

CITY OF WIMBERLEY, TEXAS

ANNUAL FINANCIAL AND
COMPLIANCE REPORT

FOR THE YEAR ENDED
SEPTEMBER 30, 2012

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TABLE OF CONTENTS

<u>Exhibit</u>	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	2
 <u>Basic Financial Statements</u>	
Government-wide Statements:	
A-1 Statement of Net Assets	10
B-1 Statement of Activities	11
 Governmental Fund Financial Statements:	
C-1 Balance Sheet	12
C-2 Reconciliation for C-1	14
C-3 Statement of Revenues, Expenditures, and Changes in Fund Balance	15
C-4 Reconciliation for C-3	17
C-5 Budgetary Comparison Schedule – General Fund	18
 Proprietary Fund Financial Statements:	
D-1 Statement of Net Assets	19
D-2 Statement of Revenues, Expenses and Changes in Fund Net Assets	20
D-3 Statement of Cash Flows	21
Notes to the Financial Statements	22
 <u>Other Information Required by GAO</u>	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	29



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Independent Auditors' Report

Honorable Mayor and City Council
City of Wimberley, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Wimberley, Texas (hereafter the "City") as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's administrators. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Wimberley, Texas, as of September 30, 2012, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis on pages 2-9 of this report is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2012, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Singleton, Clark & Company, PC
Austin, Texas

December 14, 2012

CITY OF WIMBERLEY, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Wimberley's annual financial report presents our discussion and analysis of the financial performance of the City during the fiscal year ended September 30, 2012. Please read it in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- For the year ended September 30, 2012, the City of Wimberley's General Fund realized a fund balance increase of \$143,254 to end the year at \$808,144.
- Total governmental-type funds (the General Fund plus the Municipal Court, Capital Projects, Sidewalks Donations, and the Blue Hole Park Fund) of the City of Wimberley reported an overall fund balance decrease of \$128,329, to end at \$910,970.
- The total cost of the City of Wimberley's programs and services was \$1,073,463. This amount is inclusive of depreciation expense recorded on the City's capital assets.

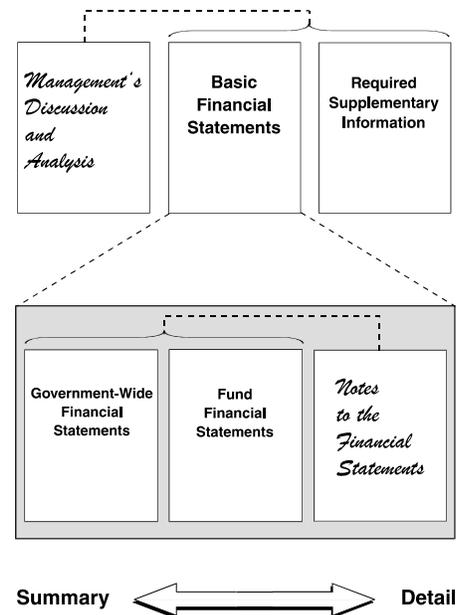
OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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



Government-wide Statements

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

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

The government-wide financial statements of the City of Wimberley include both the *governmental and proprietary activities*. All of the City of Wimberley's basic services are included here, such as general government services, public safety, street repairs, and parks services. Sales taxes, franchise taxes, and user charges finance most of these activities. In addition, the City began providing wastewater service during the year to a limited number of customers.

FINANCIAL ANALYSIS OF THE CITY OF WIMBERLEY AS A WHOLE

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

Table I
City of Wimberley
Net Assets – Governmental Activities

	Governmental Activities		Change
	2012	2011	
ASSETS			
Current and other assets	\$ 995,741	\$ 1,135,943	\$ (140,202)
Capital assets	9,911,365	8,819,652	1,091,713
Total Assets	<u>\$ 10,907,106</u>	<u>\$ 9,955,595</u>	<u>\$ 951,511</u>
LIABILITIES			
Current liabilities	\$ 102,812	\$ 112,592	\$ (9,780)
Total Liabilities	<u>102,812</u>	<u>112,592</u>	<u>(9,780)</u>
Net Assets:			
Invested in capital assets, net of debt	9,911,365	8,819,652	1,091,713
Restricted	11,207	253,523	(242,316)
Unrestricted	881,722	769,828	111,894
Total Net Assets	<u>\$ 10,804,294</u>	<u>\$ 9,843,003</u>	<u>\$ 961,291</u>

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

**Table I (continued)
City of Wimberley
Net Assets – Business-Type Activities**

	Business-Type Activities 2012	Business-Type Activities 2011	Change
ASSETS			
Current and other assets	\$ 57,682	\$ -	\$ 57,682
Capital assets	220,922	-	220,922
Total assets	<u>\$ 278,604</u>	<u>\$ -</u>	<u>\$ 278,604</u>
LIABILITIES			
Current liabilities	\$ 35,195	\$ -	\$ 35,195
Noncurrent liabilities	152,557	-	152,557
Total liabilities	<u>187,752</u>	<u>-</u>	<u>187,752</u>
NET ASSETS			
Invested in capital assets, net of debt	48,052	-	48,052
Unrestricted	42,800	-	42,800
Total net assets	<u>\$ 90,852</u>	<u>\$ -</u>	<u>\$ 90,852</u>

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

Table II
City of Wimberley
Changes in Net Assets – Governmental Activities

	Governmental Activities		Change
	2012	2011	
REVENUES			
Program Revenues:			
Charges for services	\$ 320,705	\$ 242,309	\$ 78,396
Operating and capital grants	90,469	1,293,177	(1,202,708)
General Revenues:			
Sales taxes	628,460	594,429	34,031
Franchise taxes	247,502	224,573	22,929
Grants & contributions/unrestricted	650,215	274,574	375,641
Investment earnings	1,572	3,105	(1,533)
Other	31,271	20,694	10,577
Total Revenues	<u>1,970,194</u>	<u>2,652,861</u>	<u>(682,667)</u>
EXPENSES			
General government	392,876	407,711	(14,835)
Public safety	97,639	33,296	64,343
Public works	185,337	152,586	32,751
Highways and streets	46,699	45,408	1,291
Parks and recreation	286,352	222,676	63,676
Total Expenses	<u>1,008,903</u>	<u>861,677</u>	<u>147,226</u>
Change in net assets	961,290	1,791,184	(829,894)
Beginning net assets	<u>9,843,003</u>	<u>8,051,819</u>	<u>1,791,184</u>
Ending Net Assets	<u>\$ 10,804,294</u>	<u>\$ 9,843,003</u>	<u>\$ 961,290</u>

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

**Table II
City of Wimberley
Change in Net Assets – Business-Type Activities**

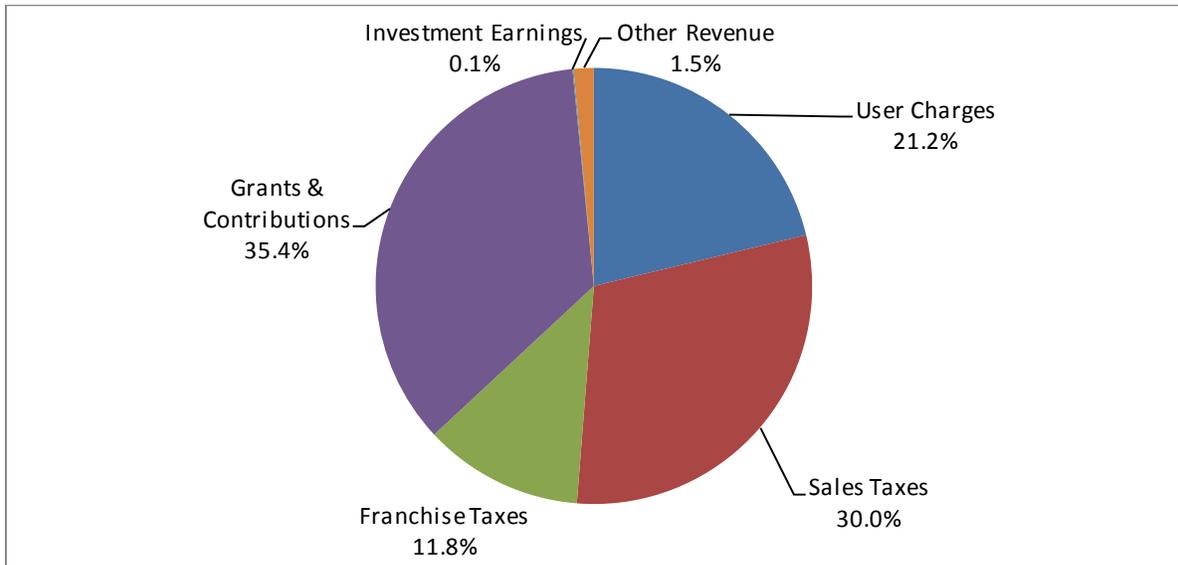
	Business-Type Activities 2012	Business-Type Activities 2011	Change
REVENUES			
Program revenues:			
Charges for services	\$ 124,155	\$ -	\$ 124,155
Total revenue	<u>124,155</u>	<u>-</u>	<u>124,155</u>
EXPENSES			
Wastewater operations	<u>56,357</u>	<u>-</u>	<u>56,357</u>
Total expenses	<u>56,357</u>	<u>-</u>	<u>56,357</u>
Operating Income	67,798	-	67,798
NON-OPERATING REVENUE (EXPENSES):			
Transfer In	31,250	-	31,250
Investment earnings	7	-	7
Interest expense	<u>(8,203)</u>	<u>-</u>	<u>(8,203)</u>
Non-Operating Income	<u>23,054</u>	<u>-</u>	<u>23,054</u>
Change in net assets	<u>90,852</u>	<u>-</u>	<u>90,852</u>
Beginning net assets	<u>-</u>	<u>-</u>	<u>-</u>
Ending Net Assets	<u><u>\$ 90,852</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 90,852</u></u>

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

Governmental Activities

As indicated by the chart below, the City of Wimberley's revenue stream for Fiscal Year 2011/2012 was composed of various sources. Major revenue sources were sales taxes (29.6%) and grants/contributions (36.3%). Other sources of revenues were franchise taxes (11.6%), user charges (20.9%), and investment earnings (0.1%) and other miscellaneous revenue (1.5%). The City did not levy or collect a property tax for Fiscal Year 2011-2012.

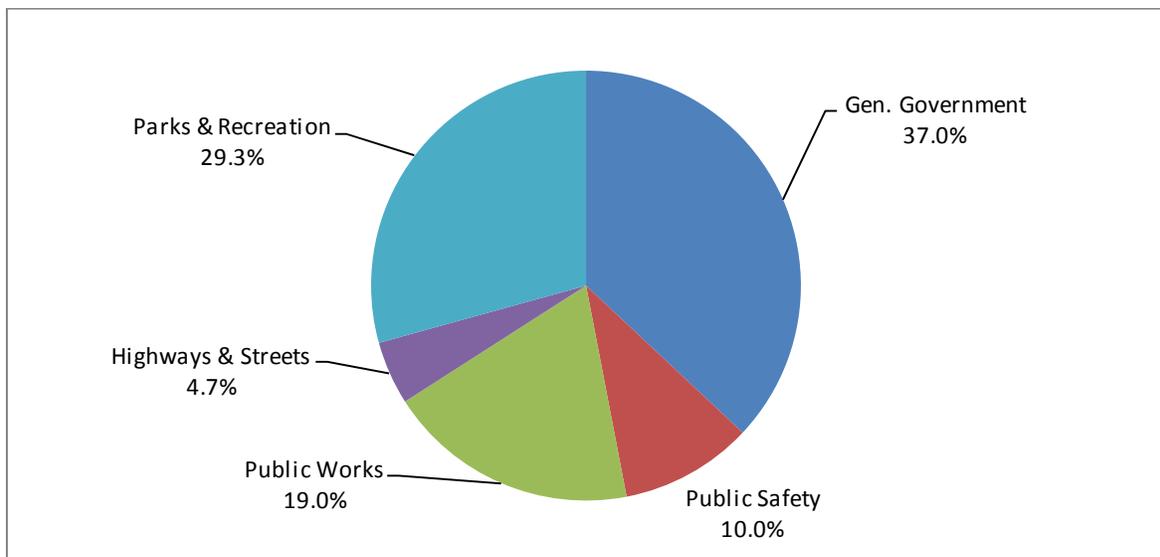
FY 2011-2012 Revenues



Departmental Expenses

The City of Wimberley's various departmental expenses for governmental activities totaled \$1,008,903 for the year ended September 30, 2012. The percentage distribution by department is illustrated in the table below.

FY 2011-2012 Expenditures



Financial Analysis of Governmental Funds

Fund balance of the General Fund increased during the year by \$143,254. This change reflects the effects of purchases of capital assets, revenues being realized approximately 5.4% under budgeted amounts, and expenditures arriving approximately 18.7% under budget.

In addition to the General Fund, the City maintains four special revenue funds; the Municipal Court Fund, the Capital Projects Fund, the Sidewalks Donations Fund, and the Blue Hole Park Fund. These separate funds are maintained to segregate the financial transactions of the activities accounted for in those funds.

Financial Analysis of the Proprietary Fund

The Wastewater Fund was created during the fiscal year after the purchase of the wastewater plant. Operating income for Fiscal Year 2012 was \$67,798 and the change in net position was \$90,852. The fund ended the year with net assets of \$90,852.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of Fiscal Year 2012, the City of Wimberley had invested approximately \$9.9 million in a broad range of capital assets, including land, buildings, roads, and equipment. (See table below) This amount is net of accumulated depreciation and represents an increase of \$1,091,713 over the prior year. The increase in capital asset balances in the governmental funds over the prior year is primarily due to construction in progress for the year at the Blue Hole Park, as well as the addition of new infrastructure.

During 2012, the City created a proprietary fund after the purchase of a wastewater plant. As a result, the City now provides wastewater service to City customers. These additions are reflected below in the business-type activities section of the table.

Table III
City of Wimberley's Capital Assets
Net of Depreciation

Capital Assets	2012	2011	Change
Governmental Activities			
Land	\$ 3,391,499	\$ 3,391,499	\$ -
Buildings and improvements	2,653,897	2,646,669	7,228
Infrastructure	644,491	543,473	101,018
Furniture, equipment, and vehicles	200,253	145,908	54,345
Construction in progress	3,693,874	2,650,418	1,043,456
Total at historical cost	<u>10,584,014</u>	<u>9,377,967</u>	<u>1,206,047</u>
Less accumulated depreciation	<u>(672,649)</u>	<u>(558,315)</u>	<u>(114,334)</u>
Net capital assets	<u>\$ 9,911,365</u>	<u>\$ 8,819,652</u>	<u>\$ 1,091,713</u>
Business-type Activities:			
Buildings and improvements	\$ 223,970	\$ -	\$ 223,970
Total at historical cost	<u>223,970</u>	<u>-</u>	<u>223,970</u>
Less accumulated depreciation:	<u>(3,048)</u>	<u>-</u>	<u>(3,048)</u>
Net capital assets	<u>\$ 220,922</u>	<u>\$ -</u>	<u>\$ 220,922</u>

Long-Term Debt

At year end, the City had total outstanding long-term debt of \$172,870. This debt was incurred in the purchase of the City's proprietary fund wastewater plant and accordingly is recorded in the City's business-type fund. A summary of long-term debt balance is presented below.

	City of Wimberley, Texas		
	Summary of Long-Term Debt		
	Business-Type Activities 2012	Business-Type Activities 2011	Change
Note Payable	\$ 172,870	\$ -	\$ 172,870
Totals	<u>\$ 172,870</u>	<u>\$ -</u>	<u>\$ 172,870</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the Fiscal Year 2013 budget and fees to be charged. One of the major factors was the unstable economy. As a result of the financial challenges facing all municipalities, the City established a Fiscal Year 2013 budget designed to maintain financial stability, along with the City's lean community services minded organization, a competitively paid staff and investments in capital outlay. The Fiscal Year 2013 Budget is \$1,024,700. This represents an increase of approximately 5% over the adopted budget for the previous fiscal year.

In the absence of a property tax, the General Fund's largest single revenue source is sales taxes which represent 55% of the total General Fund budgeted revenues for Fiscal Year 2013. The City collects a 1% sales tax on all taxable goods in the City. Projected sales tax revenue for Fiscal Year 2013 is \$575,000 which is 7.5% higher than the budgeted amount from the previous fiscal year.

CONTACTING THE CITY OF WIMBERLEY'S FINANCIAL MANAGEMENT

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

GOVERNMENT-WIDE STATEMENTS

CITY OF WIMBERLEY, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012

	Primary Government		
	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 881,521	\$ 41,693	\$ 923,214
Receivables (net of allowance for uncollectibles)	114,220	15,989	130,209
Capital Assets:			
Land	3,391,499	-	3,391,499
Infrastructure, net	537,662	-	537,662
Buildings, net	2,230,933	220,922	2,451,855
Machinery and Equipment, net	57,398	-	57,398
Construction in Progress	3,693,873	-	3,693,873
Total Assets	<u>\$ 10,907,106</u>	<u>\$ 278,604</u>	<u>\$ 11,185,710</u>
LIABILITIES			
Accounts Payable	\$ 84,771	\$ 6,679	\$ 91,450
Compensated Absences Payable	18,041	-	18,041
Accrued Interest Payable	-	8,203	8,203
Noncurrent Liabilities:			
Due Within One Year	-	20,313	20,313
Due in More Than One Year	-	152,557	152,557
Total Liabilities	<u>102,812</u>	<u>187,752</u>	<u>290,564</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt Restricted For:	9,911,365	48,052	9,959,417
Restricted for Capital Projects	11,207	-	11,207
Unrestricted Net Assets	881,722	42,800	924,522
Total Net Assets	<u>\$ 10,804,294</u>	<u>\$ 90,852</u>	<u>\$ 10,895,146</u>

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

CITY OF WIMBERLEY, TEXAS
STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Capital Grants and Contributions	Primary Government		
				Governmental Activities	Business Type Activities	Total
Primary Government						
GOVERNMENTAL ACTIVITIES:						
General Government	\$ 361,626	\$ 282,772	\$ -	\$ (78,854)	\$ -	\$ (78,854)
Public Safety	97,639	-	-	(97,639)	-	(97,639)
Public Works	185,337	-	-	(185,337)	-	(185,337)
Highways and Streets	46,699	-	-	(46,699)	-	(46,699)
Culture and Recreation	286,352	37,933	90,469	(157,950)	-	(157,950)
Total Governmental Activities	<u>977,653</u>	<u>320,705</u>	<u>90,469</u>	<u>(566,479)</u>	<u>-</u>	<u>(566,479)</u>
BUSINESS-TYPE ACTIVITIES:						
Wastewater Services	64,560	124,155	-	-	59,595	59,595
Total Business-Type Activities	<u>64,560</u>	<u>124,155</u>	<u>-</u>	<u>-</u>	<u>59,595</u>	<u>59,595</u>
TOTAL PRIMARY GOVERNMENT:	<u>\$ 1,042,213</u>	<u>\$ 444,860</u>	<u>\$ 90,469</u>	<u>(566,479)</u>	<u>59,595</u>	<u>(506,884)</u>
General Revenues:						
Taxes:						
Sales Taxes				628,460	-	628,460
Franchise Taxes				247,502	-	247,502
Grants & Contributions Not Restricted				650,215	-	650,215
Miscellaneous Revenues				31,270	-	31,270
Investment Earnings				1,572	7	1,579
Total General Revenues				<u>1,559,019</u>	<u>7</u>	<u>1,559,026</u>
Transfers In/(Out)				(31,250)	31,250	-
Change in Net Assets				961,290	90,852	1,052,142
Net Assets - Beginning				9,843,004	-	9,843,004
Net Assets - Ending				<u>\$ 10,804,294</u>	<u>\$ 90,852</u>	<u>\$ 10,895,146</u>

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

FUND BASIS STATEMENTS

CITY OF WIMBERLEY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012

	General Fund	Sidewalks Donations Fund	Blue Hole Park Fund	Municipal Court Fund
ASSETS				
Cash and Cash Equivalents	\$ 756,475	\$ 5,009	\$ 106,145	\$ 7,693
Receivables (Net)	114,220	-	-	-
Due from Other Funds	2,360	-	-	-
Total Assets	<u>\$ 873,055</u>	<u>\$ 5,009</u>	<u>\$ 106,145</u>	<u>\$ 7,693</u>
LIABILITIES & FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 53,459	\$ -	\$ 13,947	\$ 3,051
Wages and Salaries Payable	11,452	-	2,861	-
Due to Other Funds	-	-	-	2,360
Total Liabilities	<u>64,911</u>	<u>-</u>	<u>16,808</u>	<u>5,411</u>
Fund Balances:				
Restricted For:				
Capital Projects	-	5,009	-	-
Committed For:				
Public Works	323,258	-	-	-
Future Grant Matches	202,036	-	-	-
Wastewater Improvements	282,849	-	-	-
Parks	-	-	89,337	-
Municipal Court	-	-	-	2,282
Total Fund Balances	<u>808,144</u>	<u>5,009</u>	<u>89,337</u>	<u>2,282</u>
Total Liabilities & Fund Balances	<u>\$ 873,055</u>	<u>\$ 5,009</u>	<u>\$ 106,145</u>	<u>\$ 7,693</u>

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

Capital Projects Fund	Total Governmental Funds
\$ 6,198	\$ 881,520
-	114,220
-	2,360
<u>\$ 6,198</u>	<u>\$ 998,100</u>
\$ -	\$ 70,457
-	14,313
-	2,360
<u>-</u>	<u>87,130</u>
6,198	11,207
-	323,258
-	202,036
-	282,849
-	89,337
-	2,282
<u>6,198</u>	<u>910,970</u>
<u>\$ 6,198</u>	<u>\$ 998,100</u>

CITY OF WIMBERLEY, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

Total Fund Balances - Governmental Funds	\$ 910,970
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$9,377,967 and the accumulated depreciation was \$558,315. The effect of including the beginning balances for capital assets (net of depreciation) in the governmental activities is to increase net assets.	8,819,653
Since long term debt is not reported in governmental funds, the liability related to compensated absences is also not reported. The effect of including the beginning balance for compensated absences in the governmental activities is to decrease net assets.	(15,948)
Capital outlay transactions are expenditures in governmental funds but are capitalized as assets on the Statement of Net Assets. The effect of capitalizing current expenditures for capital outlay during the year was an increase in net assets.	1,206,047
Since capital assets are not reported in governmental funds, related depreciation expense is also not reported. The effect of recording depreciation expense to the Statement of Net Assets is a decrease in net assets.	(114,334)
Since long term debt is not reported in governmental funds, the related current year expense is also not reported. The effect of recording additional current year compensation expense to the Statement of Net Assets is a decrease in net assets.	(2,094)
Net Assets of Governmental Activities	\$ 10,804,294

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

CITY OF WIMBERLEY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	General Fund	Sidewalks Donations Fund	Blue Hole Park Fund	Municipal Court Fund
REVENUES				
Taxes:				
General Sales & Use Taxes	\$ 628,460	\$ -	\$ -	\$ -
Franchise Tax	247,502	-	-	-
Licenses and Permits	37,933	-	-	-
Intergovernmental Revenue & Grants	-	-	-	-
Charges for Services	27,213	-	208,048	398
Fines	2,384	-	-	626
Investment Earnings	1,251	8	168	2
Contributions & Donations/Private Sources	-	-	-	-
Other Revenue	72,657	-	2,717	-
Total Revenues	<u>1,017,400</u>	<u>8</u>	<u>210,933</u>	<u>1,026</u>
EXPENDITURES				
Current:				
General Government	494,775	-	-	-
Public Safety	50,790	-	-	-
Public Works	164,081	-	-	-
Culture and Recreation	4,535	-	147,558	-
Capital Outlay	111,236	-	44,568	-
Total Expenditures	<u>825,417</u>	<u>-</u>	<u>192,126</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>191,983</u>	<u>8</u>	<u>18,807</u>	<u>1,026</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	17,479	-
Transfers Out (Use)	(48,729)	-	(66,577)	-
Total Other Financing Sources (Uses)	<u>(48,729)</u>	<u>-</u>	<u>(49,098)</u>	<u>-</u>
Net Change in Fund Balances	143,254	8	(30,291)	1,026
Fund Balance - Oct 1 (Beginning)	664,890	5,001	119,628	1,256
Fund Balance - Sept 30 (Ending)	<u>\$ 808,144</u>	<u>\$ 5,009</u>	<u>\$ 89,337</u>	<u>\$ 2,282</u>

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

Capital Projects Fund	Total Governmental Funds
\$ -	\$ 628,460
-	247,502
-	37,933
90,469	90,469
-	235,659
-	3,010
145	1,574
650,215	650,215
-	75,374
<u>740,829</u>	<u>1,970,196</u>
-	494,775
-	50,790
-	164,081
6,276	158,369
<u>1,043,455</u>	<u>1,199,259</u>
<u>1,049,731</u>	<u>2,067,274</u>
<u>(308,902)</u>	<u>(97,078)</u>
66,577	84,056
-	(115,306)
<u>66,577</u>	<u>(31,250)</u>
(242,325)	(128,328)
<u>248,523</u>	<u>1,039,298</u>
<u>\$ 6,198</u>	<u>\$ 910,970</u>

CITY OF WIMBERLEY, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

Total Net Change in Fund Balances - Governmental Funds	\$ (128,328)
Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The effect of removing the 2012 capital outlays is to increase net assets.	1,206,047
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The effect of the current year's depreciation is to decrease net assets.	(114,334)
Current year compensated absences expense is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The effect of the current year's compensated absence expense is to decrease net assets.	(2,094)
Change in Net Assets of Governmental Activities	\$ 961,291

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

CITY OF WIMBERLEY, TEXAS
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance With Final Budget
	Original	Final	General Fund	
REVENUES				
Taxes:				
General Sales and Use Taxes	\$ 545,000	\$ 627,555	\$ 628,460	\$ 905
Franchise Tax	240,000	240,000	247,502	7,502
Licenses and Permits	40,000	44,215	37,933	(6,282)
Charges for Services	42,500	42,500	27,213	(15,287)
Fines	20,000	20,000	2,384	(17,616)
Investment Earnings	2,500	2,500	1,251	(1,249)
Other Revenue	86,200	98,537	72,657	(25,880)
Total Revenues	976,200	1,075,307	1,017,400	(57,907)
EXPENDITURES				
Current:				
General Government	532,564	512,007	494,775	17,232
Public Safety	129,906	147,906	50,790	97,116
Public Works	216,230	223,144	164,081	59,063
Culture and Recreation	22,500	22,500	4,535	17,965
Capital Outlay	75,000	121,000	111,236	9,764
Total Expenditures	976,200	1,026,557	825,417	201,140
Transfers In/(Out)	-	(48,750)	(48,729)	21
Net Change	-	-	143,254	143,254
Fund Balance - Oct 1 (Beginning)	664,890	664,890	664,890	-
Fund Balance - Sept 30 (Ending)	\$ 664,890	\$ 664,890	\$ 808,144	\$ 143,254

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

CITY OF WIMBERLEY, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUND
SEPTEMBER 30, 2012

	Business Type Activities
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 41,693
Accounts Receivable-Net of Uncollectible Allowance	15,989
Total Current Assets	57,682
Noncurrent Assets:	
Capital Assets:	
Utility Infrastructure, Net of Accumulated Depreciation	220,922
Total Noncurrent Assets	220,922
Total Assets	\$ 278,604
LIABILITIES	
Current Liabilities:	
Accounts Payable	\$ 6,679
Accrued Interest Payable	8,203
Notes Payable - Current Portion	20,313
Total Current Liabilities	35,195
NonCurrent Liabilities:	
Notes Payable	152,557
Total Noncurrent Liabilities	152,557
Total Liabilities	187,752
NET ASSETS	
Investments in Capital Assets, Net of Debt	48,052
Unrestricted Net Assets	42,800
Total Net Assets	\$ 90,852

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

CITY OF WIMBERLEY, TEXAS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Business Type Activities
OPERATING REVENUES:	
Charges for Sewerage Service	\$ 124,155
Total Operating Revenues	124,155
OPERATING EXPENSES:	
Purchased Professional & Technical Services	45,940
Repair and Maintenance Services	7,167
Other Operating Costs	202
Depreciation	3,048
Total Operating Expenses	56,357
Operating Income	67,798
NON-OPERATING REVENUE (EXPENSES):	
Investment Earnings	7
Interest Expense	(8,203)
Total Non-operating Revenue (Expenses)	(8,196)
Income Before Transfers	59,602
Transfers In	31,250
Change in Net Position	90,852
Total Net Assets - October 1 (Beginning)	-
Total Net Assets - September 30 (Ending)	\$ 90,852

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

CITY OF WIMBERLEY, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Business Type Activities
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 108,166
Cash Payments for Purchased Services	(31,057)
Cash Payments for Other Operating	(7,369)
Net Cash Provided for Operating Activities	<u>69,740</u>
<u>Cash Flows from Capital & Related Financing Activities:</u>	
Acquisition of Capital Assets	(223,970)
Proceeds from Note Payable	172,870
Transfer from General Fund	31,250
Interest Expense	(8,203)
Net Cash Provided by (Used for) Capital & Related Financing Activities	<u>(28,053)</u>
<u>Cash Flows from Investing Activities:</u>	
Interest and Dividends on Investments	<u>7</u>
Net Increase(Decrease) in Cash and Cash Equivalents	41,693
Cash and Cash Equivalents at Beginning of the Year:	-
Cash and Cash Equivalents at the End of the Year:	<u>\$ 41,693</u>
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>	
Operating Income:	\$ 67,798
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation and Amortization	3,048
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (increase) in Receivables	(15,989)
Increase (decrease) in Accounts Payable	6,680
Increase (decrease) in Accrued Interest	8,203
Net Cash Provided by Operating Activities	<u>\$ 69,740</u>

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

NOTES TO THE FINANCIAL STATEMENTS

CITY OF WIMBERLEY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

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

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

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

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

CITY OF WIMBERLEY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

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

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

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

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

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

D. FUND ACCOUNTING

Basis of Accounting

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

The City reports the following major governmental funds:

- General Fund – The General Fund is the primary operating fund of the City. It accounts for all financial resources except those required to be accounted for in another fund.
- Municipal Court Fund – This fund is used to account for the proceeds of revenue sources that are legally restricted to expenditures for the Municipal Court.
- Blue Hole Fund – This fund is used to account for the proceeds of revenue sources that are legally restricted to expenditures for the Blue Hole Park and for accounting for this park's general operations.

CITY OF WIMBERLEY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2012

- Sidewalks Donations Fund – This fund is used to account for donations made to the city to contribute to the costs required to complete the sidewalk capital project in downtown along Ranch Road 2325.
- Capital Projects Fund – This fund is used to account for the activity related to the Blue Hole Park improvements.

The City reports the following proprietary fund:

- Wastewater Fund – This fund is used to account for the activity related to the operation of the wastewater utility.

E. OTHER ACCOUNTING POLICIES

Capital Assets

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

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

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

Asset	Years
Buildings	20-40
Infrastructure	40
Machinery and Equipment	5

Fund Balances

Only restrictions imposed by external sources are shown as restricted fund balance in the fund basis financial statements and as restricted net assets on the government-wide financial statements. Classification of fund balance restraints imposed by the reporting government itself, whether by administrative policy or legislative action of the reporting government, are shown in aggregate on the governmental fund financial statements as committed fund balance. Committed fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the City Council, the government’s highest level of decision-making authority. A formal action would also be required to modify or rescind an established commitment. Assigned fund balance amounts are intended to be used by the government for specific purposes but do not meet the criteria to be restricted or committed. Assigned fund balance represents the remaining amount that is not restricted or committed in governmental funds other than the general fund, where it is classified as unassigned. Assigned fund balance is expressed by the direction of the City Council or other individual with the authority to assign amounts to be used for specific purposes. Nonspendable fund balance represents amounts that are nonspendable such as inventories and prepaid expenditures.

CITY OF WIMBERLEY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2012

II. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

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

At September 30, 2012, the carrying amount of the City’s deposits (cash, certificates of deposit, money market, and interest-bearing savings accounts included in temporary investments) was \$746,412, and the bank balance was \$813,231.

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies. The City’s investments at September 30, 2012 were as follows:

Investment	Carrying Amount	Fair Value
TexPool	\$ 176,803	\$ 176,803
Total Investments	\$ 176,803	\$ 176,803

CITY OF WIMBERLEY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

Policies Governing Deposits and Investments

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

Custodial Credit Risk – Deposits: This is the risk that in the event of bank failure, the City’s deposits may not be returned to it. The City was not exposed to custodial credit risk since its deposits, at year-end and during the year ended September 30, 2012, were covered by depository insurance or by pledged collateral held by the City’s agent bank in the City’s name.

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

Other Credit Risk: There is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. To minimize credit risk, investment policies of the City’s investment pools allow the portfolio’s investment manager to only invest in obligations of the U.S. Government, its agencies; repurchase agreements; and no-load AAAM money market mutual funds registered with the SEC. As of September 30, 2012, TexPool’s investment credit quality rating was AAAM (Standard & Poor’s).

B. INTERFUND BALANCES AND TRANSFERS

Short-term advances between funds are recorded as a receivable (Due From) and payable (Due To) between the funds involved in the transaction. As of September 30, 2012 the Due From and Due To balances were as follows:

	Due From	Due To
General Fund		
Due from Municipal Court	\$ 2,360	\$ -
Total General Fund	2,360	-
Municipal Court		
Due to General Fund	-	2,360
Total Municipal Court	-	2,360
Grand Totals	\$ 2,360	\$ 2,360

For the year ended September 30, 2012 transfers made between funds were as follows:

	Transfer Out	Transfer In
General Fund	\$ 48,729	\$ -
Capital Projects Fund	-	66,577
Blue Hole Park Fund	66,577	17,479
Water Wastewater	-	31,250
Grand Totals	\$ 115,306	\$ 115,306

CITY OF WIMBERLEY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

C. CAPITAL ASSETS

Capital asset activity for governmental and proprietary activities for City of Wimberley for the year ended September 30, 2012 was as follows:

	Balance 10/01/11	Additions	Retirements	Balance 9/30/2012
Governmental Activities:				
Land	\$ 3,391,499	\$ -	\$ -	\$ 3,391,499
Buildings and Improvements	2,646,669	7,228	-	2,653,897
Infrastructure	543,473	101,018	-	644,491
Machinery and Equipment	145,908	54,345	-	200,253
Construction in Progress	2,650,418	1,043,456	-	3,693,874
Totals at Historical Cost	9,377,967	1,206,047	-	10,584,014
Less Accumulated Depreciation:				
Buildings and Improvements	(349,013)	(73,951)	-	(422,964)
Infrastructure	(77,130)	(29,699)	-	(106,829)
Machinery & Equipment	(132,172)	(10,684)	-	(142,856)
Total Depreciation	(558,315)	(114,334)	-	(672,649)
Capital Assets, Net (Governmental)	\$ 8,819,652	\$ 1,091,713	\$ -	\$ 9,911,365
Business-type Activities:				
Buildings and Improvements	\$ -	\$ 223,970	\$ -	\$ 223,970
Total at Historical Cost	-	223,970	-	223,970
Less Accumulated Depreciation:				
Buildings and Improvements	-	(3,048)	-	(3,048)
Total Depreciation	-	(3,048)	-	(3,048)
Capital Assets, Net (Business-type)	\$ -	\$ 220,922	\$ -	\$ 220,922

Depreciation expense was charged to general government departments as follows:

Department	Allocated Depreciation Amount
General Government	\$ 68,535
Public Safety	7,035
Public Works	22,728
Highways and Streets	628
Culture and Recreation	15,408
Total	\$ 114,334

CITY OF WIMBERLEY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

D. NOTE PAYABLE

The City incurred debt during 2012 related to the purchase of the wastewater plant. The following is a summary of changes in long-term debt outstanding in the proprietary fund as of September 30, 2012:

Description	Interest Rate	Amount Original Issue	Amounts Outstanding 10/01/11	Additions	Amounts Outstanding 09/30/12	Due in One Year
Proprietary Activities:						
Note Payable						
Wastewater Plant	5.00%	\$ 172,870	\$ -	\$ 172,870	\$ 172,870	\$ 20,313
Total			<u>\$ -</u>	<u>\$ 172,870</u>	<u>\$ 172,870</u>	<u>\$ 20,313</u>

Debt service requirements for principal and interest related to the note payable is as follows:

Year Ended September 30	Bonds Payable		Total
	Principal	Interest	
2013	\$ 20,313	\$ 10,938	\$ 31,250
2014	21,656	9,594	31,250
2015	23,066	8,184	31,250
2016	24,547	6,703	31,250
2017	26,102	5,147	31,250
2018-2019	57,186	5,314	62,500
Total	<u>\$ 172,870</u>	<u>\$ 45,880</u>	<u>\$ 218,750</u>

E. RISK MANAGEMENT

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

F. LITIGATION

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

G. SUBSEQUENT EVENTS

The City has evaluated subsequent events through December 14, 2012, the date of the financial statements. The City is not aware of any subsequent events that materially affect the financial statements.

OTHER INFORMATION REQUIRED BY GAO



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

Honorable Mayor and City Council
City of Wimberley, Texas

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Wimberley, Texas (hereafter “the City”) as of and for the year ended September 30, 2012 and have issued our report thereon dated December 14, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

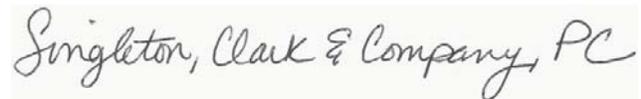
A material weakness is a significant deficiency or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity’s internal control.

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

Compliance and Other Matters

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

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

A handwritten signature in cursive script that reads "Singleton, Clark & Company, PC". The signature is written in black ink on a light-colored background.

Singleton, Clark & Company, PC
Austin, Texas

December 14, 2012