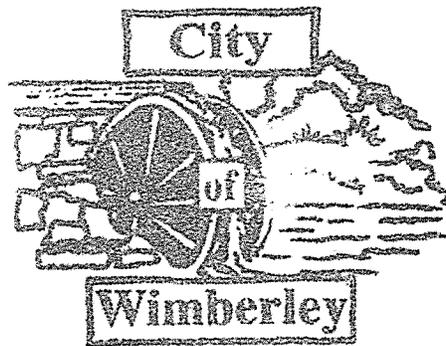
**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2017 on our consideration of the City of Wimberley's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Wimberley's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Armstrong, Vaughan & Associates, P.C.".

Armstrong, Vaughan & Associates, P.C.

January 16, 2017



## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Wimberley's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended September 30, 2016. Please read it in conjunction with the City's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

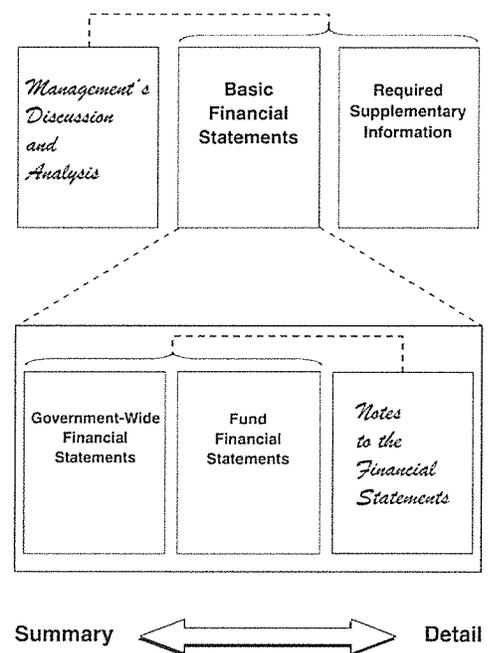
- The City's total combined net position was \$12.8 million at September 30, 2016.
- The City's governmental expenses (including assistance to the wastewater utility) were \$1.2 million less than the \$3.2 million generated in general and program revenues for governmental activities. The total cost of the City's governmental programs increased 8.5% from the prior year.
- The City's business-type expenses were \$11 thousand more than the \$119 thousand generated in charges for services and other revenues. The total cost of the City's business-type activities increased 11% from the prior year.
- The general fund reported a fund balance this year of \$1.3 million, a decrease of 10%, primarily because of debt service requirements of the wastewater utility.
- No new debt was issued this fiscal year.

### 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 kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City'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.
- *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates *like businesses*.

Figure A-1F, Required Components of the City's Annual Financial Report



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.

<b>Figure A-2. Major Features of the City's Government-wide and Fund Financial Statements</b>			
<b>Fund Statements</b>			
<i>Type of Statements</i>	Government-wide	Governmental Funds	Proprietary Funds
<i>Scope</i>	Entire City's government (except fiduciary funds) and the City's component units	The activities of the town that are not proprietary or fiduciary	Activities of the City that operate similar to private businesses: wastewater
<i>Required financial statements</i>	• Statement of net position	• Balance Sheet	• Statement of net position
	• Statement of activities	• Statement of revenues, expenditures & changes in fund balances	• Statement of revenues, expenses & changes in net position • Statement of cash flows
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid

Figure A-2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

### **Government-Wide Statements**

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position 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's net position and how they have changed. Net position—the difference between the City's assets and liabilities—is one way to measure the City's financial health or *position*.

- Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, one needs to consider additional non-financial factors such as changes in the City's tax base.

- The government-wide financial statements of the City include the *Governmental activities*. Most of the City's basic services are included here, such as administration, inspections, police, court, streets, culture and recreation, and parks. Sales taxes and charges for services finance most of these activities.

### Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant *funds*—not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following kinds of funds:

- *Governmental funds*—Most of the City's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page, which explains the relationship (or differences) between them.
- *Proprietary funds*—Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.

### FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The City's combined net position was \$12.8 million at September 30, 2016. (See Table A-1).

	Governmental Activities		Business-Type Activities		Total		Percentage Change
	2016	2015*	2016	2015	2016	2015*	
<i>Assets:</i>							
Current Assets	\$ 2,921,456	\$ 1,902,353	\$ 204,594	\$ 177,775	\$ 3,126,050	\$ 2,080,128	50.3
Other Assets	210,156	13,119	225,433	350,926	435,589	364,045	19.7
Capital Assets (net)	9,181,391	9,224,315	663,672	462,339	9,845,063	9,686,654	1.6
<b>Total Assets</b>	<b>12,313,003</b>	<b>11,139,787</b>	<b>1,093,699</b>	<b>991,040</b>	<b>13,406,702</b>	<b>12,130,827</b>	<b>10.5</b>
<i>Deferred Outflows:</i>	19,387	5,335	-	-	19,387	5,335	263.4
<i>Liabilities:</i>							
Current Liabilities	115,747	112,192	125,836	121,447	241,583	233,639	3.4
Long-Term Liabilities	19,544	1,014	342,148	463,288	361,692	464,302	(22.1)
<b>Total Liabilities</b>	<b>135,291</b>	<b>113,206</b>	<b>467,984</b>	<b>584,735</b>	<b>603,275</b>	<b>697,941</b>	<b>(13.6)</b>
<i>Net Position:</i>							
Invested in Capital Assets	9,181,391	9,224,315	321,661	232,587	9,503,052	9,456,902	0.5
Restricted	266,676	40,407	-	-	266,676	40,407	560.0
Unrestricted	2,749,032	1,767,194	304,054	173,718	3,053,086	1,940,912	57.3
<b>Total Net Position</b>	<b>\$ 12,197,099</b>	<b>\$ 11,031,916</b>	<b>\$ 625,715</b>	<b>\$ 406,305</b>	<b>\$ 12,822,814</b>	<b>\$ 11,438,221</b>	<b>12.1</b>

\*Note: Comparative information restated for change in sales tax recognition. See note A20.

### Governmental Activities

- A new hotel occupancy tax was enacted in October 2015 that generated \$236 thousand in new tax revenue.
- Sales tax collections increased 10% to \$0.9 million.
- The City's insurer acknowledged a loss of \$1.2 million in infrastructure damaged in the 2015 floods.

### Business-Type Activities

- Expenses increased 11% overall.
- Rates were decreased again for the fiscal year 2016 to help reduce the burden on the City's one major customer.

**Table A-2**  
Changes in City's Net Position

	Governmental Activities		Business-Type Activities		Total		Percentage Change
	2016	2015*	2016	2015	2016	2015*	
<i>Program Revenues:</i>							
Charges for Services	\$ 490,059	\$ 475,307	\$ 118,776	\$ 140,807	\$ 608,835	\$ 616,114	(1.2)
Operating Grants and Contributions	-	-	-	-	-	-	0.0
Capital Contributions	-	-	-	-	-	-	0.0
<i>General Revenues:</i>							
Taxes	1,403,281	1,063,047	-	-	1,403,281	1,063,047	32.0
Interest Earnings	1,424	930	174	118	1,598	1,048	52.5
Insurance Proceeds	1,232,279	-	-	-	1,232,279	-	100.0
Miscellaneous	29,008	24,827	-	-	29,008	24,827	16.8
<b>TOTAL REVENUES</b>	<b>3,156,051</b>	<b>1,564,111</b>	<b>118,950</b>	<b>140,925</b>	<b>3,275,001</b>	<b>1,705,036</b>	<b>92.1</b>
<i>Program Expenses:</i>							
Administration	598,514	684,959	-	-	598,514	684,959	(12.6)
Inspections	52,583	67,937	-	-	52,583	67,937	(22.6)
Police and Court	66,224	82,043	-	-	66,224	82,043	(19.3)
Public Works	43,681	40,653	-	-	43,681	40,653	7.4
Highways and Roads	331,586	229,741	-	-	331,586	229,741	44.3
Sanitation	40,380	36,075	-	-	40,380	36,075	11.9
Culture and Recreation	142,571	141,284	-	-	142,571	141,284	0.9
Parks	485,080	339,400	-	-	485,080	339,400	42.9
Wastewater	-	-	129,789	116,894	129,789	116,894	11.0
<b>TOTAL EXPENSES</b>	<b>1,760,619</b>	<b>1,622,092</b>	<b>129,789</b>	<b>116,894</b>	<b>1,890,408</b>	<b>1,738,986</b>	<b>8.7</b>
Transfers	(230,249)	(93,887)	230,249	93,887	-	-	0.0
<b>Change in Net Position</b>	<b>\$ 1,165,183</b>	<b>\$ (151,868)</b>	<b>\$ 219,410</b>	<b>\$ 117,918</b>	<b>\$ 1,384,593</b>	<b>\$ (33,950)</b>	<b>4178.3</b>

\* Note: Comparative information restated for change in sales tax recognition. See note A20.

Table A-3 presents the cost of each of the City's largest functions, as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars. The cost of all *governmental* activities this year was \$1.8 million.

**Table A-3**  
Net Cost of Selected City Functions

	Total Cost of Services			Percentage Change	Net Cost of Services		
	2016	2015			2016	2015	Percentage Change
Administration	\$ 598,514	\$ 684,959	(12.6)	\$ 594,514	\$ 683,559	(13.0)	
Inspections	52,583	67,937	(22.6)	(72,622)	(42,399)	71.3	
Police and Court	66,224	82,043	(19.3)	57,597	77,105	(25.3)	
Public Works	43,681	40,653	7.4	43,681	40,653	7.4	
Highways and Roads	331,586	229,741	44.3	331,586	229,741	44.3	
Sanitation	40,380	36,075	11.9	40,380	36,075	11.9	
Culture and Recreation	142,571	141,284	0.9	102,630	89,079	15.2	
Parks	485,080	339,400	42.9	172,794	32,972	424.1	
Wastewater	129,789	116,894	11.0	(11,013)	(23,913)	(53.9)	

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

- The General fund decreased its fund balance by \$150 thousand, primarily from the debt service requirements of the wastewater utility.
- New major funds were created to account for the low water crossing insurance claim and the new occupancy tax.
- Other nonmajor governmental funds were largely unchanged.

### Budgetary Highlights

- General Fund revenues fell short of the budget by \$134 thousand. Insurance proceeds for the low water crossing were received into a separate fund.
- General Fund expenditures were \$83 thousand under budget. Highways and Roads was over budget because more repairs were done than expected. Capital outlay (mainly roads) was under budget to compensate.
- Debt service transfers to the wastewater utility exceeded the budget, leading to an overall decrease in General Fund Balance by \$150 thousand. The transfers were required to meet debt service requirements of the wastewater utility.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

As of September 30, 2016, the City had invested \$11.9 million in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.) Significant additions in 2016 include continuation on the wastewater utility improvements planning and design and several road projects.

**Table A-4**  
City's Capital Assets  
(in thousands dollars)

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2016	2015	2016	2015	2016	2015	
Land	\$ 3,468	\$ 3,468	\$ -	\$ -	\$ 3,468	\$ 3,468	0.0
Buildings and Improvements	6,400	6,400	-	-	6,400	6,400	0.0
Infrastructure	681	675	224	224	905	899	0.7
Equipment	341	331	-	-	341	331	3.0
Construction in Progress	282	11	467	260	749	271	176.4
Totals at Historical Cost	11,172	10,885	691	484	11,863	11,369	4.3
Total Accumulated Depreciation	(1,991)	(1,661)	(27)	(21)	(2,018)	(1,682)	20.0
Net Capital Assets	<u>\$ 9,181</u>	<u>\$ 9,224</u>	<u>\$ 664</u>	<u>\$ 463</u>	<u>\$ 9,845</u>	<u>\$ 9,687</u>	1.6

More detailed information about the City's capital assets is presented in the notes to the financial statements.

### Long Term Debt

The City notes payable during the year as outlined in Table A-5. No new debt was issued this year. More detailed information about the City's debt is presented in the notes to the financial statements.

**Table A-5**  
City's Long-Term Debt  
(in thousands dollars)

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2016	2015	2016	2015	2016	2015	
Note Payable - GBRA	\$ -	\$ -	\$ 83	\$ 108	\$ 83	\$ 108	(23.1)
Notes Payable - 2013 Series	-	-	380	470	380	470	(19.1)
Total Long-Term Debt	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 463</u>	<u>\$ 578</u>	<u>\$ 463</u>	<u>\$ 578</u>	<u>(19.9)</u>

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

For the 2017 fiscal year, the City projects General Fund revenues will increase to \$1.2 million, primarily from increasing sales tax collections. Expenditures are also budgeted to increase to \$1.3 million, with the deficit coming from fund balance. The General Fund budget includes continued debt service transfers to the wastewater utility. The City is evaluating options for a new wastewater facility that will allow it to expand the customer base and support debt necessary to construct the system. Major improvements for infrastructure (roads and low water crossings) are also expected to continue. No other major changes are planned to City services.

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

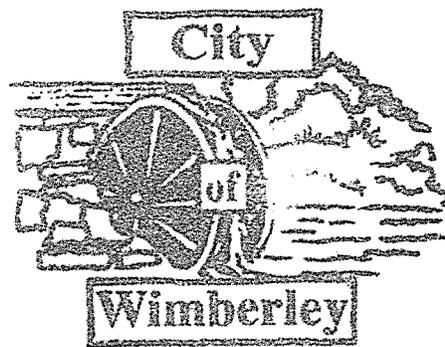
This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information,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

## BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

- Government – Wide Financial Statements
- Fund Financial Statements:
  - Governmental Funds
  - Proprietary Fund

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.



CITY OF WIMBERLEY  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2016

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,437,564	\$ 194,078	\$ 1,631,642
Receivables	1,483,892	10,516	1,494,408
Restricted Cash	210,156	225,433	435,589
Capital Assets (net)	9,181,391	663,672	9,845,063
<b>TOTAL ASSETS</b>	<b>12,313,003</b>	<b>1,093,699</b>	<b>13,406,702</b>
<b>DEFERRED OUTFLOWS</b>			
Deferred Pension Related Outflows	19,387	-	19,387
<b>TOTAL DEFERRED OUTFLOWS</b>	<b>19,387</b>	<b>-</b>	<b>19,387</b>
<b>LIABILITIES</b>			
Accounts Payable	25,196	873	26,069
Accrued Wages	8,640	-	8,640
Payroll Deductions and Withholdings	4,998	-	4,998
Accrued Compensated Absences	22,385	-	22,385
Accrued Interest	-	3,860	3,860
Deposits and Unearned Revenue	7,400	-	7,400
Due to Other Governments	47,128	-	47,128
Current Portion of Long-term Debt	-	121,103	121,103
<i>Noncurrent Liabilities:</i>			
Long-term Debt Net of Current Portion	-	342,148	342,148
Net Pension Liability	19,544	-	19,544
<b>TOTAL LIABILITIES</b>	<b>135,291</b>	<b>467,984</b>	<b>603,275</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	9,181,391	321,661	9,503,052
Restricted for:			
Federal Program	17,844	-	17,844
Municipal Court	8,138	-	8,138
Capital Projects	5,020	-	5,020
Tourism Development	235,674	-	235,674
Unrestricted	2,749,032	304,054	3,053,086
<b>TOTAL NET POSITION</b>	<b>\$ 12,197,099</b>	<b>\$ 625,715</b>	<b>\$ 12,822,814</b>

See accompanying notes to basic financial statements.

CITY OF WIMBERLEY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

<u>Functions and Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Primary Government:</b>				
<i>Governmental Activities:</i>				
Administration	\$ 598,514	\$ 4,000	\$ -	\$ -
Inspections	52,583	125,205	-	-
Police and Court	66,224	8,627	-	-
Public Works	43,681	-	-	-
Highways and Roads	331,586	-	-	-
Sanitation	40,380	-	-	-
Culture and Recreation	142,571	39,941	-	-
Parks	485,080	312,286	-	-
<i>Total Governmental Activities</i>	<u>1,760,619</u>	<u>490,059</u>	<u>-</u>	<u>-</u>
<i>Business-Type Activities:</i>				
Wastewater Utility	129,789	118,776	-	-
<i>Total Business-Type Activities</i>	<u>129,789</u>	<u>118,776</u>	<u>-</u>	<u>-</u>
<b>Total Primary Government</b>	<u>\$ 1,890,408</u>	<u>\$ 608,835</u>	<u>\$ -</u>	<u>\$ -</u>
<b>General Revenues:</b>				
Taxes				
Sales Taxes				
Hotel Occupancy Tax				
Franchise Taxes				
Interest and Investment Earnings				
Insurance Proceeds				
Miscellaneous				
<b>Total General Revenues</b>				
Transfers				
Change in Net Position				
<b>Net Position at Beginning of Year</b>				
Prior Period Adjustment				
<b>Net Position at End of Year</b>				

See accompanying notes to basic financial statements.

Net (Expense) Revenue and Changes in Net Position  
Primary Government

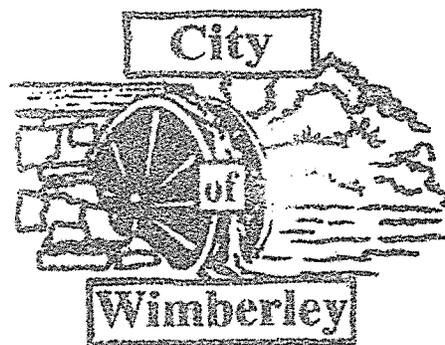
<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (594,514)		\$ (594,514)
72,622		72,622
(57,597)		(57,597)
(43,681)		(43,681)
(331,586)		(331,586)
(40,380)		(40,380)
(102,630)		(102,630)
(172,794)		(172,794)
<u>(1,270,560)</u>		<u>(1,270,560)</u>
	\$ (11,013)	(11,013)
	<u>(11,013)</u>	<u>(11,013)</u>
		<u>(1,281,573)</u>
909,909	-	909,909
235,643	-	235,643
257,729	-	257,729
1,424	174	1,598
1,232,279	-	1,232,279
29,008	-	29,008
<u>2,665,992</u>	<u>174</u>	<u>2,666,166</u>
<u>(230,249)</u>	<u>230,249</u>	<u>-</u>
1,165,183	219,410	1,384,593
10,935,638	406,305	11,341,943
96,278	-	96,278
<u>\$ 12,197,099</u>	<u>\$ 625,715</u>	<u>\$ 12,822,814</u>

CITY OF WIMBERLEY  
BALANCE SHEET - GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2016

	Major Fund General Fund	Major Fund Blue Hole Park	Major Fund Hotel Occupancy
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 979,992	\$ 411,372	\$ 193,654
Receivables (net of allowances for uncollectibles):			
Other Receivables	243,146	-	42,020
Due from Other Funds	117,393	-	-
<b>TOTAL ASSETS</b>	<u>\$ 1,340,531</u>	<u>\$ 411,372</u>	<u>\$ 235,674</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<i>Liabilities:</i>			
Accounts Payable	\$ 18,987	\$ 3,688	\$ -
Accrued Wages	6,148	2,492	-
Payroll Deductions and Withholdings	3,449	1,549	-
Due to Other Governments	47,128	-	-
Due to Other Funds	-	-	-
Unearned Revenue	7,300	100	-
<i>Total Liabilities</i>	<u>83,012</u>	<u>7,829</u>	<u>-</u>
<i>Deferred Inflows of Resources:</i>			
Unavailable Insurance Proceeds	-	-	-
<i>Total Deferred Inflows of Resources</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund Balances:</i>			
Restricted for:			
Federal Program	17,844	-	-
Municipal Court	-	-	-
Tourism Development	-	-	235,674
Capital Projects	-	-	-
Committed for:			
Public Works	495,870	-	-
Wastewater System	433,887	-	-
Grant Matches	309,918	-	-
Park Operations and Improvements	-	403,543	-
Assigned for:			
Low Water Crossing	-	-	-
<i>Total Fund Balances</i>	<u>1,257,519</u>	<u>403,543</u>	<u>235,674</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 1,340,531</u>	<u>\$ 411,372</u>	<u>\$ 235,674</u>

See accompanying notes to basic financial statements.

<u>Major Fund</u> <u>Low Water</u> <u>Crossing</u>	<u>Other</u> <u>Nonmajor</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
\$ -	\$ 62,704	\$ 1,647,722
1,198,726	-	1,483,892
-	-	117,393
<u>\$ 1,198,726</u>	<u>\$ 62,704</u>	<u>\$ 3,249,007</u>
\$ -	\$ 2,521	\$ 25,196
-	-	8,640
-	-	4,998
-	-	47,128
116,569	824	117,393
-	-	7,400
<u>116,569</u>	<u>3,345</u>	<u>210,755</u>
903,709	-	903,709
<u>903,709</u>	<u>-</u>	<u>903,709</u>
-	-	17,844
-	8,138	8,138
-	-	235,674
-	5,020	5,020
-	-	495,870
-	-	433,887
-	-	309,918
-	46,201	449,744
178,448	-	178,448
<u>178,448</u>	<u>59,359</u>	<u>2,134,543</u>
<u>\$ 1,198,726</u>	<u>\$ 62,704</u>	<u>\$ 3,249,007</u>



CITY OF WIMBERLEY  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2016

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS \$ 2,134,543

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 9,181,391

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 903,709

Accrued compensated absences are not due and payable in the current period and, therefore, not reported in the funds. (22,385)

Net pension liabilities (and related deferred outflows of resources) do not consume current financial resources and are not reported in the funds.

Net Pension Liability	(19,544)	
Pension Related Deferred Outflows	<u>19,387</u>	<u>(157)</u>

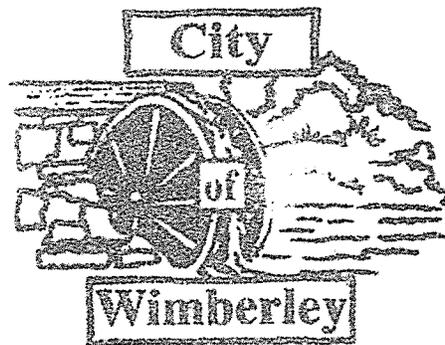
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ 12,197,099

CITY OF WIMBERLEY  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Major Fund General Fund	Major Fund Blue Hole Park	Major Fund Hotel Occupancy
<b>REVENUES</b>			
Sales Taxes	\$ 909,909	\$ -	\$ -
Hotel Occupancy Tax	-	-	235,643
Franchise Tax	257,729	-	-
Licenses and Permits	125,205	-	-
Charges for Services	43,941	312,286	-
Fines and Penalties	7,249	-	-
Interest Income	1,174	165	31
Miscellaneous	20,374	8,711	-
<b>TOTAL REVENUES</b>	<u>1,365,581</u>	<u>321,162</u>	<u>235,674</u>
<b>EXPENDITURES</b>			
<i>Current:</i>			
Administration	557,212	-	-
Police and Court	61,015	-	-
Inspections	52,583	-	-
Highways and Streets	345,088	-	-
Sanitation	30,136	-	-
Culture and Recreation	98,973	-	-
Parks	4,452	272,705	-
Capital Outlay	136,033	1,496	-
<b>TOTAL EXPENDITURES</b>	<u>1,285,492</u>	<u>274,201</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	80,089	46,961	235,674
<b>OTHER FINANCING SOURCES (USES)</b>			
Insurance Proceeds	-	-	-
Transfers Out	(230,249)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(230,249)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(150,160)	46,961	235,674
Fund Balances at Beginning of Year	1,311,401	356,582	-
Prior Period Adjustment	96,278	-	-
Fund Balances at End of Year	<u>\$ 1,257,519</u>	<u>\$ 403,543</u>	<u>\$ 235,674</u>

See accompanying notes to basic financial statements.

Major Fund Low Water Crossing	Total Nonmajor Funds	Total Governmental Funds
\$ -	\$ -	\$ 909,909
-	-	235,643
-	-	257,729
-	-	125,205
-	-	356,227
-	1,378	8,627
-	58	1,428
-	-	29,085
-	1,436	1,923,853
-	-	557,212
-	77	61,092
-	-	52,583
-	-	345,088
-	-	30,136
-	-	98,973
-	-	277,157
150,123	-	287,652
150,123	77	1,709,893
(150,123)	1,359	213,960
328,571	-	328,571
-	-	(230,249)
328,571	-	98,322
178,448	1,359	312,282
-	58,000	1,725,983
-	-	96,278
\$ 178,448	\$ 59,359	\$ 2,134,543



CITY OF WIMBERLEY  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$	312,282
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay.</p>		(42,924)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		903,709
<p>Governmental funds report required contributions to employee pensions as expenditures. However in the Statement of Activities the cost of these plans are recorded at the actuarially determined cost. This is the amount that actuarially determined plan cost exceeded contributions.</p>		(4,478)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Change in Compensated Absences		(3,406)
CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES	\$	1,165,183

See accompanying notes to basic financial statements.

CITY OF WIMBERLEY  
STATEMENT OF NET POSITION – PROPRIETARY FUND  
SEPTEMBER 30, 2016

	<u>Wastewater Utility</u>
<b>ASSETS</b>	
<i>Current Assets:</i>	
Cash and Cash Equivalents	\$ 194,078
Receivables	10,516
<i>Total Current Assets</i>	<u>204,594</u>
 <i>Other Assets:</i>	
Property and Equipment (net)	663,672
Restricted Cash	225,433
<i>Total Other Assets</i>	<u>889,105</u>
<b>TOTAL ASSETS</b>	<u><u>1,093,699</u></u>
 <b>LIABILITIES</b>	
<i>Current Liabilities:</i>	
Accounts Payable	873
Accrued Interest	3,860
Current Portion of Long-Term Debt	121,103
<i>Total Current Liabilities</i>	<u>125,836</u>
 <i>Long-term Liabilities:</i>	
Long-term Debt (Net of Current Portion)	342,148
<i>Total Long-term Liabilities</i>	<u>342,148</u>
<b>TOTAL LIABILITIES</b>	<u><u>467,984</u></u>
 <b>NET POSITION</b>	
Net Investment In Capital Assets	321,661
Unrestricted	304,054
<b>TOTAL NET POSITION</b>	<u><u>\$ 625,715</u></u>

See accompanying notes to basic financial statements.

CITY OF WIMBERLEY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUND  
FOR THE YEAR SEPTEMBER 30, 2016

	Wastewater Utility
<b>OPERATING REVENUES</b>	
Charges for Utility Service	\$ 118,776
<b>TOTAL OPERATING REVENUES</b>	118,776
<b>OPERATING EXPENSES</b>	
Utilities	9,302
Services	102,392
Depreciation	6,096
<b>TOTAL OPERATING EXPENSES</b>	117,790
<b>OPERATING INCOME (LOSS)</b>	986
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest Income	174
Interest Expense	(11,999)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	(11,825)
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	(10,839)
<b>TRANSFERS</b>	
Transfers In	230,249
<b>CHANGE IN NET POSITION</b>	219,410
<b>NET POSITION AT BEGINNING OF YEAR</b>	406,305
<b>NET POSITION AT END OF YEAR</b>	\$ 625,715

See accompanying notes to basic financial statements.

CITY OF WIMBERLEY  
STATEMENT OF CASH FLOWS - PROPRIETARY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Wastewater Utility
<b>Cash Flows From Operating Activities:</b>	
Cash Received From Customers	\$ 118,158
Cash Paid to Suppliers for Goods and Services	(111,517)
<b>Net Cash Provided (Used) by Operating Activities</b>	6,641
<b>Cash Flows From Noncapital Financing Activities:</b>	
Transfers from Other Funds	230,249
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	230,249
<b>Cash Flows From Capital and Related Financing Activities:</b>	
Purchase of Capital Assets	(207,428)
Principal Payments on Long-Term Debt	(114,584)
Interest Paid	(14,344)
<b>Net Cash Provided (Used) by Capital Financing Activities</b>	(336,356)
<b>Cash Flows From Investing Activities:</b>	
Investment Interest Received	174
<b>Net Cash Provided (Used) by Investing Activities</b>	174
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(99,292)
<b>Cash and Cash Equivalents at Beginning of Year</b>	518,803
<b>Cash and Cash Equivalents at End of Year</b>	\$ 419,511

See accompanying notes to basic financial statements.

CITY OF WIMBERLEY  
STATEMENT OF CASH FLOWS - PROPRIETARY FUND (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Wastewater Utility
<b>Reconciliation of Operating Income to Net Cash</b>	
<b>Provided (Used) by Operating Activities:</b>	
Operating Income (Loss)	\$ 986
Adjustments to Reconcile Operating Income to Net Cash	
Provided (Used) by Operating Activities:	
Depreciation Expense	6,096
(Increase) Decrease in Operating Assets:	
Accounts Receivable (net)	(618)
Increase (Decrease) in Current Liabilities:	
Accounts Payable	177
<b>Total Adjustments to Reconcile Operating Activities</b>	<b>5,655</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 6,641</b>

See accompanying notes to basic financial statements.

CITY OF WIMBERLEY  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

**NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Wimberley, Texas ("City") was incorporated in 2000 as the "Village of Wimberley" under the provisions of the State of Texas. In June 2008, the name was officially change to City of Wimberley. The City operates as a general law municipality with a Mayor/Council form of government. With few exceptions, all powers of the City are vested in the Mayor and elected five-member Council. The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. REPORTING ENTITY

*Component Units*

As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations; thus, data from these units, if any existed, would be combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the government. As of September 30, 2016, the City had no component units.

2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The **government-wide financial statements** include the statement of net position and the statement of activities. Government-wide statements report information on all of the activities of the City. The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. Governmental activities are supported mainly by taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

The statement of activities reflects the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included in program revenues are reported as general revenues.

Separate **fund financial statements** are provided for governmental funds and proprietary funds. The General Fund, Blue Hole Park Fund, Low Water Crossing Fund and Hotel Occupancy Fund meet the criteria as *major governmental funds*. The City's proprietary Wastewater Utility Fund is also a major fund.

CITY OF WIMBERLEY  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2016

**NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

3. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The **government-wide financial statements** are reported using the economic resources measurement focus and the accrual basis of accounting. This measurement focus is also used for the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenue types which have been accrued consist of revenue from the investments, property taxes, intergovernmental revenue and charges for services. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

Revenues are classified as *program revenues* and *general revenues*. Program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all taxes, grants not restricted to specific programs, investment earnings, and other miscellaneous revenues.

**Governmental fund level financial statements** are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as deferred revenue.

Expenditures generally are recorded when a fund liability is incurred; however, debt service expenditures, as well as expenditures related to compensated absences, pension benefits and other post-employment benefits, are recorded only when the liability has matured and payment is due.

The government reports the following major governmental funds:

**The General Fund** is the general operating fund of the City and is always classified as a major fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include sales tax, franchise tax and permits. Primary expenditures are for general administration, public safety, recreation, and public works.

**Blue Hole Park Fund** is used to account for the operations of the Blue Hole Regional Park, a 126 acre park with walking trails, picnic areas and swimming. Gate fees and facility rentals are charged to help fund the operational costs of the park.

**Low Water Crossing Fund** is used to account for the insurance recovery and ultimate repair of a low water crossing damaged by a flood.

CITY OF WIMBERLEY  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2016

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

3. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (Continued)

**Hotel Occupancy Tax Fund** is used to account for the proceeds of an occupancy tax adopted October 2015. The tax collections are to be used to promote tourism in the City.

The City has the following nonmajor governmental funds: Municipal Court, FM 2325 Sidewalks, and Blue Hole Development.

**Proprietary fund level financial statements** are used to account for activities, which are similar to those often found in the private sector. The measurement focus is upon determination of net income, financial position and cash flows. The City's proprietary fund is a Wastewater Utility.

The **Proprietary Fund** is accounted for using the accrual basis of accounting as follows:

1. Revenues are recognized when earned, and expenses are recognized when the liabilities are incurred.
2. Current-year contributions, administrative expenses and benefit payments, which are not received or paid until the subsequent year, are accrued.

Proprietary funds distinguish operating revenues and expenses from non-operating. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash deposits and investments with a maturity date within three (3) months of the date acquired by the City.

Cash segregated into a separate fund is not reported as restricted cash unless it has restrictions narrower than the purpose of the fund. However, on the Statement of Net Position, all restricted cash is reported as such separately from cash and cash equivalents.

CITY OF WIMBERLEY  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2016

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

5. INVESTMENTS

State statutes authorize the City to invest in (a) obligations of the United States or its agencies and instrumentalities; (b) direct obligations of the State of Texas or its agencies; (c) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States; (d) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (e) certificates of deposit by state and national banks domiciled in this state that are (i) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (ii) secured by obligations that are described by (a) - (e). Statutes also allow investing in local government investment pools organized and rated in accordance with the Interlocal Cooperation Act, whose assets consist exclusively of the obligations of the United States or its agencies and instrumentalities and repurchase assessments involving those same obligations. Earnings from these investments are added to each account monthly or quarterly. Investments are carried at fair market value except for certificates of deposit which are carried at amortized cost.

6. ACCOUNTS RECEIVABLE

Accounts receivable includes amounts due from grantors for approved grants for specific programs, tax collections related to the fiscal year reported and reimbursements for services performed by the City. Program grants are recorded as receivables and revenues at the time all eligibility requirements established by the provider have been met.

Reimbursements for services performed are recorded as receivables and revenues when they are earned in the government-wide statements. Included are fines and costs assessed by the court action and billable services for certain contracts. Revenues received in advance of the costs being incurred are recorded as unearned revenue in the fund statements. Receivables are shown net of an allowance for uncollectibles, although the allowance was zero as of September 30, 2016.

Revenues that the City has an enforceable legal claim to but are not yet available to fund current operations are reported as deferred inflows of resources.

7. PREPAID ITEMS

Payments made for goods and services in advance are recorded as prepaid items on the balance sheet.

8. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the fund statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

CITY OF WIMBERLEY  
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
 SEPTEMBER 30, 2016

**NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

9. DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period while a deferred inflow of resources is an acquisition of net position. These items are presented in separate sections following assets (deferred outflows) or liabilities (deferred inflows) on the statement of net position.

Revenues are recognized when they become both measurable and available in the fund statements. Available means when due, or past due, and receivable within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Revenue not expected to be available for the current period are reflected as deferred revenue. Unavailable revenues arise when assets are recognized before revenue recognition criteria have been satisfied.

10. CAPITAL ASSETS

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets, are reported in the applicable governmental or business type activities column in the government-wide financial statements. Capital assets such as equipment are defined as assets with a cost of \$1,000 or more and a useful life in excess of 1 year. Infrastructure assets include City-owned streets, sewer, sidewalks, curbs and utilities. Capital assets are recorded at historical costs 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 asset lives are not capitalized. Interest has not been capitalized during the construction period on property plant and equipment.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Estimated Life</u>
Buildings and Improvements	5 to 40 years
Streets, Utilities and Infrastructure	20 to 40 years
Furniture, Fixtures, Vehicles	5 to 10 years

CITY OF WIMBERLEY  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2016

**NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

11. COMPENSATED ABSENCES

Employees accumulate vacation leave. Liabilities for compensated absences are recognized in the fund statements only to the extent the liabilities have matured (i.e. are due for payment). Compensated absences are accrued in the government-wide statements.

12. LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt (including capital leases) and other long-term obligations are reported as liabilities under governmental activities or proprietary fund type statement of net position. On new bond issues, bond premiums and discounts are deferred and amortized over the life of the bond. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the period incurred. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

13. PENSIONS

The net pension liability, deferred inflows and outflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Texas Municipal Retirement System (TMRS), and additions to and deductions from TMRS's fiduciary net position have been determined on the same basis as they are reported by TMRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

14. FUND BALANCES

In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable – Represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid items) or legally required to remain intact.

Restricted - Represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

CITY OF WIMBERLEY  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2016

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

14. FUND BALANCES (Continued)

Committed - Represents amounts that can only be used for a specific purpose by a resolution of City Council. Committed amounts cannot be used for any other purpose unless the City Council removes those constraints through the same formal action. By policy, Council has made the following commitments:

- a. All Blue Hole Park Fund revenues are committed to Blue Hole Park operations.
- b. Revenues in the Blue Hole Development Fund are committed to development of Blue Hole Park.
- c. Unrestricted General Fund Balance will be committed as follows:
  - a. 40% for public works (roads, drainage and similar infrastructure)
  - b. 25% for future grant matches
  - c. 35% for wastewater improvements

Assigned - Represents amounts which the City intends to use for a specific purpose but do not meet the criteria of restricted or committed. Assignments may be created by the Council or City Administrator.

Unassigned - Represents the residual balance that may be spent on any other purpose of the City.

When an expenditure is incurred for a purpose in which multiple classifications are available, the City considers restricted balances spent first, committed second and assigned third.

It is the City's policy to maintain three months of General Fund operating expenditures in unrestricted fund balance (to include committed and assigned balances). Should fund balance fall below this threshold, Council will take appropriate budgetary action to restore compliance.

15. NET POSITION

Net position represents the difference between assets and liabilities. Net position invested in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

16. OPERATING REVENUES AND EXPENSES

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise. Operating expenses are the necessary costs incurred to provide the service that is the primary activity. Revenues and expenses not meeting these definitions are reported as nonoperating.

CITY OF WIMBERLEY  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2016

**NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

17. INTERFUND TRANSFERS

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

18. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

19. COMPARATIVE INFORMATION

Comparative information for the year ending September 30, 2015 has been reported in conformity with the presentation of the financial statements for September 30, 2016. These reclassifications for presentation purposes had no impact on ending fund balance or net position.

20. ADOPTION OF NEW ACCOUNTING POLICIES

*Sales Tax Revenue Recognition*

Sales Tax revenues are remitted from local businesses to the State before eventually coming to the City. This process takes two months. Because the amounts are measurable and available to fund the operations of the City, the City has decided to change from historically only accruing one month of sales tax to accruing the full two months of remittances after year end that represent sales tax collected in the fiscal year. This change resulted in a prior period adjustment.

**NOTE B -- DEPOSITS AND INVESTMENTS**

1. Deposits

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledge securities 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, 2016, the carrying amount of the City's deposits were fully collateralized by a combination of federal deposit insurance (FDIC) and securities pledged by the City's depository.

CITY OF WIMBERLEY  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2016

**NOTE B -- DEPOSITS AND INVESTMENTS (Continued)**

2. Investments

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, 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, and (9) bid solicitation preferences for certificates of deposit. The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) banker's acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

The City's investment policy further limits investments to: (1) federally insured bank deposits, (2) collateralized bank deposits, (3) U.S. Government Treasury bills and notes, including sweep accounts that invest in them, (4) U.S. Government Agencies, and (5) Public Funds Investment Pools. No other investments may be made without authorization of City Council.

3. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the City was exposed to the specific investment risks at year end and if so, the reporting of certain related disclosures. The City has analyzed its investment risks and determined that for the year ending September 30, 2016 the City was not exposed to any significant risks.

CITY OF WIMBERLEY  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2016

**NOTE C -- RESTRICTED CASH**

As of September 30, 2016, the City reported the following restricted cash balances:

	Amount
<i>Governmental Activities:</i>	
Restricted for Tourism Development	\$ 193,654
Restricted for FM 2325 Sidewalks	5,020
Restricted for Municipal Court	11,482
<i>Total Governmental Activities</i>	\$ 210,156
 <i>Wastewater Utility/Business-Type Activities:</i>	
Restricted for Interest and Sinking	\$ 104,194
Restricted for Wastewater System Development	121,239
<i>Total Business-Type Activities</i>	\$ 225,433

**NOTE D -- OTHER RECEIVABLES**

Other receivables for the City as of September 30, 2016 are as follows:

	General Fund	Hotel Occupancy	Low Water Crossing	Governmental Totals	Wastewater Utility
Sales and Mixed Beverage Tax	\$ 162,512	\$ -	\$ -	\$ 162,512	\$ -
Franchise Taxes	73,523	-	-	73,523	-
Hotel Occupancy Tax	-	42,020	-	42,020	-
Insurance Proceeds	-	-	1,198,726	1,198,726	-
Customer Charges	7,111	-	-	7,111	10,516
Total Other Receivables	\$ 243,146	\$ 42,020	\$ 1,198,726	\$ 1,483,892	\$ 10,516

**NOTE E -- INTERFUND TRANSACTIONS**

Interfund balances as of September 30, 2016 were as follows:

Due From	Due To	Amount	Purpose
Low Water Crossing	General	\$ 116,569	<i>Expenditures on behalf of fund</i>
Nonmajor Governmental	General	824	<i>Expenditures on behalf of fund</i>
	Totals	\$ 117,393	

Interfund transfers during the year ending September 30, 2016 were as follows:

Transfer From	Transfer to	Amount	Purpose
General	Wastewater	230,249	<i>Contributions towards debt service</i>
		\$ 230,249	

In addition, the Wastewater Utility Fund bills the Blue Hole Park Fund \$618 per month for treatment costs. These transactions are reported as a revenue and expenditure, respectively.

CITY OF WIMBERLEY  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2016

**NOTE F -- CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2016, was as follows:

<u>Governmental Activities</u>	Balance 10/1/2015	Additions	Disposals/ Transfers	Balance 9/30/2016
Land	\$ 3,468,142	\$ -	\$ -	\$ 3,468,142
Buildings and Improvements	6,400,441	-	-	6,400,441
Infrastructure	674,659	5,970	-	680,629
Vehicles and Equipment	330,838	9,829	-	340,667
Construction in Progress	10,736	271,852	-	282,588
	<u>10,884,816</u>	<u>287,651</u>	<u>-</u>	<u>11,172,467</u>
Less Accumulated Depreciation				
Buildings and Improvements	(1,215,708)	(263,967)	-	(1,479,675)
Vehicles and Equipment	(237,909)	(32,626)	-	(270,535)
Infrastructure	(206,884)	(33,982)	-	(240,866)
	<u>(1,660,501)</u>	<u>(330,575)</u>	<u>-</u>	<u>(1,991,076)</u>
Capital Assets, Net	<u>\$ 9,224,315</u>	<u>\$ (42,924)</u>	<u>\$ -</u>	<u>\$ 9,181,391</u>
<u>Business-Type Activities</u>	Balance 10/1/2015	Additions	Disposals/ Transfers	Balance 9/30/2016
Infrastructure	\$ 223,970	\$ -	\$ -	\$ 223,970
Construction in Progress	259,704	207,429	-	467,133
	<u>483,674</u>	<u>207,429</u>	<u>-</u>	<u>691,103</u>
Less Accumulated Depreciation				
Infrastructure	(21,335)	(6,096)	-	(27,431)
	<u>(21,335)</u>	<u>(6,096)</u>	<u>-</u>	<u>(27,431)</u>
Capital Assets, Net	<u>\$ 462,339</u>	<u>\$ 201,333</u>	<u>\$ -</u>	<u>\$ 663,672</u>

Land and Construction in Progress are not depreciated.

CITY OF WIMBERLEY  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2016

**NOTE F -- CAPITAL ASSETS (Continued)**

Depreciation expense was charged to the governmental functions as follows:

Administration	\$ 35,506
Police and Court	5,101
Highways and Streets	29,433
Sanitation	10,244
Culture and Recreation	43,545
Parks	<u>206,746</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 330,575</u></u>

**NOTE G -- LONG-TERM DEBT**

*Guadalupe Blanco River Authority Note Payable*

In 2011, the City agreed to purchase a wastewater treatment plant from Guadalupe Blanco River Authority (GBRA) for eight annual payments of \$31,250 through January 1, 2019. The non-interest bearing note is discounted at a rate of 5%.

*Combination Tax and Surplus Revenue Anticipation Notes, Series 2013*

The City issued \$650,000 in notes in 2013 for wastewater system improvements. The notes mature serially through August 1, 2020 and bear interest at rates between 0.44% and 2.36%.

*Changes in Long-Term Liabilities*

	Balance 10/1/2015	Additions	Reductions	Balance 9/30/2016	Due Within One Year
<i>Business-Type Activities</i>					
GBRA Note Payable	\$ 107,835	\$ -	\$ (24,584)	\$ 83,251	\$ 26,103
Series 2013 Bonds	470,000	-	(90,000)	380,000	95,000
<i>Total Business-Type Activities</i>	<u>\$ 577,835</u>	<u>\$ -</u>	<u>\$ (114,584)</u>	<u>\$ 463,251</u>	<u>\$ 121,103</u>

The annual requirements to amortize all long-term debt and obligations outstanding as of September 30, 2016, including interest payments, are as follows:

Fiscal Year Ending	Principal	Interest	Total
September 30,			
<i>Business-Type Activities</i>			
2017	\$ 121,103	\$ 11,769	\$ 132,872
2018	122,717	9,043	131,760
2019	124,431	5,885	130,316
2020	95,000	2,242	97,242
	<u>\$ 463,251</u>	<u>\$ 28,939</u>	<u>\$ 492,190</u>

CITY OF WIMBERLEY  
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
 SEPTEMBER 30, 2016

**NOTE H -- EMPLOYEES' RETIREMENT SYSTEMS**

Texas Municipal Retirement System

**Plan Description**

The City participates as one of 866 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the state of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the system with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmrs.com](http://www.tmrs.com).

All eligible employees of the City are required to participate in TMRS retirement system

**Benefits Provided**

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

	2014	2015
Inactive employees or beneficiaries currently receiving benefits	3	4
Inactive employees entitled to but not yet receiving benefits	8	8
Active employees	8	7
	19	19

**Contributions**

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

CITY OF WIMBERLEY  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2016

**NOTE H -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)**

**Contributions (Continued)**

For the year ending September 30, 2016, employees for the City were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City were 2.20% and 2.11% in calendar years 2015 and 2016, respectively. The City's contributions to TMRS for the year ended September 30, 2016 were \$6,608, which equaled the required contributions.

**Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2015, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

**Actuarial Assumptions**

The Total Pension Liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall Payroll Growth	3.00% per year
Investment Rate of Return*	6.75%

\* Presented net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Health Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Table with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2015 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Assets Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

CITY OF WIMBERLEY  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2016

**NOTE H -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)**

**Actuarial Assumptions (Continued)**

The long-term expected rate of return on pension plan investments was determined using a building-clock method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation. The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.50%	4.55%
International Equity	17.50%	6.10%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	3.65%
Real Return	10.00%	4.03%
Real Estate	10.00%	5.00%
Absolute Return	10.00%	4.00%
Private Equity	5.00%	8.00%
	<u>100.00%</u>	

**Discount Rate**

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

CITY OF WIMBERLEY  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2016

**NOTE H -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)**

**Changes in the Net Pension Liability**

The below schedule presents the changes in the Net Pension Liability as of December 31, 2015:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2014	\$ 176,270	\$ 175,256	\$ 1,014
Changes for the year:			
Service Cost	22,391	-	22,391
Interest	12,969	-	12,969
Change of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	962	-	962
Changes of Assumptions	5,463	-	5,463
Contributions - Employer	-	7,077	(7,077)
Contributions - Employee	-	16,085	(16,085)
Net Investment Income	-	258	(258)
Benefit Payments, Including Refunds of Employee Contributions	(4,396)	(4,396)	-
Administrative Expense	-	(158)	158
Other Changes	-	(7)	7
Net Changes	<u>37,389</u>	<u>18,859</u>	<u>18,530</u>
Balance at December 31, 2015	<u>\$ 213,659</u>	<u>\$ 194,115</u>	<u>\$ 19,544</u>

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.75%) or 1-percentage point higher (7.75%) than the current rate:

	Discount Rate 5.75%	Discount Rate 6.75%	Discount Rate 7.75%
Net Pension Liability (Asset)	\$ 44,938	\$ 19,544	\$ (1,679)

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at [www.tmr.com](http://www.tmr.com).

CITY OF WIMBERLEY  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2016

**NOTE H -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)**

**Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions**

For the year ended September 30, 2016, the City recognized pension expense of \$11,496. Also, as of September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Economic Experience	\$ 56	\$ -
Changes in Actuarial Assumptions	3,851	-
Differences Between Projected and Actual Investment Earnings	10,755	-
Contributions Subsequent to the Measurement Date	4,725	-
	\$ 19,387	\$ -

Deferred outflows of resources in the amount of \$4,725 is related to pensions resulting from contributions subsequent to the measurement date, and will be recognized as a reduction of the net pension liability for the calendar year ending December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Plan Year ended December 31,		
2016	\$	4,323
2017		4,415
2018		3,522
2019		2,402
	\$	14,662

**NOTE I -- OTHER POSTEMPLOYMENT BENEFITS**

*Supplemental Death Benefits*

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

CITY OF WIMBERLEY  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2016

**NOTE I -- OTHER POSTEMPLOYMENT BENEFITS (Continued)**

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's contributions to the TMRS SDBF for the fiscal years ending September 30, 2016, 2015 and 2014 were \$743, \$746, and \$756, respectively, which equaled the required contributions each year.

**NOTE J -- COMMITMENTS AND CONTINGENCIES**

Litigation

The City is the subject of various other claims and litigation that have arisen in the course of its operations. Management is of the opinion that the City's liability in these cases, if decided adversely to the City, will not have a material effect on the City's financial position.

Flood Cleanup

In May 2015, the City of Wimberley experienced catastrophic flooding caused by the swelling of the Blanco River after a major multi-day rain event. Following the flood, the City contracted with Hays County for the collection of flood debris within the corporate limits of the City with the commitment to pay the County the City's proportionate share of collection costs not reimbursed by state or federal agencies. The City's gross proportionate share of collection costs is \$610,027. After taking into account expected state and federal agency support and volunteer hours towards the local match, the City will be responsible for \$47,128 of this amount. However, it is possible that the City could be responsible for the whole amount if state or federal funding is not awarded or a lesser amount depending on how the volunteer hours are counted. The City has recorded a contingent liability in the amount of \$47,128 in these financial statements as Due to Other Governments in the General Fund.

In addition, a low water crossing in the City was destroyed by a flood. The City's insurer has acknowledged a loss of \$1.26 million which has been recognized in full in these financial statements. Because a portion of it will not be available until the City progresses with the restoration, it is not available and deferred in the fund statements. The City expects restoration costs to exceed the amount of the claim.

Economic Development Grant

In September 2016, the City was awarded a grant from the U.S Department of Commerce Economic Development Administration for the wastewater treatment facility. Should the City decide to proceed with the grant, estimated project costs are \$4.4 million with a federal share of \$1 million.

CITY OF WIMBERLEY  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2016

**NOTE K -- RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures. The City contracts with the Texas Municipal League (TML) to provide insurance coverage for property and casualty, and workers compensation. TML is a multi-employer group that provides for a combination of risk sharing among pool participants and stop loss coverage. Contributions are set annually by the provider. Liability by the City is generally limited to the contributed amounts for losses up to \$1,000,000.

**NOTE L -- PRIOR PERIOD ADJUSTMENT**

As discussed in Note A20, the City changed its revenue recognition method for sales tax from accruing one month to two months. This resulted in a prior period adjustment increasing beginning general fund balance and governmental activities net position by \$96,278.

## REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule – General Fund
- Schedule of Changes – Net Pension Liability
- Schedule of Pension Contributions

CITY OF WIMBERLEY  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budget Amounts		Actual Amounts	Variance
	Original	Final		Favorable (Unfavorable)
<b>REVENUES</b>				
Sales Taxes	\$ 663,200	\$ 847,529	\$ 909,909	\$ 62,380
Franchise Taxes	265,000	265,000	257,729	(7,271)
Licenses and Permits	105,400	125,932	125,205	(727)
Charges for Services	63,720	44,500	43,941	(559)
Fines and Penalties	25,000	6,000	7,249	1,249
Interest Income	750	1,084	1,174	90
Miscellaneous	3,000	209,088	20,374	(188,714)
<b>TOTAL REVENUES</b>	<u>1,126,070</u>	<u>1,499,133</u>	<u>1,365,581</u>	<u>(133,552)</u>
<b>EXPENDITURES</b>				
<i>Current:</i>				
Administration	493,981	563,295	557,212	6,083
Police and Court	103,405	59,520	61,015	(1,495)
Inspections	38,400	49,500	52,583	(3,083)
Highways and Roads	196,404	296,407	345,088	(48,681)
Sanitation	24,000	30,500	30,136	364
Culture and Recreation	111,243	97,696	98,973	(1,277)
Parks	5,000	5,000	4,452	548
Capital Outlay	202,491	266,202	136,033	130,169
<b>TOTAL EXPENDITURES</b>	<u>1,174,924</u>	<u>1,368,120</u>	<u>1,285,492</u>	<u>82,628</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(48,854)</u>	<u>131,013</u>	<u>80,089</u>	<u>(50,924)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	(125,137)	(128,628)	(230,249)	(101,621)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(125,137)</u>	<u>(128,628)</u>	<u>(230,249)</u>	<u>(101,621)</u>
Net Change in Fund Balance	(173,991)	2,385	(150,160)	(152,545)
Beginning Fund Balance	1,311,401	1,311,401	1,311,401	-
Prior Period Adjustment	-	-	96,278	96,278
Ending Fund Balance	<u>\$ 1,137,410</u>	<u>\$ 1,313,786</u>	<u>\$ 1,257,519</u>	<u>\$ (56,267)</u>

CITY OF WIMBERLEY  
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS  
SEPTEMBER 30, 2016

**Budgetary Information** – The budget is prepared in accordance with accounting principles generally accepted in the United States of America. The City maintains strict budgetary controls. The objective of these controls is to ensure compliance with legal provision embodied in the annual appropriated budget approved by the City Council and as such is a good management control device. The following are the funds which have legally adopted annual budgets: General Fund.

Budgetary preparation and control is exercised at the department level. Actual expenditures may not legally exceed appropriations at the fund level.

The City does not use encumbrances.

CITY OF WIMBERLEY  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES – NET PENSION LIABILITY AND RELATED RATIOS  
LAST TWO CALENDAR YEARS

Total Pension Liability		
	2014	2015
Service Cost	\$ 22,714	\$ 22,391
Interest (on the Total Pension Liability)	10,986	12,969
Changes of Benefit Terms	-	-
Difference between Expected and Actual Experience	(1,336)	962
Change of Assumptions	-	5,463
Benefit Payments, Including Refunds of Employee Contributions	(3,352)	(4,396)
Net Change in Total Pension Liability	29,012	37,389
Total Pension Liability - Beginning	147,258	176,270
Total Pension Liability - Ending	<u>\$ 176,270</u>	<u>\$ 213,659</u>
Plan Fiduciary Net Position		
	2014	2015
Contributions - Employer	\$ 5,003	\$ 7,077
Contributions - Employee	15,539	16,085
Net Investment Income	8,561	258
Benefit Payments, Including Refunds of Employee Contributions	(3,352)	(4,396)
Administrative Expense	(89)	(158)
Other	(7)	(7)
Net Change in Plan Fiduciary Net Position	25,655	18,859
Plan Fiduciary Net Position - Beginning	149,601	175,256
Net Pension Liability - Ending	<u>\$ 175,256</u>	<u>\$ 194,115</u>
Net Pension Liability (Asset) - Ending	\$ 1,014	\$ 19,544
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	99.42%	90.85%
Covered Employee Payroll	\$ 310,774	\$ 321,706
Net Pension Liability as a Percentage of Covered Employee Payroll	0.33%	6.08%

CITY OF WIMBERLEY  
SCHEDULE OF CITY CONTRIBUTIONS  
LAST TWO FISCAL YEARS

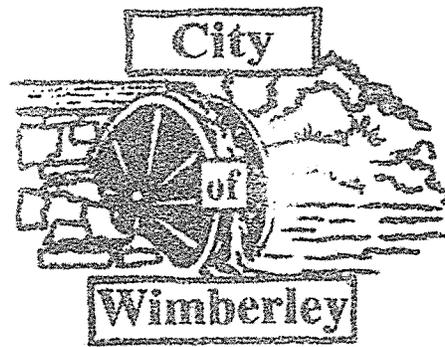
	2015	2016
Actuarially Determined Contribution	\$ 5,003	\$ 6,608
Contributions in Relation to the Actuarially Determined Contribution	5,003	6,608
Contribution Deficiency (Excess)	\$ -	\$ -
 Covered Employee Payroll	 \$ 310,774	 \$ 309,522
 Contributions as a Percentage of Covered Employee Payroll	 1.61%	 2.13%

**Valuation Date:**

Actuarially determined contribution rates are calculated as of December 31 and become effective in January, thirteen (13) months later.

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	28 Years
Asset Valuation Method	10 Year Smoothed Market; 15% Soft Corridor
Inflation	2.50%
Salary Increases	3.50% to 10.50% including Inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP2000 Combined Mortality Table with blue Collar Adjustment with male rates multiplied by 109% and femal rates multiplied by 103% and projected on a fully generational basis with scale BB.



## SUPPLEMENTARY INFORMATION

Supplementary information includes financial statements and schedules not required by the GASB, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

- Combining Statements – Nonmajor Governmental Funds
- Comparative Individual Fund Statements
  - General Fund
  - Wastewater Utility

CITY OF WIMBERLEY  
 COMBINING BALANCE SHEETS  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2016 AND 2015

	Special Revenue	Capital Projects		Total Nonmajor Funds
	Municipal Court	Blue Hole Development	FM 2325 Sidewalks	
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 11,483	\$ 46,201	\$ 5,020	\$ 62,704
<b>TOTAL ASSETS</b>	<b>\$ 11,483</b>	<b>\$ 46,201</b>	<b>\$ 5,020</b>	<b>\$ 62,704</b>
<b>LIABILITIES &amp; FUND BALANCES</b>				
<i>Liabilities:</i>				
Accounts Payable	\$ 2,521	\$ -	\$ -	\$ 2,521
Due to Other Funds	824	-	-	824
<i>Total Liabilities</i>	3,345	-	-	3,345
<i>Fund Balances:</i>				
Restricted For:				
Municipal Court	8,138	-	-	8,138
Capital Projects	-	-	5,020	5,020
Committed For:				
Capital Projects	-	46,201	-	46,201
<i>Total Fund Balances</i>	8,138	46,201	5,020	59,359
<b>TOTAL LIABILITIES &amp; FUND BALANCES</b>	<b>\$ 11,483</b>	<b>\$ 46,201</b>	<b>\$ 5,020</b>	<b>\$ 62,704</b>

CITY OF WIMBERLEY  
 COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	Special Revenue	Capital Projects		Total Nonmajor Funds
	Municipal Court	Blue Hole Development	FM 2325 Sidewalks	
<b>REVENUES</b>				
Fines and Forfeitures	\$ 1,378	\$ -	\$ -	\$ 1,378
Interest Income	8	47	3	58
<b>TOTAL REVENUES</b>	<u>1,386</u>	<u>47</u>	<u>3</u>	<u>1,436</u>
<b>EXPENDITURES</b>				
<i>Current:</i>				
Police and Court	77	-	-	77
<b>TOTAL EXPENDITURES</b>	<u>77</u>	<u>-</u>	<u>-</u>	<u>77</u>
Net Change in Fund Balance	1,309	47	3	1,359
<b>BEGINNING FUND BALANCE</b>	<u>6,829</u>	<u>46,154</u>	<u>5,017</u>	<u>58,000</u>
<b>ENDING FUND BALANCE</b>	<u>\$ 8,138</u>	<u>\$ 46,201</u>	<u>\$ 5,020</u>	<u>\$ 59,359</u>

CITY OF WIMBERLEY  
 COMPARATIVE BALANCE SHEETS  
 GENERAL FUND  
 SEPTEMBER 30, 2016 AND 2015

	2016	2015*
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 979,992	\$ 1,250,853
Receivables (net of allowances for uncollectibles):		
Other Receivables	243,146	228,272
Due from Other Funds	117,393	1,200
<b>TOTAL ASSETS</b>	<b>\$ 1,340,531</b>	<b>\$ 1,480,325</b>
 <b>LIABILITIES AND FUND BALANCES</b>		
<i>Liabilities:</i>		
Accounts Payable	\$ 18,987	\$ 52,412
Accrued Wages	6,148	13,940
Payroll Deductions and Withholdings	3,449	4,194
Due to Other Governments	47,128	-
Unearned Revenue	7,300	2,100
<i>Total Liabilities</i>	83,012	72,646
 <i>Fund Balances:</i>		
Restricted For:		
Federal Program	17,844	28,561
Committed For:		
Public Works	495,870	551,646
Wastewater System	433,887	354,407
Grant Matches	309,918	473,065
<i>Total Fund Balance</i>	1,257,519	1,407,679
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,340,531</b>	<b>\$ 1,480,325</b>

\*2015 has been restated to reflect the results of a change in sales tax revenue recognition. See note A20.

CITY OF WIMBERLEY  
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE  
 GENERAL FUND  
 FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	2016	2015*
<b>REVENUES</b>		
Sales Taxes	\$ 909,909	\$ 823,644
Franchise Fees	257,729	239,402
Fines and Penalties	7,249	4,390
Licenses and Permits	125,205	110,336
Charges for Services	43,941	53,605
Interest Income	1,174	731
Miscellaneous	20,374	20,906
<b>TOTAL REVENUES</b>	1,365,581	1,253,014
<b>EXPENDITURES</b>		
<i>Current:</i>		
Administration	557,212	520,455
Police and Court	61,015	67,392
Inspections	52,583	67,937
Highways and Roads	345,088	215,444
Sanitation	30,136	29,113
Community Center	98,973	113,088
Parks	4,452	2,879
Capital Outlay	136,033	98,873
<b>TOTAL EXPENDITURES</b>	1,285,492	1,115,181
Excess (Deficiency) of Revenues Over (Under) Expenditures	80,089	137,833
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfer Out	(230,249)	(93,887)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	(230,249)	(93,887)
Net Change in Fund Balance	(150,160)	43,946
<b>Beginning Fund Balance</b>	1,407,679	1,363,733
<b>Ending Fund Balance</b>	\$ 1,257,519	\$ 1,407,679

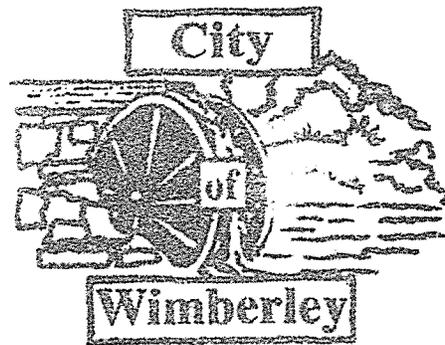
\*2015 has been restated to reflect the results of a change in sales tax revenue recognition. See note A20.

CITY OF WIMBERLEY  
 COMPARATIVE STATEMENTS OF NET POSITION  
 WASTEWATER UTILITY  
 SEPTEMBER 30, 2016 AND 2015

	2016	2015
<b>ASSETS</b>		
<i>Current Assets:</i>		
Cash and Cash Equivalents	\$ 194,078	\$ 167,877
Accounts Receivable	10,516	9,898
<i>Total Current Assets</i>	204,594	177,775
<i>Other Assets:</i>		
Property and Equipment (net)	663,672	462,339
Restricted Cash	225,433	350,926
<i>Total Other Assets</i>	889,105	813,265
<b>TOTAL ASSETS</b>	1,093,699	991,040
 <b>LIABILITIES</b>		
<i>Current Liabilities:</i>		
Accounts Payable	873	696
Accrued Interest	3,860	6,204
Current Portion of Long-term Debt	121,103	114,547
<i>Total Current Assets</i>	125,836	121,447
<i>Long-term Liabilities:</i>		
Long-term Debt (Net of Current Portion)	342,148	463,288
<b>TOTAL LIABILITIES</b>	467,984	584,735
 <b>NET POSITION</b>		
Net Investment in Capital Assets	321,661	232,587
Unrestricted	304,054	173,718
<b>TOTAL NET POSITION</b>	\$ 625,715	\$ 406,305

CITY OF WIMBERLEY  
 COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND  
 CHANGES IN NET POSITION  
 WASTEWATER UTILITY  
 FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	2016	2015
<b>Operating Revenues</b>		
Charges for Utility Services	\$ 118,776	\$ 140,807
<b>Total Operating Revenues</b>	118,776	140,807
<b>Operating Expenses Before Depreciation</b>		
Utilities	9,302	10,822
Services	102,392	86,163
Depreciation	6,096	6,096
<b>Total Operating Expenses Before Depreciation</b>	117,790	103,081
Operating Income (Loss)	986	37,726
<b>Other Income (Expense):</b>		
Interest Income	174	118
Interest Expense	(11,999)	(13,814)
<b>Total Other Income (Expense)</b>	(11,825)	(13,696)
Income (Loss) Before Transfers	(10,839)	24,030
<b>Transfers</b>		
Transfers In	230,249	93,887
<b>Change in Net Position</b>	219,410	117,917
Net Position at Beginning of Year	406,305	288,388
Net Position at End of Year	\$ 625,715	\$ 406,305



COMPLIANCE SECTION

SHAREHOLDERS:  
Nancy L. Vaughan, CPA  
Deborah F. Fraser, CPA  
Phil S. Vaughan, CPA



Armstrong, Vaughan & Associates, P.C.  
Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

### 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*

Management, Mayor and Council of  
City of Wimberley  
P.O. Box 2027  
Wimberley, TX 78676

We have audited, 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, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Wimberley as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Wimberley's basic financial statements, and have issued our report thereon dated January 16, 2017.

#### ***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the City of Wimberley's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Wimberley's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Wimberley's internal control.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### *Compliance and Other Matters*

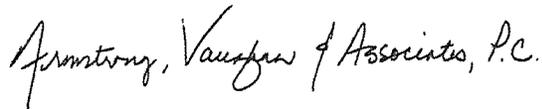
As part of obtaining reasonable assurance about whether the City of Wimberley's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and 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*.

We noted certain other matters that have been reported to management in a separate letter dated January 16, 2017.

### **Purpose of this Report**

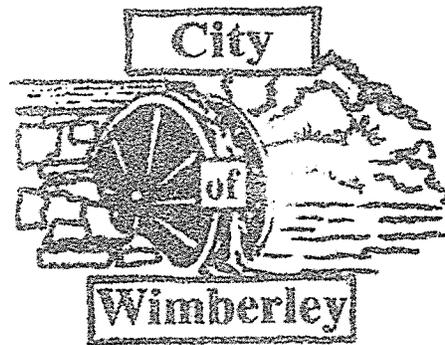
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Armstrong, Vaughan & Associates, P.C.

January 16, 2017



SHAREHOLDERS:  
Nancy L. Vaughan, CPA  
Deborah F. Fraser, CPA  
Phil S. Vaughan, CPA



Armstrong, Vaughan & Associates, P.C.  
Certified Public Accountants

### **Communication with Those Charged with Governance**

To Management, Mayor and City Council of  
City of Wimberley

We have audited the financial statements of the City of Wimberley as of and for the year ended September 30, 2016, and have issued our report thereon dated January 16, 2017. Professional standards require that we advise you of the following matters relating to our audit.

#### **Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated September 16, 2016, our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the City of Wimberley solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

#### **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

#### **Compliance with All Ethics Requirements Regarding Independence**

The engagement team and others in our firm, as appropriate, have complied with all relevant ethical requirements regarding independence.

## **Qualitative Aspects of the Entity's Significant Accounting Practices**

### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the City of Wimberley is included in Note A to the financial statements. There were no new accounting policies adopted and no changes in significant accounting policies or their application during 2016, except for the following:

Sales tax remittances received by the City represent collections at local business two months prior. Industry practice is to accrue two months of sales tax to record revenue in the period in which it is collected at local businesses. The City has historically only accrued one month of sales tax for ease. However, for the year ending September 30, 2016, the City decided to change to an accrual of two months to better match industry practice and the sales tax collection cycle. This resulted in \$96 thousand of sales tax revenue collected in November 2015 to be restated as fiscal year 2015 revenue.

No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

1. Useful lives of depreciable assets
2. Liability for flood cleanup to Hays County
3. Net Pension Liability assumptions for mortality rates and investment returns

We evaluated the key factors and assumptions used to develop the estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. There most sensitive disclosures affecting the City of Wimberley's financial statements relate to the net pension liability, 2015 flood cleanup contingent liability and the insurance claim related to the flood damage.

## **Significant Difficulties Encountered during the Audit**

We encountered no difficulties in dealing with management relating to the performance of the audit.

### **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. Management corrected all identified misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements identified by us as a result of our audit procedures, and corrected by management, were material, either individually or in the aggregate, to the financial statements taken as a whole. However, we did assist management in recording routine adjustments for depreciation, retirement, debt, and revenue accruals.

### **Representations Requested from Management**

We have requested certain written representations from management in a separate letter dated January 16, 2017.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the City of Wimberley's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

### **Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with the City of Wimberley, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the City of Wimberley's auditors.

### **Recommendations**

During audit procedures, we became aware of opportunities for improvement with the following suggestions:

#### *Permit Population Control*

The City currently utilizes building permits that are not pre-numbered. It is recommended the City consider ordering pre-numbered permits to allow the City to track the population of permits issued and minimize the risk of misuse of permits. No evidence of misuse of permits was found. The City is working to implement a pre-numbered permit system in accordance with the recommendation.

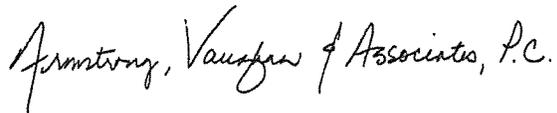
Monthly Closing Procedures

The City's financial accounting software has built in modules to track accounts receivable and accounts payable that integrate into the financial statements. However, date controls on the modules may cause timing issues in the financial statements such as payables entered to closed financial statement periods. In order to strengthen the City's ability to detect and correct these errors, accounts payable and accounts receivable aging reports should be reconciled to the financial statements on a monthly basis as part of the closing process. The City is currently working with its outside financial consultant to include this as part of the monthly closing procedures.

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

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

Respectfully,



Armstrong, Vaughan & Associates, PC  
January 16, 2017