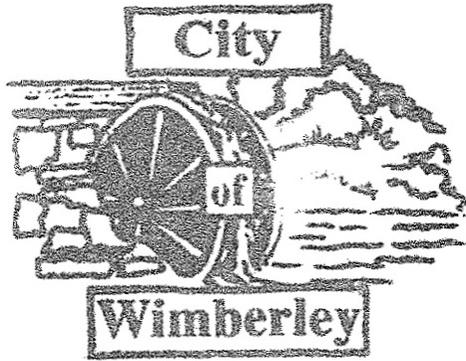


CITY OF WIMBERLEY, TEXAS

**ANNUAL
FINANCIAL REPORT**

**FISCAL YEAR ENDED
SEPTEMBER 30, 2017**



CITY OF WIMBERLEY
 ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

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CITY OF WIMBERLEY

PRINCIPAL OFFICERS

CITY OFFICIALS

MAYOR

MAC MCCULLOUGH

CITY COUNCIL

STEVE THURBER

CRAIG FORE

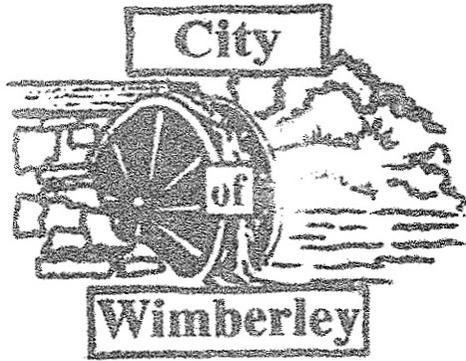
ALLISON DAVIS

GARY BARCHFELD

ROBERTA HOLLAND

CITY ADMINISTRATOR (INTERIM)

PAUL PARKER





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, 2017, 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, 2017, 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.

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.

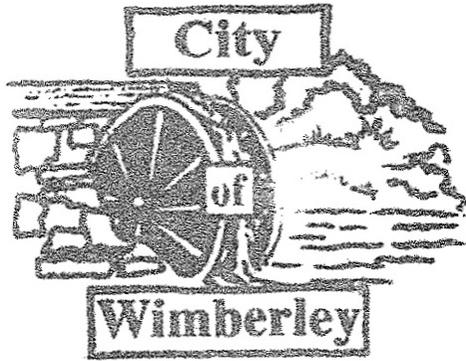
Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2018 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 black ink that reads "Armstrong, Vaughan & Associates, P.C." The signature is written in a cursive, flowing style.

Armstrong, Vaughan & Associates, P.C.

January 10, 2018



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, 2017. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

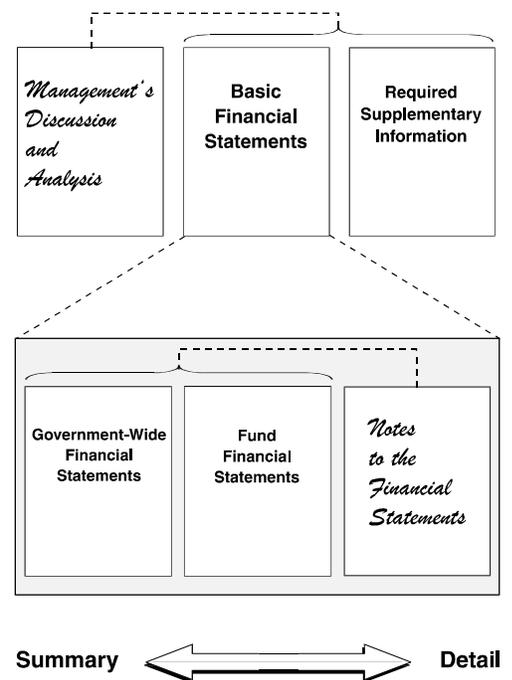
- The City's total combined net position was \$14 million at September 30, 2017.
- The City's governmental expenses (including assistance to the wastewater utility) were \$1.1 million less than the \$2.9 million generated in general and program revenues for governmental activities. The total cost of the City's governmental programs decreased 6.8% from the prior year.
- The City's business-type expenses were \$14 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 2% from the prior year.
- The general fund reported a fund balance this year of \$1.6 million, an increase of 25%, due in part to assistance for infrastructure rebuilding from other governmental units.
- No new debt was issued during the 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.

Figure A-2. Major Features of the City's Government-wide and Fund Financial Statements			
<i>Type of Statements</i>	Fund Statements		
	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 \$14 million at September 30, 2017. (See Table A-1).

	Governmental Activities		Business-Type Activities		Total		Percentage Change
	2017	2016	2017	2016	2017	2016	
<i>Assets:</i>							
Current Assets	\$ 2,553,911	\$ 2,921,456	\$ 180,499	\$ 204,594	\$ 2,734,410	\$ 3,126,050	(12.5)
Other Assets	322,049	210,156	166,529	225,433	488,578	435,589	12.2
Capital Assets (net)	10,843,463	9,181,391	754,460	663,672	11,597,923	9,845,063	17.8
Total Assets	13,719,423	12,313,003	1,101,488	1,093,699	14,820,911	13,406,702	10.5
<i>Deferred Outflows:</i>	15,054	19,387	-	-	15,054	19,387	(22.4)
<i>Liabilities:</i>							
Current Liabilities	432,216	115,747	137,992	125,836	570,208	241,583	136.0
Long-Term Liabilities	17,678	19,544	219,431	342,148	237,109	361,692	(34.4)
Total Liabilities	449,894	135,291	357,423	467,984	807,317	603,275	33.8
<i>Net Position:</i>							
Invested in Capital Assets	10,843,463	9,181,391	443,655	321,661	11,287,118	9,503,052	18.8
Restricted	334,401	266,676	-	-	334,401	266,676	25.4
Unrestricted	2,106,719	2,749,032	168,810	304,054	2,275,529	3,053,086	(25.5)
Total Net Position	\$ 13,284,583	\$ 12,197,099	\$ 612,465	\$ 625,715	\$ 13,897,048	\$ 12,822,814	8.4

Governmental Activities

- Sales tax revenues increased \$20 thousand, or 2%, and franchise tax revenues increased \$31 thousand, or 12%. The hotel occupancy tax was reduced to 0% effective January 31 by Council action.
- The City received \$137 thousand from a disaster recovery grant administered by the Texas Department of Public Safety.
- The City recognized insurance proceeds of \$921 thousand for infrastructure damage from the City's insurance carrier.

Business-Type Activities

- Expenses increased 2.3% overall.
- Rates were kept the same as 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
	2017	2016	2017	2016	2017	2016	
<i>Program Revenues:</i>							
Charges for Services	\$ 528,067	\$ 490,059	\$ 118,776	\$ 118,776	\$ 646,843	\$ 608,835	6.2
Operating Grants and Contributions	-	-	-	-	-	-	100.0
Capital Contributions	136,908	-	-	-	136,908	-	0.0
<i>General Revenues:</i>							
Taxes	1,294,920	1,403,281	-	-	1,294,920	1,403,281	(7.7)
Interest Earnings	2,344	1,424	141	174	2,485	1,598	55.5
Insurance Proceeds	921,019	1,232,279	-	-	921,019	1,232,279	(25.3)
Miscellaneous	56,977	29,008	-	-	56,977	29,008	96.4
TOTAL REVENUES	2,940,235	3,156,051	118,917	118,950	3,059,152	3,275,001	(6.6)
<i>Program Expenses:</i>							
Administration	690,304	598,514	-	-	690,304	598,514	15.3
Inspections	46,354	52,583	-	-	46,354	52,583	(11.8)
Police and Court	64,413	66,224	-	-	64,413	66,224	(2.7)
Public Works	78,201	43,681	-	-	78,201	43,681	79.0
Highways and Roads	157,913	331,586	-	-	157,913	331,586	(52.4)
Sanitation	37,887	40,380	-	-	37,887	40,380	(6.2)
Culture and Recreation	148,632	142,571	-	-	148,632	142,571	4.3
Parks	496,176	485,080	-	-	496,176	485,080	2.3
Wastewater	-	-	133,438	129,789	133,438	129,789	2.8
TOTAL EXPENSES	1,719,880	1,760,619	133,438	129,789	1,853,318	1,890,408	(2.0)
Transfers	(132,871)	(230,249)	132,871	230,249	-	-	0.0
Change in Net Position	\$ 1,087,484	\$ 1,165,183	\$ 118,350	\$ 219,410	\$ 1,205,834	\$ 1,384,593	12.9

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 \$1.7 million.

Table A-3
Net Cost of Selected City Functions

	Total Cost of			Net Cost of		
	Services		Percentage Change	Services		Percentage Change
	2017	2016		2017	2016	
Administration	\$ 690,304	\$ 598,514	15.3	\$ 689,504	\$ 594,514	16.0
Inspections	46,354	52,583	(11.8)	(66,140)	(72,622)	(8.9)
Police and Court	64,413	66,224	(2.7)	53,072	57,597	(7.9)
Public Works	78,201	43,681	79.0	78,201	43,681	79.0
Highways and Roads	157,913	331,586	(52.4)	21,005	331,586	(93.7)
Sanitation	37,887	40,380	(6.2)	37,887	40,380	(6.2)
Culture and Recreation	148,632	142,571	4.3	101,967	102,630	(0.6)
Parks	496,176	485,080	2.3	139,409	172,794	(19.3)
Wastewater	133,438	129,789	2.8	(14,662)	11,013	(233.1)

FINANCIAL ANALYSIS OF THE CITY’S FUNDS

- The General fund increased its fund balance by \$312 thousand, primarily due to increased tax revenues and an allocation from the Department of Public Safety for infrastructure repair.
- The Hotel Occupancy Tax was reduced to 0 effective January 31, 2017.
- Infrastructure rebuild related to the Low Water Crossing fund was completed.

Budgetary Highlights

- General Fund revenues were over budget by \$329 thousand due mainly to better than expected sales tax revenues and assistance with infrastructure rebuild costs from the Department of Public Safety.
- General Fund expenditures were \$17 thousand above budget overall. The vacation payouts for the former City Administrator and Secretary were not planned or budgeted.
- Overall the City’s General Fund change in balance exceeded budget by \$312 thousand, due to the factors noted above.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2017, the City had invested \$14 million in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.) The significant additions in 2017 were the capitalization of the Hidden Valley Low Water Crossing and Buena Vista projects.

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

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2017	2016	2017	2016	2017	2016	
Land	\$ 3,483	\$ 3,468	\$ -	\$ -	\$ 3,483	\$ 3,468	0.4
Buildings and Improvements	6,428	6,400	-	-	6,428	6,400	0.4
Infrastructure	2,910	681	224	224	3,134	905	246.3
Equipment	344	341	-	-	344	341	0.9
Construction in Progress	10	283	564	467	574	750	(23.5)
Totals at Historical Cost	13,175	11,173	788	691	13,963	11,864	17.7
Total Accumulated Depreciation	(2,332)	(1,991)	(34)	(27)	(2,366)	(2,018)	17.2
Net Capital Assets	<u>\$10,843</u>	<u>\$ 9,182</u>	<u>\$ 754</u>	<u>\$ 664</u>	<u>\$11,597</u>	<u>\$ 9,846</u>	17.8

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)

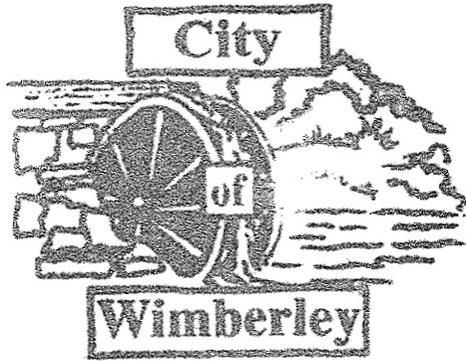
	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2017	2016	2017	2016	2017	2016	
Note Payable - GBRA	\$ -	\$ -	\$ 57	\$ 83	\$ 57	\$ 83	(31.3)
Notes Payable - 2013 Series	-	-	285	380	285	380	(25.0)
Total Long-Term Debt	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 342</u>	<u>\$ 463</u>	<u>\$ 342</u>	<u>\$ 463</u>	<u>(26.1)</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

For the 2018 fiscal year, the City projects General Fund revenues will increase to \$1.3 million, primarily from increasing sales tax collections. Expenditures are also budgeted to increase to \$1.5 million, with the deficit coming from fund balance. The General Fund budget includes increased debt service transfers to the wastewater utility. The City is in final planning stages for a new wastewater facility that will allow it to expand the customer base and support debt necessary to construct the system. With the Low Water Crossing construction complete the City is anticipating fewer expenditures for road and bridge items. 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.

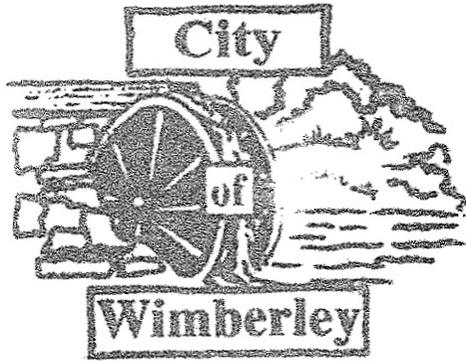


BASIC FINANCIAL STATEMENTS

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, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 1,964,853	\$ 179,881	\$ 2,144,734
Receivables	589,058	618	589,676
Restricted Cash	318,173	166,529	484,702
Prepaid Items	3,876	-	3,876
Capital Assets (net)	10,843,463	754,460	11,597,923
TOTAL ASSETS	13,719,423	1,101,488	14,820,911
DEFERRED OUTFLOWS			
Deferred Pension Related Outflows	15,054	-	15,054
TOTAL DEFERRED OUTFLOWS	15,054	-	15,054
LIABILITIES			
Accounts Payable	404,835	11,707	416,542
Accrued Wages	5,988	-	5,988
Payroll Deductions and Withholdings	4,872	-	4,872
Accrued Compensated Absences	6,221	-	6,221
Accrued Interest	-	3,568	3,568
Deposits and Unearned Revenue	10,300	-	10,300
Current Portion of Long-term Debt	-	122,717	122,717
<i>Noncurrent Liabilities:</i>			
Long-term Debt Net of Current Portion	-	219,431	219,431
Net Pension Liability	17,678	-	17,678
TOTAL LIABILITIES	449,894	357,423	807,317
NET POSITION			
Net Investment in Capital Assets	10,843,463	443,655	11,287,118
Restricted for:			
Debt Service	-	131,600	131,600
Federal Program	17,844	-	17,844
Municipal Court	10,058	-	10,058
Capital Projects	5,022	-	5,022
Tourism Development	301,477	-	301,477
Unrestricted	2,106,719	168,810	2,275,529
TOTAL NET POSITION	\$ 13,284,583	\$ 744,065	\$ 14,028,648

See accompanying notes to basic financial statements.

CITY OF WIMBERLEY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Functions and Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
<i>Governmental Activities:</i>				
Administration	\$ 690,304	\$ 800	\$ -	\$ -
Inspections	46,354	112,494	-	-
Police and Court	64,413	11,341	-	-
Public Works	78,201	-	-	-
Highways and Roads	157,913	-	-	136,908
Sanitation	37,887	-	-	-
Culture and Recreation	148,632	46,665	-	-
Parks	496,176	356,767	-	-
<i>Total Governmental Activities</i>	<u>1,719,880</u>	<u>528,067</u>	<u>-</u>	<u>136,908</u>
<i>Business-Type Activities:</i>				
Wastewater Utility	133,438	118,776	-	-
<i>Total Business-Type Activities</i>	<u>133,438</u>	<u>118,776</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 1,853,318</u>	<u>\$ 646,843</u>	<u>\$ -</u>	<u>\$ 136,908</u>
General Revenues:				
Taxes				
Sales Taxes				
Hotel Occupancy Tax				
Franchise Taxes				
Interest and Investment Earnings				
Insurance Proceeds				
Miscellaneous				
Total General Revenues				
Transfers				
Change in Net Position				
Net Position at Beginning of Year				
Net Position at End of Year				

See accompanying notes to basic financial statements.

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

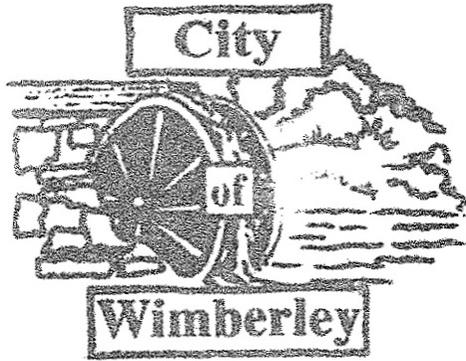
<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (689,504)		\$ (689,504)
66,140		66,140
(53,072)		(53,072)
(78,201)		(78,201)
(21,005)		(21,005)
(37,887)		(37,887)
(101,967)		(101,967)
<u>(139,409)</u>		<u>(139,409)</u>
<u>(1,054,905)</u>		<u>(1,054,905)</u>
	\$ (14,662)	(14,662)
	<u>(14,662)</u>	<u>(14,662)</u>
		<u>(1,069,567)</u>
929,669	-	929,669
76,264	-	76,264
288,987	-	288,987
2,344	141	2,485
921,019	-	921,019
56,977	-	56,977
<u>2,275,260</u>	<u>141</u>	<u>2,275,401</u>
<u>(132,871)</u>	<u>132,871</u>	<u>-</u>
1,087,484	118,350	1,205,834
<u>12,197,099</u>	<u>625,715</u>	<u>12,822,814</u>
<u>\$ 13,284,583</u>	<u>\$ 744,065</u>	<u>\$ 14,028,648</u>

CITY OF WIMBERLEY
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

	<u>Major Fund</u> General Fund	<u>Major Fund</u> Blue Hole Park	<u>Major Fund</u> Hotel Occupancy
ASSETS			
Cash and Cash Equivalents	\$ 1,461,125	\$ 484,994	\$ 301,477
Receivables (net of allowances for uncollectibles):			
Other Receivables	236,869	-	-
Prepaid Items	3,876	-	-
Due from Other Funds	284,217	-	-
TOTAL ASSETS	<u>\$ 1,986,087</u>	<u>\$ 484,994</u>	<u>\$ 301,477</u>
LIABILITIES AND FUND BALANCES			
<i>Liabilities:</i>			
Accounts Payable	\$ 400,426	\$ 3,958	\$ -
Accrued Wages	3,612	2,375	-
Payroll Deductions and Withholdings	2,764	2,108	-
Due to Other Funds	-	-	-
Unearned Revenue	9,600	700	-
<i>Total Liabilities</i>	<u>416,402</u>	<u>9,141</u>	<u>-</u>
<i>Fund Balances:</i>			
Nonspendable for:			
Prepaid Items	3,876	-	-
Restricted for:			
Federal Program	17,844	-	-
Municipal Court	-	-	-
Tourism Development	-	-	301,477
Capital Projects	-	-	-
Committed for:			
Public Works	619,186	-	-
Wastewater System	541,787	-	-
Grant Matches	386,992	-	-
Park Operations and Improvements	-	475,853	-
Assigned for:			
Low Water Crossing	-	-	-
<i>Total Fund Balances</i>	<u>1,569,685</u>	<u>475,853</u>	<u>301,477</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,986,087</u>	<u>\$ 484,994</u>	<u>\$ 301,477</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>
\$ -	\$ 35,430	\$ 2,283,026
352,189	-	589,058
-	-	3,876
-	-	284,217
<u>\$ 352,189</u>	<u>\$ 35,430</u>	<u>\$ 3,160,177</u>
\$ -	\$ 451	\$ 404,835
-	-	5,987
-	-	4,872
283,053	1,164	284,217
-	-	10,300
<u>283,053</u>	<u>1,615</u>	<u>710,211</u>
-	-	3,876
-	-	17,844
-	10,058	10,058
-	-	301,477
-	5,022	5,022
-	-	619,186
-	-	541,787
-	-	386,992
-	18,735	494,588
69,136	-	69,136
<u>69,136</u>	<u>33,815</u>	<u>2,449,966</u>
<u>\$ 352,189</u>	<u>\$ 35,430</u>	<u>\$ 3,160,177</u>



CITY OF WIMBERLEY
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

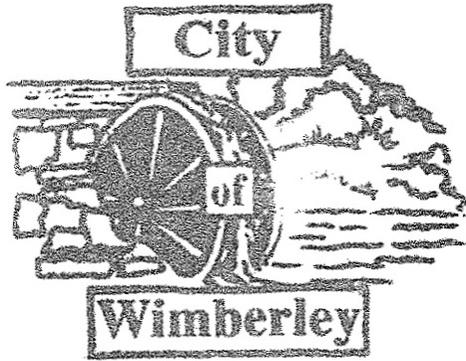
TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS		\$ 2,449,966
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		10,843,463
Accrued compensated absences are not due and payable in the current period and, therefore, not reported in the funds.		(6,221)
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	(17,678)	
Pension Related Deferred Outflows	15,054	(2,624)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		\$ 13,284,583

CITY OF WIMBERLEY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Major Fund</u> General Fund	<u>Major Fund</u> Blue Hole Park	<u>Major Fund</u> Hotel Occupancy
REVENUES			
Sales Taxes	\$ 929,669	\$ -	\$ -
Hotel Occupancy Tax	-	-	76,264
Franchise Tax	288,987	-	-
Licenses and Permits	112,494	-	-
Charges for Services	47,465	356,767	-
Fines and Penalties	9,994	-	-
Intergovernmental	136,908	-	-
Interest Income	1,961	192	143
Miscellaneous	52,800	3,615	-
TOTAL REVENUES	<u>1,580,278</u>	<u>360,574</u>	<u>76,407</u>
EXPENDITURES			
<i>Current:</i>			
Administration	662,367	-	10,604
Police and Court	60,451	-	-
Inspections	46,354	-	-
Highways and Streets	192,555	-	-
Sanitation	27,973	-	-
Culture and Recreation	104,785	-	-
Parks	2,488	285,065	-
Capital Outlay	38,268	3,199	-
TOTAL EXPENDITURES	<u>1,135,241</u>	<u>288,264</u>	<u>10,604</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	445,037	72,310	65,803
OTHER FINANCING SOURCES (USES)			
Insurance Proceeds	-	-	-
Transfers Out	(132,871)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(132,871)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	312,166	72,310	65,803
Fund Balances at Beginning of Year	1,257,519	403,543	235,674
Fund Balances at End of Year	<u>\$ 1,569,685</u>	<u>\$ 475,853</u>	<u>\$ 301,477</u>

See accompanying notes to basic financial statements.

<u>Major Fund</u> <u>Low Water</u> <u>Crossing</u>	<u>Total</u> <u>Nonmajor</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
\$ -	\$ -	\$ 929,669
-	-	76,264
-	-	288,987
-	-	112,494
-	-	404,232
-	1,910	11,904
-	-	136,908
-	46	2,342
-	-	56,415
<u>-</u>	<u>1,956</u>	<u>2,019,215</u>
-	-	672,971
-	-	60,451
-	-	46,354
-	-	192,555
-	-	27,973
-	-	104,785
-	-	287,553
<u>1,934,034</u>	<u>27,500</u>	<u>2,003,001</u>
<u>1,934,034</u>	<u>27,500</u>	<u>3,395,643</u>
(1,934,034)	(25,544)	(1,376,428)
1,824,722	-	1,824,722
<u>-</u>	<u>-</u>	<u>(132,871)</u>
<u>1,824,722</u>	<u>-</u>	<u>1,691,851</u>
(109,312)	(25,544)	315,423
<u>178,448</u>	<u>59,359</u>	<u>2,134,543</u>
<u>\$ 69,136</u>	<u>\$ 33,815</u>	<u>\$ 2,449,966</u>



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, 2017

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ 315,423
<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 capital outlay exceeded depreciation.</p>	1,662,072
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>	(903,704)
<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>	(2,471)
<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	<u>16,164</u>
CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES	<u><u>\$ 1,087,484</u></u>

See accompanying notes to basic financial statements.

CITY OF WIMBERLEY
STATEMENT OF NET POSITION – PROPRIETARY FUND
SEPTEMBER 30, 2017

	Wastewater Utility
ASSETS	
<i>Current Assets:</i>	
Cash and Cash Equivalents	\$ 179,881
Receivables	618
<i>Total Current Assets</i>	180,499
 <i>Other Assets:</i>	
Property and Equipment (net)	754,460
Restricted Cash	166,529
<i>Total Other Assets</i>	920,989
TOTAL ASSETS	1,101,488
 LIABILITIES	
<i>Current Liabilities:</i>	
Accounts Payable	11,707
Accrued Interest	3,568
Current Portion of Long-Term Debt	122,717
<i>Total Current Liabilities</i>	137,992
 <i>Long-term Liabilities:</i>	
Long-term Debt (Net of Current Portion)	219,431
<i>Total Long-term Liabilities</i>	219,431
TOTAL LIABILITIES	357,423
 NET POSITION	
Net Investment In Capital Assets	443,655
Restricted - Debt Service	131,600
Unrestricted	168,810
TOTAL NET POSITION	\$ 744,065

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, 2017

	Wastewater Utility
OPERATING REVENUES	
Charges for Utility Service	\$ 118,776
TOTAL OPERATING REVENUES	118,776
OPERATING EXPENSES	
Utilities	8,477
Services	107,239
Depreciation	6,096
TOTAL OPERATING EXPENSES	121,812
OPERATING INCOME (LOSS)	(3,036)
NONOPERATING REVENUES (EXPENSES)	
Interest Income	141
Interest Expense	(11,626)
TOTAL NONOPERATING REVENUES (EXPENSES)	(11,485)
INCOME (LOSS) BEFORE TRANSFERS	(14,521)
TRANSFERS	
Transfers In	132,871
CHANGE IN NET POSITION	118,350
NET POSITION AT BEGINNING OF YEAR	625,715
NET POSITION AT END OF YEAR	\$ 744,065

See accompanying notes to basic financial statements.

CITY OF WIMBERLEY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Wastewater Utility
Cash Flows From Operating Activities:	
Cash Received From Customers	\$ 128,674
Cash Paid to Suppliers for Goods and Services	(104,882)
Net Cash Provided (Used) by Operating Activities	23,792
Cash Flows From Noncapital Financing Activities:	
Transfers from Other Funds	132,871
Net Cash Provided (Used) by Noncapital Financing Activities	132,871
Cash Flows From Capital and Related Financing Activities:	
Purchase of Capital Assets	(96,883)
Principal Payments on Long-Term Debt	(121,103)
Interest Paid	(11,919)
Net Cash Provided (Used) by Capital Financing Activities	(229,905)
Cash Flows From Investing Activities:	
Investment Interest Received	141
Net Cash Provided (Used) by Investing Activities	141
Net Increase (Decrease) in Cash and Cash Equivalents	(73,101)
Cash and Cash Equivalents at Beginning of Year	
Unrestricted	194,078
Restricted	225,433
Total Cash and Cash Equivalents at Beginning of Year	419,511
Cash and Cash Equivalents at End of Year	
Unrestricted	179,881
Restricted	166,529
Total Cash and Cash Equivalents at End of Year	\$ 346,410

See accompanying notes to basic financial statements.

CITY OF WIMBERLEY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Wastewater Utility
Reconciliation of Operating Income to Net Cash	
Provided (Used) by Operating Activities:	
Operating Income (Loss)	\$ (3,036)
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)	9,898
Increase (Decrease) in Current Liabilities:	
Accounts Payable	10,834
Total Adjustments to Reconcile Operating Activities	26,828
Net Cash Provided (Used) by Operating Activities	\$ 23,792

See accompanying notes to basic financial statements.

CITY OF WIMBERLEY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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 changed 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, 2017, 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, 2017

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 repair of a low water crossing damaged by a flood. The construction was completed in late fiscal year 2017.

CITY OF WIMBERLEY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

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, 2017

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.

The City reports investments at fair value based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool maintains a consistent net asset value per share that approximates the fair value of the underlying securities. These investments are reported at net asset value.

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, 2017.

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.

CITY OF WIMBERLEY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

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

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.”

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.

CITY OF WIMBERLEY
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2017

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

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 \$5,000 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:

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

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.

CITY OF WIMBERLEY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

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

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.

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 \$750,000 in unrestricted General Fund balance (to include committed and assigned balances). Should fund balance fall below this threshold, Council will take appropriate budgetary action to restore compliance.

CITY OF WIMBERLEY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

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

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.

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, 2016 has been reported in conformity with the presentation of the financial statements for September 30, 2017. These reclassifications for presentation purposes had no impact on ending fund balance or net position.

CITY OF WIMBERLEY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

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, 2017, 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.

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 materially adhered to the requirements of the Act. Additionally, investment practices of the City were in material compliance 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.

The City's investments at September 30, 2017 consist of \$178,867 in TexPool, a 2a7-like public funds investment pool. TexPool operates in accordance with the provisions of the Texas Public Funds Investment Act and is rated AAAM. The investment in TexPool is included in cash and cash equivalents and is reported at net asset value which approximates fair market value.

CITY OF WIMBERLEY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

NOTE B -- DEPOSITS AND INVESTMENTS (Cont.)

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, 2017 the City was not exposed to any significant risks.

NOTE C -- RESTRICTED CASH

As of September 30, 2017, the City reported the following restricted cash balances:

	Amount
<i>Governmental Activities:</i>	
Restricted for Tourism Development	\$ 301,477
Restricted for FM 2325 Sidewalks	5,022
Restricted for Municipal Court	11,674
<i>Total Governmental Activities</i>	\$ 318,173
 <i>Wastewater Utility/Business-Type Activities:</i>	
Restricted for Debt Service	\$ 135,186
Restricted for Wastewater System Development	31,343
<i>Total Business-Type Activities</i>	\$ 166,529

NOTE D -- OTHER RECEIVABLES

Other receivables for the City as of September 30, 2017 are as follows:

	General Fund	Low Water Crossing	Governmental Totals	Wastewater Utility
Sales and Mixed Beverage Tax	\$ 156,627	\$ -	\$ 156,627	\$ -
Franchise Taxes	76,747	-	76,747	-
Insurance Proceeds	-	352,189	352,189	-
Customer Charges	3,495	-	3,495	618
Total Other Receivables	\$ 236,869	\$ 352,189	\$ 589,058	\$ 618

CITY OF WIMBERLEY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

NOTE E -- INTERFUND TRANSACTIONS

Interfund balances as of September 30, 2017 were as follows:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Purpose</u>
Low Water Crossing	General	\$ 283,053	<i>Expenditures reimbursement</i>
Nonmajor Governmental	General	1,164	<i>Expenditures reimbursement</i>
	Totals	<u>\$ 284,217</u>	

Interfund transfers during the year ending September 30, 2017 were as follows:

<u>Transfer From</u>	<u>Transfer to</u>	<u>Amount</u>	<u>Purpose</u>
General	Wastewater	\$ 132,871	<i>Contributions towards debt service</i>
		<u>\$ 132,871</u>	

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.

NOTE F -- CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2017, was as follows:

<u>Governmental Activities</u>	<u>Balance</u> <u>10/1/2016</u>	<u>Additions</u>	<u>Disposals/ Transfers</u>	<u>Balance</u> <u>9/30/2017</u>
Land	\$ 3,468,142	\$ 14,590	\$ -	\$ 3,482,732
Buildings and Improvements	6,400,441	27,500	-	6,427,941
Infrastructure	680,629	1,957,712	271,852	2,910,193
Vehicles and Equipment	340,667	3,199	-	343,866
Construction in Progress	282,588	-	(271,852)	10,736
	<u>11,172,467</u>	<u>2,003,001</u>	<u>-</u>	<u>13,175,468</u>
Less Accumulated Depreciation				
Buildings and Improvements	(1,479,675)	(264,253)	-	(1,743,928)
Vehicles and Equipment	(270,535)	(28,534)	-	(299,069)
Infrastructure	(240,866)	(48,142)	-	(289,008)
	<u>(1,991,076)</u>	<u>(340,929)</u>	<u>-</u>	<u>(2,332,005)</u>
Capital Assets, Net	<u>\$ 9,181,391</u>	<u>\$ 1,662,072</u>	<u>\$ -</u>	<u>\$ 10,843,463</u>
<u>Business-Type Activities</u>	<u>Balance</u> <u>10/1/2016</u>	<u>Additions</u>	<u>Disposals/ Transfers</u>	<u>Balance</u> <u>9/30/2017</u>
Infrastructure	\$ 223,970	\$ -	\$ -	\$ 223,970
Construction in Progress	467,132	96,884	-	564,016
	<u>691,102</u>	<u>96,884</u>	<u>-</u>	<u>787,986</u>
Less Accumulated Depreciation				
Infrastructure	(27,430)	(6,096)	-	(33,526)
	<u>(27,430)</u>	<u>(6,096)</u>	<u>-</u>	<u>(33,526)</u>
Capital Assets, Net	<u>\$ 663,672</u>	<u>\$ 90,788</u>	<u>\$ -</u>	<u>\$ 754,460</u>

Land and Construction in Progress are not depreciated.

CITY OF WIMBERLEY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

NOTE F -- CAPITAL ASSETS (Continued)

Depreciation expense was charged to the governmental functions as follows:

Administration	\$ 31,386
Police and Court	4,675
Highways and Streets	43,593
Sanitation	9,914
Culture and Recreation	43,907
Parks	<u>207,454</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 340,929</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 10/1/2016	Additions	Reductions	Balance 9/30/2017	Due Within One Year
<i>Business-Type Activities</i>					
GBRA Note Payable	\$ 83,251	\$ -	\$ (26,103)	\$ 57,148	\$ 27,717
Series 2013 Bonds	380,000	-	(95,000)	285,000	95,000
<i>Total Business-Type Activities</i>	<u>\$ 463,251</u>	<u>\$ -</u>	<u>\$ (121,103)</u>	<u>\$ 342,148</u>	<u>\$ 122,717</u>

The annual requirements to amortize all long-term debt and obligations outstanding as of September 30, 2017, including interest payments, are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total
<i>Business-Type Activities</i>			
2018	\$ 122,717	\$ 9,043	\$ 131,760
2019	124,431	5,885	130,316
2020	95,000	2,242	97,242
	<u>\$ 342,148</u>	<u>\$ 17,170</u>	<u>\$ 359,318</u>

CITY OF WIMBERLEY
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2017

NOTE H -- EMPLOYEES' RETIREMENT SYSTEMS

Texas Municipal Retirement System

Plan Description

The City participates as one of 872 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.tmr.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, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

	2015	2016
Inactive employees or beneficiaries currently receiving benefits	4	4
Inactive employees entitled to but not yet receiving benefits	8	11
Active employees	7	7
	19	22

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, 2017

NOTE H -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

Contributions (Continued)

Employees for the City of Wimberley were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City were 2.11% and 2.54% in calendar years 2016 and 2017, respectively. The City's contributions to TMRS for the year ended September 30, 2017 were \$9,008, which equaled the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2016, 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, 2016 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%

*Net of 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 Blue Collar Adjustment, 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, 2016 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. 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, 2017

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-block 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). The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.50%	4.55%
International Equity	17.50%	6.35%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	4.15%
Real Return	10.00%	4.15%
Real Estate	10.00%	4.75%
Absolute Return	10.00%	4.00%
Private Equity	5.00%	7.75%
	<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, 2017

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, 2016:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2015	\$ 213,659	\$ 194,115	\$ 19,544
Changes for the year:			
Service Cost	21,061	-	21,061
Interest	15,099	-	15,099
Change of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	(4,066)	-	(4,066)
Changes of Assumptions	-	-	-
Contributions - Employer	-	6,241	(6,241)
Contributions - Employee	-	14,790	(14,790)
Net Investment Income	-	13,085	(13,085)
Benefit Payments, Including Refunds of Employee Contributions	(1,015)	(1,015)	-
Administrative Expense	-	(148)	148
Other Changes	-	(8)	8
Net Changes	<u>31,079</u>	<u>32,945</u>	<u>(1,866)</u>
Balance at December 31, 2016	<u>\$ 244,738</u>	<u>\$ 227,060</u>	<u>\$ 17,678</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)	\$ 45,330	\$ 17,678	\$ 5,626

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.tmrs.com.

CITY OF WIMBERLEY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

NOTE H -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

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

For the year ended September 30, 2017, the City recognized pension expense of \$11,475. Also, as of September 30, 2017, 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	\$ -	\$ -
Changes in Actuarial Assumptions	2,239	-
Differences Between Projected and Actual Investment Earnings	5,327	-
Contributions Subsequent to the Measurement Date	7,488	-
	\$ 15,054	\$ -

Deferred outflows of resources in the amount of \$7,488 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, 2017. 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,	
2017	\$ 3,140
2018	2,247
2019	2,177
2020	2
	\$ 7,566

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, 2017

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, 2017, 2016 and 2015 were \$1,001, \$743, and \$746, 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.

Wimberley Sewer Project

After several years of planning and deliberation, the City has committed to the development of a wastewater collection system and processing plant. Project costs are estimated at \$6.5 million with a contingency of \$1 million, for a total estimated project cost of \$7.5 million. Funding is to come from a variety of sources, to include revenue bonds and grants. The collection system contractor has withdrawn from the project so the City has been delayed in groundbreaking, but management expects construction on the Sewer Project to begin in fiscal year 2018.

Hays Flood Mitigation (Elevation) Grant

On July 24, 2017 the Texas Division of Emergency Management (TDEM) awarded the City a \$2 million grant for elevation activities to mitigate damage from potential future flooding. This pass-through funding from the Federal Emergency Management Administration (FEMA) has a performance period of July 18, 2017 through July 18, 2019. As of September 30, 2017, no qualifying expenditures have been made that are eligible for reimbursement through this grant. Management intends to move forward with studies and analyses in the near future that may result in mitigation activities that will be reimbursable by the TDEM funds.

CITY OF WIMBERLEY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

NOTE J -- COMMITMENTS AND CONTINGENCIES (Continued)

Other Commitments

The City has also made commitments to the following miscellaneous projects:

<u>Commitment</u>	<u>Estimated Project Cost to City</u>	<u>Expended to Date</u>	<u>Estimated Future Commitment</u>
City Administrator Recruitment Contract	\$ 21,000	\$ -	\$ 21,000
Hotel Occupancy Tax Award	8,207	4,104	4,104
GBRA Flood Feasibility Study	60,000	40,000	20,000
	<u>\$ 89,207</u>	<u>\$ 44,104</u>	<u>\$ 45,104</u>

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 – SUBSEQUENT EVENT

In October, 2017 the City issued \$5.255 million in Revenue Bonds through the Texas Water Development Board. The bonds are to construct a wastewater treatment facility and will be serviced by net revenues from the project. The bonds mature serially through August 1, 2046 and bear interest ranging between 0.07% and 2.15%.

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, 2017

	Budget Amounts		Actual Amounts	Variance
	Original	Final		Favorable (Unfavorable)
REVENUES				
Sales Taxes	\$ 765,000	\$ 773,000	\$ 929,669	\$ 156,669
Franchise Taxes	265,000	280,000	288,987	8,987
Licenses and Permits	108,500	113,500	112,494	(1,006)
Charges for Services	59,091	59,091	47,465	(11,626)
Fines and Penalties	20,000	20,000	9,994	(10,006)
Intergovernmental	-	-	136,908	136,908
Interest Income	850	850	1,961	1,111
Miscellaneous	4,750	4,750	52,800	48,050
TOTAL REVENUES	<u>1,223,191</u>	<u>1,251,191</u>	<u>1,580,278</u>	<u>329,087</u>
EXPENDITURES				
<i>Current:</i>				
Administration	433,149	628,905	662,367	(33,462)
Police and Court	70,970	63,210	60,451	2,759
Inspections	40,000	50,000	46,354	3,646
Highways and Roads	201,104	195,020	192,555	2,465
Sanitation	38,000	26,500	27,973	(1,473)
Culture and Recreation	109,416	109,385	104,785	4,600
Parks	5,000	2,600	2,488	112
Capital Outlay	192,681	42,700	38,268	4,432
TOTAL EXPENDITURES	<u>1,090,320</u>	<u>1,118,320</u>	<u>1,135,241</u>	<u>(16,921)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>132,871</u>	<u>132,871</u>	<u>445,037</u>	<u>312,166</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	(132,871)	(132,871)	(132,871)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(132,871)</u>	<u>(132,871)</u>	<u>(132,871)</u>	<u>-</u>
Net Change in Fund Balance	-	-	312,166	312,166
Beginning Fund Balance	1,257,519	1,257,519	1,257,519	-
Ending Fund Balance	<u>\$ 1,257,519</u>	<u>\$ 1,257,519</u>	<u>\$ 1,569,685</u>	<u>\$ 312,166</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, 2017

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 THREE CALENDAR YEARS

Total Pension Liability			
	2014	2015	2016
Service Cost	\$ 22,714	\$ 22,391	\$ 21,061
Interest (on the Total Pension Liability)	10,986	12,969	15,099
Changes of Benefit Terms	-	-	-
Difference between Expected and Actual Experience	(1,336)	962	(4,066)
Change of Assumptions	-	5,463	-
Benefit Payments, Including Refunds of Employee Contributions	(3,352)	(4,396)	(1,015)
Net Change in Total Pension Liability	29,012	37,389	31,079
Total Pension Liability - Beginning	147,258	176,270	213,659
Total Pension Liability - Ending	<u>\$ 176,270</u>	<u>\$ 213,659</u>	<u>\$ 244,738</u>
Plan Fiduciary Net Position			
	2014	2015	2016
Contributions - Employer	\$ 5,003	\$ 7,077	\$ 6,241
Contributions - Employee	15,539	16,085	14,790
Net Investment Income	8,561	258	13,085
Benefit Payments, Including Refunds of Employee Contributions	(3,352)	(4,396)	(1,015)
Administrative Expense	(89)	(158)	(148)
Other	(7)	(7)	(8)
Net Change in Plan Fiduciary Net Position	25,655	18,859	32,945
Plan Fiduciary Net Position - Beginning	149,601	175,256	194,115
Net Pension Liability - Ending	<u>\$ 175,256</u>	<u>\$ 194,115</u>	<u>\$ 227,060</u>
Net Pension Liability (Asset) - Ending	\$ 1,014	\$ 19,544	\$ 17,678
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	99.42%	90.85%	92.78%
Covered Employee Payroll	\$ 310,774	\$ 321,706	\$ 295,799
Net Pension Liability as a Percentage of Covered Employee Payroll	0.33%	6.08%	5.98%

Information is being accumulated prospectively until ten years is presented.

CITY OF WIMBERLEY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CITY CONTRIBUTIONS
 LAST THREE FISCAL YEARS

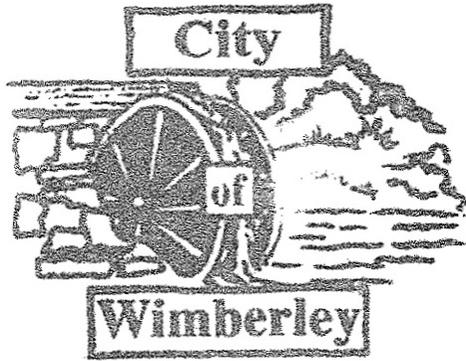
	2015	2016	2017
Actuarially Determined Contribution	\$ 5,003	\$ 6,608	\$ 9,008
Contributions in Relation to the Actuarially Determined Contribution	5,003	6,608	9,008
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 310,774	\$ 309,522	\$ 367,940
Contributions as a Percentage of Covered Employee Payroll	1.61%	2.13%	2.45%

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	27 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 female 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, 2017 AND 2016

	Special Revenue	Capital Projects		Total Nonmajor Funds
	Municipal Court	Blue Hole Development	FM 2325 Sidewalks	
ASSETS				
Cash and Cash Equivalents	\$ 11,673	\$ 18,735	\$ 5,022	\$ 35,430
TOTAL ASSETS	<u>\$ 11,673</u>	<u>\$ 18,735</u>	<u>\$ 5,022</u>	<u>\$ 35,430</u>
LIABILITIES & FUND BALANCES				
<i>Liabilities:</i>				
Accounts Payable	\$ 451	\$ -	\$ -	\$ 451
Due to Other Funds	1,164	-	-	1,164
<i>Total Liabilities</i>	<u>1,615</u>	<u>-</u>	<u>-</u>	<u>1,615</u>
<i>Fund Balances:</i>				
Restricted For:				
Municipal Court	10,058	-	-	10,058
Capital Projects	-	-	5,022	5,022
Committed For:				
Capital Projects	-	18,735	-	18,735
<i>Total Fund Balances</i>	<u>10,058</u>	<u>18,735</u>	<u>5,022</u>	<u>33,815</u>
TOTAL LIABILITIES & FUND BALANCES	<u>\$ 11,673</u>	<u>\$ 18,735</u>	<u>\$ 5,022</u>	<u>\$ 35,430</u>

CITY OF WIMBERLEY
 COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	Special Revenue	Capital Projects		Total Nonmajor Funds
	Municipal Court	Blue Hole Development	FM 2325 Sidewalks	
REVENUES				
Fines and Forfeitures	\$ 1,910	\$ -	\$ -	\$ 1,910
Interest Income	10	34	2	46
TOTAL REVENUES	<u>1,920</u>	<u>34</u>	<u>2</u>	<u>1,956</u>
EXPENDITURES				
Capital Outlay		27,500		27,500
TOTAL EXPENDITURES	<u>-</u>	<u>27,500</u>	<u>-</u>	<u>27,500</u>
Net Change in Fund Balance	1,920	(27,466)	2	(25,544)
BEGINNING FUND BALANCE	<u>8,138</u>	<u>46,201</u>	<u>5,020</u>	<u>59,359</u>
ENDING FUND BALANCE	<u>\$ 10,058</u>	<u>\$ 18,735</u>	<u>\$ 5,022</u>	<u>\$ 33,815</u>

CITY OF WIMBERLEY
 COMPARATIVE BALANCE SHEETS
 GENERAL FUND
 SEPTEMBER 30, 2017 AND 2016

	2017	2016
ASSETS		
Cash and Cash Equivalents	\$ 1,461,125	\$ 979,992
Receivables (net of allowances for uncollectibles):		
Other Receivables	236,869	243,146
Prepaid Items	3,876	-
Due from Other Funds	284,217	117,393
 TOTAL ASSETS	 \$ 1,986,087	 \$ 1,340,531
 LIABILITIES AND FUND BALANCES		
<i>Liabilities:</i>		
Accounts Payable	\$ 400,426	\$ 18,987
Accrued Wages	3,612	6,148
Payroll Deductions and Withholdings	2,764	3,449
Due to Other Governments	-	47,128
Unearned Revenue	9,600	7,300
<i>Total Liabilities</i>	416,402	83,012
 <i>Fund Balances:</i>		
Nonspendable:		
Prepaid Items	3,876	-
Restricted For:		
Federal Program	17,844	17,844
Committed For:		
Public Works	619,186	495,870
Wastewater System	541,787	433,887
Grant Matches	386,992	309,918
<i>Total Fund Balance</i>	1,569,685	1,257,519
 TOTAL LIABILITIES AND FUND BALANCES	 \$ 1,986,087	 \$ 1,340,531

CITY OF WIMBERLEY
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 GENERAL FUND
 FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2017 AND 2016

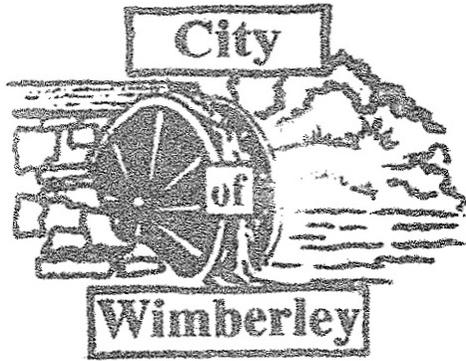
	2017	2016
REVENUES		
Sales Taxes	\$ 929,669	\$ 909,909
Franchise Fees	288,987	257,729
Fines and Penalties	9,994	7,249
Licenses and Permits	112,494	125,205
Charges for Services	47,465	43,941
Intergovernmental	136,908	-
Interest Income	1,961	1,174
Miscellaneous	52,800	20,374
TOTAL REVENUES	1,580,278	1,365,581
EXPENDITURES		
<i>Current:</i>		
Administration	662,367	557,212
Police and Court	60,451	61,015
Inspections	46,354	52,583
Highways and Roads	192,555	345,088
Sanitation	27,973	30,136
Community Center	104,785	98,973
Parks	2,488	4,452
Capital Outlay	38,268	136,033
TOTAL EXPENDITURES	1,135,241	1,285,492
Excess (Deficiency) of Revenues Over (Under) Expenditures	445,037	80,089
OTHER FINANCING SOURCES (USES)		
Transfer Out	(132,871)	(230,249)
TOTAL OTHER FINANCING SOURCES (USES)	(132,871)	(230,249)
Net Change in Fund Balance	312,166	(150,160)
Beginning Fund Balance	1,257,519	1,407,679
Ending Fund Balance	\$ 1,569,685	\$ 1,257,519

CITY OF WIMBERLEY
 COMPARATIVE STATEMENTS OF NET POSITION
 WASTEWATER UTILITY
 SEPTEMBER 30, 2017 AND 2016

	2017	2016
ASSETS		
<i>Current Assets:</i>		
Cash and Cash Equivalents	\$ 179,881	\$ 194,078
Accounts Receivable	618	10,516
<i>Total Current Assets</i>	180,499	204,594
<i>Other Assets:</i>		
Property and Equipment (net)	754,460	663,672
Restricted Cash	166,529	225,433
<i>Total Other Assets</i>	920,989	889,105
TOTAL ASSETS	1,101,488	1,093,699
 LIABILITIES		
<i>Current Liabilities:</i>		
Accounts Payable	11,707	873
Accrued Interest	3,568	3,860
Current Portion of Long-term Debt	122,717	121,103
<i>Total Current Assets</i>	137,992	125,836
<i>Long-term Liabilities:</i>		
Long-term Debt (Net of Current Portion)	219,431	342,148
TOTAL LIABILITIES	357,423	467,984
 NET POSITION		
Net Investment in Capital Assets	443,655	321,661
Unrestricted	300,410	304,054
TOTAL NET POSITION	\$ 744,065	\$ 625,715

CITY OF WIMBERLEY
 COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND
 CHANGES IN NET POSITION
 WASTEWATER UTILITY
 FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	2017	2016
Operating Revenues		
Charges for Utility Services	\$ 118,776	\$ 118,776
Total Operating Revenues	118,776	118,776
Operating Expenses Before Depreciation		
Utilities	8,477	9,302
Services	107,239	102,392
Depreciation	6,096	6,096
Total Operating Expenses Before Depreciation	121,812	117,790
Operating Income (Loss)	(3,036)	986
Other Income (Expense):		
Interest Income	141	174
Interest Expense	(11,626)	(11,999)
Total Other Income (Expense)	(11,485)	(11,825)
Income (Loss) Before Transfers	(14,521)	(10,839)
Transfers		
Transfers In	132,871	230,249
Change in Net Position	118,350	219,410
Net Position at Beginning of Year	625,715	406,305
Net Position at End of Year	\$ 744,065	\$ 625,715



COMPLIANCE SECTION



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, 2017, 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 10, 2018.

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 10, 2018.

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,

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

Armstrong, Vaughan & Associates, P.C.

January 10, 2018

