

"Annual Miscellaneous Bond Requirement" means the total amount determined by GBRA for each twelve month period ending on August 31 of each year to be required to pay the following:

- (1) the amount of any debt service reserve and contingency funds required to be established and maintained by the provisions of the Bond Resolution which are not otherwise provided from proceeds of Bonds;
- (2) an amount in addition thereto sufficient to restore any deficiency in any of such funds required to be accumulated and maintained by the provisions of the Bond Resolution;
- (3) any amounts due under a reimbursement agreement between GBRA and any credit facility provider providing a credit facility issued to cause the balance on deposit in any debt service reserve funds to satisfy the requirements of the Bond Resolution; and
- (4) any charges of the bank or banks where the Bonds are payable.

"Bonds" means all bonds and other obligations issued and outstanding from time to time by GBRA to finance or refinance the costs of construction, acquisition, repair, improvements and upgrading related to a project and any extension, expansion, maintenance, repair, improvement, upgrade or other modification of that project including, without limitation of the generality of the foregoing, any costs necessary or desirable to maintain or increase the capacity of the project and comply with applicable laws, rules and regulations.

"Bond Resolution" means the resolution or resolutions approved by the Board of Directors of GBRA which authorize the issuance of each series of Bonds, including all amendments related thereto.

"Operation and Maintenance Expenses" for a project means all costs and expenses of operation and maintenance of that project, including (for greater certainty but without limiting the generality of the foregoing) repairs and replacements which are not paid from a special fund created in the Bond Resolutions or other project debt instruments, employee salaries, benefits and other expenses, the cost of utilities, the costs of supervision, engineering, accounting, auditing, legal services, other services, supplies, charges by GBRA for administrative and general expenses, and equipment necessary for proper operation and maintenance of the project.

"Other Customers" means any customer of GBRA's for wastewater service from the Wastewater Project other than Users, as identified in Section 2.9 of this Operating Agreement, regardless of when GBRA and the customers enter into the contract for such wastewater service.

"Project" at any time means the Wastewater Project, together with any and all extensions, expansions or other modifications, as it or they exist at that time.

"Termination Date" means the expiration date of the term of this Operating Agreement, as defined in Section 6.1 of this Operating Agreement.

"TNRCC" means the Texas Natural Resource Conservation Commission.

"User" means any person within the Wimberley Service Area to which GBRA provides retail sewer service on behalf of Wimberley. Wimberley may be a User.

"Wastewater Service" means retail sewer service.

"Wimberley Service Area" means that area included within Wimberley's CCN as approved by the Texas Natural Resource Conservation Commission and shown on the map attached as Exhibit 1.

ARTICLE II

WASTEWATER PROJECT

Section 2.1 Description of the Wastewater Project.

The wastewater system (the "Wastewater System") will consist of a wastewater treatment plant, collection and holding facilities, facilities to convey the treated effluent to the point of discharge or place of use or other disposal, meters, valves, telemetry equipment and ancillary facilities necessary or desirable to collect domestic wastewater generated by Users within the Wimberley Service Area, to store and treat that wastewater, and to store, convey and discharge or use or otherwise dispose of such treated effluent. The "Wastewater Project" consists of the Wastewater System and all lands and interests in lands necessary or desirable for the construction, operation and maintenance of the Wastewater System. The Wastewater Project will be further described by one or more maps and facility plans to be developed by GBRA showing the general locations and the routings of major facilities comprising the Wastewater System.

Section 2.2 GBRA's Responsibilities.

(a) GBRA shall be responsible for the development, design, permitting, financing, acquisition, construction, operation and maintenance of the Wastewater Project. GBRA will comply with all Wimberley ordinances in the construction and maintenance of the Wastewater Project. GBRA may assign or subcontract all or any part of such responsibilities.

(b) GBRA will develop a master plan, including capital improvements necessary for construction of the Wastewater Project, connection fees and criteria, and a rate plan including debt service requirements for wastewater operations within Wimberley's CCN, and will submit the plan to Wimberley for approval prior to commencement of construction, which approval shall not be

unreasonably withheld, and which rate plan shall be sufficient to recover all costs of the construction, operation and maintenance of the Wastewater Project. Thereafter GBRA will offer retail sewer service to Users and Other Customers based on their meeting these conditions.

(c) Notwithstanding anything in this Operating Agreement to the contrary, GBRA shall be under no obligation to proceed with the development, design, permitting, financing, acquisition, construction, operation or maintenance of the Wastewater Project unless and until GBRA determines, after consultation with Wimberley, that it is economically and otherwise feasible for it to do so.

(d) GBRA will select and retain all legal, financial, engineering and other consultants that GBRA determines are necessary or desirable for GBRA to satisfy its obligations under this Operating Agreement. GBRA will consult with Wimberley regarding the employment of all consultants.

(e) GBRA, on behalf of Wimberley, will provide all management and operations functions for the Wastewater Project, including accounting, billing, collections, and customer service for the Wastewater Project.

Section 2.3 Ownership of Wastewater Project.

(a) Except as provided otherwise in subsection (b) and (c), below, GBRA shall own the Wastewater System and all lands and interests in land comprising the Wastewater Project, and may transfer title to the Wastewater System and/or any lands and interests in land comprising a portion of the Wastewater Project to any person.

(b) Wimberley shall have the exclusive right to purchase that portion of the Wastewater Project located within the Wimberley Service Area subject to the following terms and conditions:

- (i) any conditions of a Bond issue or bondholder rights;
- (ii) full payment of all debt instruments issued to finance the Wastewater Project, if any such debt remains unpaid at the time Wimberley decides to purchase that portion of the Wastewater Project located within the Wimberley Service Area;
- (iii) the purchase price of that portion of the Wastewater System located within the Wimberley Service Area shall be the depreciated value of said Wastewater System at the time that Wimberley exercises its exclusive right to purchase;
- (iv) the purchase price for land and interests in land shall be the fair market value at the time that Wimberley exercises its exclusive right and option to purchase; and

- (v) the purchase price of wastewater systems donated to GBRA shall have a value of \$1.00 for the purposes of establishing the value for resale; provided, however, any improvements to said wastewater system made by GBRA shall be based on the depreciated value and any land and interest in land shall be valued for resale at the fair market value.
- (vi) if Wimberley purchases that portion of the Wastewater Project located within the Wimberley Service Area within the first fifteen (15) years after the Effective Date of this Operating Agreement, the parties agree that GBRA will continue and shall have the exclusive right to operate the Wastewater System until the expiration of said fifteen (15) year period or five (5) years after the date of the purchase, whichever is greater. If Wimberley purchases the Wastewater Project after said fifteen (15) year period, then the parties agree that GBRA will continue and shall have the exclusive right to operate the Wastewater System for a period of five (5) years after the closing of Wimberley's purchase, it being the intent and agreement of the parties hereto that GBRA shall have the exclusive right to operate the Wastewater System for a period not less than fifteen (15) years and no less than five (5) years beyond the date of closing, whichever is greater.
- (vii) if Wimberley has not purchased that portion of the Wastewater Project located within the Wimberley Service Area prior to the termination of this Operating Agreement, Wimberley shall promptly, thereafter transfer Wimberley's CCN to GBRA at no cost to GBRA.

Section 2.4 Project Management Committee.

GBRA will create a Project Management Committee, comprised of two members appointed by GBRA and two members appointed by Wimberley, to provide recommendations to GBRA regarding preliminary design and cost estimates, plant site locations, issues related to methods of treatment and discharge alternatives, preparation of plans and specifications, process design, financing and service fees and rates, and other matters related to operation of the Wastewater System.

Section 2.5 Preliminary Design and Cost Estimate.

GBRA will prepare and provide to Wimberley copies of a preliminary design and cost estimate of the Wastewater Project and criteria and proposed service agreements for review and approval. Such approval shall be provided in writing and shall not be unreasonably withheld or delayed. GBRA will then proceed with final design, acquisition, and construction of the Wastewater Project as Users and Other Customers request service and meet criteria.

If Wimberley notifies GBRA that Wimberley does not provide approval and the parties cannot reach an agreement within 30 days after such notice, GBRA, at its sole discretion shall have the right to terminate this Operating Agreement.

Section 2.6 Preparation of Plans and Specifications; Competitive Bids.

GBRA will cause to be prepared plans, specifications, cost estimates and contract documents for construction of all facilities comprising the Wastewater System. GBRA will prepare and provide to Wimberley copies of such plans, specifications, cost estimates and contract documents for review and approval. Such approval shall be provided in writing and shall not be unreasonably withheld or delayed. GBRA will then proceed with final design, acquisition, financing and construction of the Wastewater Project as Users and Other Customers request service and meet criteria.

If Wimberley notifies GBRA that Wimberley does not provide approval and the parties cannot reach an agreement within 30 days after such notice, GBRA, at its sole discretion shall have the right to terminate this Operating Agreement.

Plans and specifications for any portion of the Wastewater System shall be subject to approval by the GBRA General Manager, after which GBRA will advertise for competitive bids for construction of that portion and GBRA shall determine which construction bid or bids to accept. GBRA will prepare and provide to Wimberley copies of such construction bids for review and approval. Such approval shall be provided in writing and shall not be unreasonably withheld or delayed. If Wimberley notifies GBRA that Wimberley does not provide approval and the parties cannot reach agreement within 30 days after such notice, GBRA, at its sole discretion shall have the right to terminate this Operating Agreement. However, if Bonds are outstanding on the Wastewater Project, GBRA may approve construction bids without Wimberley's approval.

Section 2.7 Financing of Wastewater Project.

(a) GBRA may finalize the terms and conditions (including maturity) of GBRA's Bonds necessary to finance the design, acquisition, construction and testing of all facilities, lands and interests in lands comprising the portion of the Wastewater Project being constructed. GBRA will prepare such data, materials and documents as may be necessary to facilitate the sale and delivery of the Bonds, and Wimberley agrees to furnish GBRA with such data, projections and related information as may reasonably be required by GBRA in the sale of the Bonds in compliance with all applicable laws, rules and regulations. In addition to the amounts paid under the construction contract or contracts, the proceeds of the Bonds will also be used to pay additional costs such as Wastewater Project development costs (including, without limitation, preliminary engineering costs, employee salaries, benefits and other expenses, legal, and other advisory fees, charges by GBRA for administrative and general expenses, insurance premiums, if any, and any other costs incurred in developing and pursuing information, contracts and permit applications related directly to the Wastewater Project), land acquisition costs, interest during construction, employee salaries, benefits and other expenses, printing costs, engineering, legal, financial and other advisory fees, charges by GBRA for administrative and general expenses, insurance premiums, if any, and any other costs

incurred in the issuance of the Bonds and in the design, acquisition, construction and testing of the facilities, lands, and interests in lands comprising the Wastewater Project.

(b) GBRA shall be authorized from time to time to issue Bonds to refund outstanding Bonds or to meet regulatory or compliance requirements. GBRA shall consult with Wimberley prior to issuance of any such debt. Such refunding Bonds may be issued without approval from Wimberley.

Section 2.8 Extensions or Other Modifications of Wastewater Project.

GBRA may extend, expand, maintain, repair, improve, upgrade or otherwise modify the Wastewater Project from time to time, as it determines to be necessary or desirable. GBRA shall be authorized from time to time to issue Bonds for any such expansion, maintenance, repair, improvement, upgrade or other modification of the Project. GBRA shall consult with Wimberley regarding any such Bond sale. Such Bonds may be issued without approval from Wimberley provided such debt is used to finance facilities necessary for service to Users within the Wimberley Service Area

Section 2.9 Other Customers.

GBRA may utilize all or any portion of the Wastewater Project to provide wastewater service to Other Customers located outside the Wimberley Service Area, provided such wastewater service is approved in advance by Wimberley, and provided further that Wimberley has the first right to amend its CCN to expand its service area and to provide wastewater service to any Other Customer outside the Wimberley Service Area.

ARTICLE III

WASTEWATER SERVICE

Section 3.1 Commencement of Service.

After completion of construction of the Wastewater Project, GBRA shall provide retail sewer service to Users within the Wimberley Service Area, subject to the limitations provided in this Operating Agreement.

Section 3.2 Acceptable Wastes.

GBRA shall not be required to accept into the Wastewater System any kind or character of wastes other than domestic wastes as such term is defined by TNRCC. No other kind or character of wastes may be generated or disposed of within the Wimberley Service Area. Wimberley agrees to impose by ordinance or other lawful means, to the extent Wimberley has the authority, requirements by which those who own or occupy lands within the Wimberley Service Area are required to comply with the restriction set forth above in this Section 3.2.

Section 3.3 Preferred Service.

Wimberley agrees that, unless GBRA agrees otherwise in writing, the preferred means of disposing of wastewater generated by Users within the Wimberley Service Area shall be pursuant to wastewater service provided by GBRA utilizing the Wastewater Project developed under this Operating Agreement.

Nothing in this Operating Agreement shall require a user of an onsite wastewater treatment system which is in existence prior to the date that wastewater service is available or an onsite wastewater treatment system that complies with ordinances and regulations of Wimberley and which is approved by Wimberley to connect to the Wastewater Project.

Wimberley agrees to impose by ordinance or other lawful means, to the extent Wimberley has the authority, requirements by which those who own or occupy lands within the Wimberley Service Area are required to comply with the restriction set forth above.

Section 3.4 User Service.

Wimberley may prepare and provide to GBRA reports raising User service issues with GBRA on behalf of Wimberley and its ratepayers. GBRA agrees to make reasonable efforts to address the issues raised in the reports and to reasonably respond to Wimberley and its' ratepayers.

ARTICLE IV

PERMITTING AND OTHER REGULATORY REQUIREMENTS

Section 4.1 Applicable Laws and Regulations.

This Operating Agreement is subject to all applicable federal, state, and local laws and any applicable ordinances, rules, orders, and regulations of any local, state, or federal governmental authority having jurisdiction. This Operating Agreement is specifically subject to all applicable sections of the Texas Water Code and the rules of the TNRCC, or any successor agency, and to all applicable requirements of Hays County.

Section 4.2 Cooperation.

(a) Wimberley agrees to cooperate with and support GBRA in pursuing all permits and approvals that GBRA determines to be necessary or desirable for the Wastewater Project to complete and file all required reports, and to comply with all applicable laws, rules and regulations.

(b) Without limiting the generality of and in addition to the requirements set forth in subsection (a), above, Wimberley expressly agrees to support the following:

- (1) an application filed for a certificate of convenience and necessity, in the name of Wimberley, providing for the retail sewer service by GBRA within the Wimberley Service Area pursuant to the terms of this Operating Agreement; and
 - (2) an application or applications by GBRA for authorization under state and federal law to discharge and/or reuse or otherwise dispose of treated effluent derived from wastewater generated from Users located within the Wimberley Service Area, provided any application requesting authorization to discharge into a private or public body of water shall, prior to filing such application, be presented, considered and approved by Wimberley.
- (c) Wimberley agrees to cooperate with and support GBRA in promoting ordinances and regulations that provide for alternative development methods which protect natural resources, including the reuse of wastewater within the Wimberley Service Area.

Section 4.3 Operating Agreement Conditioned upon Permitting.

(a) GBRA's obligations under this Operating Agreement are expressly conditioned upon GBRA and Wimberley obtaining the necessary permits, amendments to permits, licenses and other governmental authorizations to allow the construction, operation and maintenance of the Wastewater Project, and to provide retail sewer service to Users within the Wimberley Service Area as provided herein.

(b) Without limiting the generality of the condition set forth in subsection (a), above, and in addition to that condition, GBRA's obligations under this Operating Agreement are expressly conditioned upon:

- (1) the granting of Wimberley's application for a certificate of convenience and necessity providing for retail sewer service by GBRA on behalf of Wimberley within the Wimberley Service Area pursuant to the terms of this Operating Agreement; and
- (2) Wimberley remaining legally incorporated.

(c) If for any reason, construction on the Wastewater Project has not started before January 1, 2005, either party may terminate this Operating Agreement by giving written notice of termination to other party so long as no Bonds have been issued for the Wastewater Project.

Section 4.4 Development Within the Wimberley Service Area.

(a) Wimberley agrees that the provision of retail sewer service to Users within the Wimberley Service Area under this Operating Agreement shall be conditioned on compliance, in the design, construction and operation of any building, facility, development or other improvement on

such lands or other use of or activities on such lands, with all federal, state and local laws, rules and regulations relating to land use or protection of the environment or natural resources including, without limitation: (i) protection of the quality of groundwaters or surface waters; (ii) regulation of the use of groundwaters or surface waters; (iii) recharge of aquifers; and (iv) drainage and flood control. Wimberley further agrees that GBRA shall have the right not to provide retail sewer service under this Operating Agreement for any lands if and for so long as there is any material non-compliance, in the design, construction or operation of any building, facility, development or other improvement on such lands or other use of or activities on such lands, with any such laws, rules or regulations. At GBRA's request from time to time, Wimberley shall demonstrate to GBRA compliance with the requirements of this Section 4.4. If Wimberley fails to demonstrate such compliance on any lands within the Wimberley Service Area and Wimberley has the authority to require compliance on such lands, then GBRA shall have available all remedies allowed by law including, without limitation, suspension or termination of this Operating Agreement, until Wimberley demonstrates that compliance has been achieved on such lands.

(b) Without limiting the generality of the requirements set forth in subsection (a), above, Wimberley shall insure, to the extent it has the authority to do so, that there is compliance with all requirements of Hays County relating in any way to development and use of lands within the Wimberley Service Area including, without limitation, compliance with all requirements to submit plats and obtain approvals thereof.

Section 4.5 Use of Wimberley's Public Rights of Way.

Wimberley grants GBRA the non-exclusive right and privilege to have, acquire, construct, expand, reconstruct, maintain, use and operate in, along, across, on, over, through, above and under the public rights of way of Wimberley, a Wastewater System to provide retail sewer service to Users within the Wimberley Service Area. GBRA will comply with uniform codes and ordinances adopted by Wimberley for use of Wimberley public rights of way. As used herein, the term "public rights of way" means the surface, the air space above the surface, and the area below the surface of any public street, highway, lane, path, alley, sidewalk, boulevard, drive, bridge, tunnel, easement or similar property in which Wimberley holds any property interest or exercises any rights of management or control and which, consistent with the purposes for which it was acquired or dedicated, may be used for the installation and maintenance of the Wastewater System. A reference in this Operating Agreement to a "public rights of way" shall not be a representation or guarantee by Wimberley that its interests or other rights in the property are sufficient to permit its use for the installation and maintenance of the Wastewater System and GBRA shall receive only those rights which Wimberley has the right and power to give.

Wimberley and GBRA agree to enter into a separate agreement governing the specific terms of GBRA's use of, occupancy of, and construction upon the Village's public right of way.

ARTICLE V

CHARGES AND FEES

Section 5.1 Connection Fees Charged to Users.

GBRA will develop fees to be charged to individual Users within the Wimberley Service Area for connecting to the Wastewater System, and shall present such fees to Wimberley for review and approval, which approval shall not be unreasonably withheld or delayed. Wimberley agrees to approve fees necessary to provide funds to support the Annual Debt Service Requirement and Annual Operation and Maintenance Requirement associated with the provision of wastewater to Users within the Wimberley Service Area. Such fees may be changed by the GBRA Board of Directors at any time and from time to time; provided, however, GBRA shall first provide Wimberley at least 30 days notice of any such proposed change. Wimberley shall have the right to assert rate or fee issues before GBRA on behalf of Users within the Wimberley Service Area.

Section 5.2 Charges to Users for Retail Sewer Service.

(a) The amount to be paid to GBRA by each User for retail sewer service each month will be charges for GBRA costs and services associated with the provision of retail sewer service to each User.

(b) GBRA will establish rates and other charges to be charged each User of the Wastewater System based on a cost-of-service methodology. These rates and other charges shall be adequate to permit the prompt payment of all costs of operation of the Wastewater System including the Annual Debt Service Requirement. These rates and charges may be changed by the GBRA Board of Directors at any time and from time to time.

(c) Wimberley agrees that GBRA shall be entitled to recover from all Users for the twelve month period ending on August 31 of each year not less than the product of 1.0 times the Total Annual Requirement (hereinafter defined) for that twelve month period. The "Total Annual Requirement" for each twelve month period ending on August 31 of each year shall be the sum of the following for that twelve month period: (1) the Annual Operation and Maintenance Requirement for the Wastewater Project; (2) the Annual Debt Service Requirement, if any, for the Wastewater Project; and (3) the Annual Miscellaneous Bond Requirements, if any, for the Wastewater Project.

(d) Not later than August 1 of each year, GBRA shall prepare and submit to Wimberley an estimated budget showing the estimated Total Annual Requirement for the twelve month period beginning September 1 of that year, and the estimated total revenues from Users during that twelve month period from the amounts charged such Users for the Wastewater Project.

(e) GBRA shall have the right to use all funds received by GBRA from Users under this Operating Agreement for any purpose related to providing wastewater service to Users within the Wimberley Service Area and any other lawful purpose approved by the GBRA Board of Directors.

Section 5.3 Fees Charged to GBRA.

Any fees that GBRA is required to pay in connection with the provision of retail sewer service shall be included as part of the Annual Operation and Maintenance Requirement for the Wastewater Project.

ARTICLE VI

TERM OF AGREEMENT, EXTENSION, AND RIGHTS AFTER TERMINATION

Section 6.1 Term and Extension of Term.

(a) This Operating Agreement shall be effective as of the Effective Date and, unless it is terminated earlier pursuant to its terms, shall continue in effect until the Termination Date (as such date is defined initially under subsection (c), below, or as it may be extended pursuant to subsection (d) below), on which date this Operating Agreement shall terminate.

(b) From and after the Termination Date, GBRA shall have no obligation to operate the Wastewater System to provide retail sewer service to any User.

(c) The Termination Date shall be December 31, 2037, unless such date is extended pursuant to subsection (d) below.

(d) If all of the Wastewater Project debt instruments (including principal and interest) will not be fully paid by the Termination Date, then GBRA shall have the right, at any time before such date, to extend the Termination Date to December 31 of the year in which the Wastewater Project debt instruments are to be paid. Any extension by GBRA pursuant to this subsection shall be effective as of the date that GBRA gives Wimberley written notice of the extension.

Section 6.2 Rights after Termination.

Except as specifically provided otherwise in this Operating Agreement, all of the rights and obligations of the parties under this Operating Agreement shall terminate upon termination of this Operating Agreement, except that such termination shall not affect any rights or liabilities accrued prior to such termination.

ARTICLE VII

OTHER PROVISIONS

Section 7.1 Waiver and Amendment.

Failure to enforce or the waiver of any provision of this Operating Agreement or any breach or nonperformance by Wimberley or GBRA shall not be deemed a waiver by GBRA or Wimberley of the right in the future to demand strict compliance and performance of any provision of this Operating Agreement. No officer or agent of GBRA or Wimberley is authorized to waive or modify any provision of this Operating Agreement. No modifications to or rescission of this Operating Agreement may be made except by a written document signed by GBRA's and Wimberley's authorized representatives.

Section 7.2 Remedies.

It is not intended hereby to specify (and this Operating Agreement shall not be considered as specifying) an exclusive remedy for any default by either party, but all such other remedies existing at law or in equity including, without limitation, termination or suspension of service, may be availed of by either party and shall be cumulative. In no event shall either party be entitled to any monetary damages (including, without limitation, any consequential or indirect damages) or any other remedy other than specific performance for any default by either party under this Operating Agreement or for any claim brought against either party under this Operating Agreement or otherwise relating to the provision of retail sewer service by GBRA, and in no event shall either party be entitled to any attorneys fees, court costs or other expenses incurred by either party in bringing any suit alleging such default or claim.

Section 7.3 Force Majeure.

If for any reason of force majeure, either GBRA or Wimberley shall be rendered unable, wholly or in part, to carry out its obligations under this Operating Agreement, other than the obligation of Wimberley to make the payments required under the terms of this Operating Agreement, then if the party shall give notice of the reasons in writing to the other party within a reasonable time after the occurrence of the event, or cause relied on, the obligation of the party giving the notice, so far as it is affected by the force majeure, shall be suspended during the continuance of the inability then claimed, but for no longer period. The term "force majeure" as used in this Operating Agreement shall mean acts of God, strikes, lockouts, or other industrial disturbances, acts of public enemy, orders or actions of any kind of government of the United States or of the State of Texas, or any civil or military authority, insurrections, riots, epidemics, land slides, lightning, earthquakes, fires, hurricanes, storms, floods, washouts, droughts, arrests, restraints of government and people, civil disturbances, explosions, breakage or accident to dams, machinery, pipelines, canals, or other structures, partial or entire failure of water supply including pollution (accident or intentional), and any inability on the part of GBRA to provide retail sewer service on account of any other cause not reasonably within the control of GBRA.

Section 7.4 Non-Assignability.

Neither Wimberley nor GBRA may assign this Operating Agreement without first obtaining the written consent of the other party.

Section 7.5 Entire Agreement.

Except for the right of way agreement referenced in Section 4.5 and the Interlocal Agreement of even date herewith, this Operating Agreement constitutes the entire agreement between GBRA and Wimberley and supersedes any prior understanding or oral or written agreements between GBRA and Wimberley respecting the subject matter of this Operating Agreement.

Section 7.6 Severability.

The provisions of this Operating Agreement are severable and if, for any reasons, any one or more of the provisions contained in the Operating Agreement shall be held to be invalid, illegal or unenforceable in any respect, the invalidity, illegality or unenforceability shall not affect any other provision of this Operating Agreement and this Operating Agreement shall remain in effect and be construed as if the invalid, illegal or unenforceable provision had never been contained in the Operating Agreement.

Section 7.7 Captions.

The sections and captions contained herein are for convenience and reference only and are not intended to define, extend or limit any provision of this Operating Agreement.

Section 7.8 No Third Party Beneficiaries.

This Operating Agreement does not create any third party benefits to any person or entity other than the signatories hereto, and is solely for the consideration herein expressed.

Section 7.9 Notices.

All notices, payments and communications ("notices") required or allowed by this Operating Agreement shall be in writing and be given by depositing the notice in the United States mail postpaid and registered or certified, with return receipt requested, and addressed to the party to be notified. Notice deposited in the mail in the previously described manner shall be conclusively deemed to be effective from and after the expiration of three (3) days after the notice is deposited in the mail. For purposes of notice, the addresses of and the designated representative for receipt of notice for each of the parties shall be as follows:

For GBRA:

Guadalupe-Blanco River Authority
Attention: General Manager
933 E. Court Street
Seguin, Texas 78155

And for Wimberley:

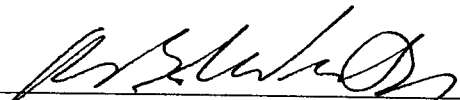
Village of Wimberley
Attention: Mayor
14500 Ranch Road 12, Suite 22
P.O. Box 2027
Wimberley, Texas 78676

Either party may change its address by giving written notice of the change to the other party at least fourteen (14) days before the change becomes effective.

In witness whereof, the parties hereto, acting under the authority of the respective governing bodies, have caused this Operating Agreement to be duly executed in multiple counterparts, each of which shall constitute an original.


GUADALUPE-BLANCO RIVER AUTHORITY

By: _____


William E. West, Jr., General Manager

VILLAGE OF WIMBERLEY, TEXAS

By: _____


Linda Hewlett, Mayor

GENERAL OFFICE
933 East Court Street
Seguin, Texas 78155
Phone: 830-379-5822
800-413-5822
Fax: 830-379-9718



GUADALUPE-BLANCO RIVER AUTHORITY

BUDA WASTEWATER
RECLAMATION
PLANT
575 County Road 236
Buda, Texas 78610
Phone: 512-312-0526
Fax: 512-312-0526

COLETO CREEK PARK
AND RESERVOIR
P.O. Box 68
Fannin, Texas 77960
Phone: 361-575-6366
Fax: 361-575-2267

LAKE WOOD
RECREATION AREA
167 FM 2091 South
Gonzales, Texas 78629
Phone: 830-672-2779
Fax: 830-672-2779

LOCKHART WATER
TREATMENT PLANT
547 Old McMahan Road
Lockhart, Texas 78644
Phone: 512-398-3528

LOCKHART
WASTEWATER
RECLAMATION
SYSTEM
4435 FM 20 East
Lockhart, Texas 78644
Phone: 512-398-6391
Fax: 512-398-2036

LULING WATER
TREATMENT PLANT
350 Memorial Drive
Luling, Texas 78648
Phone: 830-875-2132
Fax: 830-875-2132

PORT LAVACA
OPERATIONS
P.O. Box 146
Port Lavaca, Texas 77979
Phone: 361-552-9751
Fax: 361-552-6529

SAN MARCOS WATER
TREATMENT PLANT
91 Old Bastrop Road
San Marcos, Texas 78666
Phone: 512-353-3888
Fax: 512-353-3127

VICTORIAL REGIONAL
WASTEWATER
RECLAMATION
SYSTEM
P.O. Box 2085
Victoria, Texas 77902-2085
Phone: 361-578-2878
Fax: 361-578-9039

GBRA WEBSITE
www.gbra.org

July 15, 2005
File: 20 036 03 0703

Mr. Steve Harrison, City Administrator
Village of Wimberley
PO Box 2027
13210 RR 12
Wimberley, TX 78676

Dear Mr. Harrison:

Enclosed for your review is the Wimberley Wastewater Treatment Plant Work Plan and Budget for fiscal year 2006. This work plan is prepared in accordance with Section 5.2 (d) of the Operating Agreement which provides that GBRA furnish the Village of Wimberley an estimated budget no later than August 1st of each year.

If you have any questions concerning the information contained, please feel free to contact John Smith, Darel Ball or Fred Blumberg.

Sincerely,

Alvin Schuerg
Executive Manager of Finance and Administration

Enclosure

Copy to: Rickey Wright, Village of Wimberley
Fred Blumberg, GBRA
John Smith, GBRA
Darel Ball, GBRA

Attachment No. 6

Budget and Audit of the Village of Wimberley

**Application by the Village of Wimberley to
Amend Sewer CCN No. 20936**

9/27/2005

VILLAGE OF WIMBERLEY
BUDGET COMPUTATION
2005/2006

	COUNCIL ADOPTED BUDGET 2005	CITY ADMIN PROPOSED BUDGET	COUNCIL ADOPTED BUDGET 2006
--	--------------------------------------	----------------------------------	--------------------------------------

REVENUES			
501 Sales & Use Tax	\$ 392,900.00	405,000	423,000
503 Mixed Beverage Tax	9,000.00	9,000	9,000
504 Franchise Fees	140,000.00	150,000	155,000
505 Building Permits	18,000.00	18,000	18,000
506 Building Inspections	18,000.00	18,000	18,000
508 Interest Income	4,000.00	6,000	6,000
509 Plan Reviews	15,000.00	12,000	12,000
511 Sign Permits	1,500.00	3,000	3,250
512 Subdivision	2,500.00	2,000	2,000
513 Zoning	12,500.00	8,000	8,000
514 Copies/Maps/Misc.	1,000.00	700	700
518 Misc. Income	-	-	225
516 Municipal Court Fines	1,000.00	1,000	1,000
530 Utilities -VW Receipts	111,936.00	0	-
540 Blue Hole Summer Program	20,000.00	25,000	20,000
TOTAL REVENUES	747,336.00	657,700	676,175

EXPENDITURES			
ADMINISTRATION EXPENDITURES			
602 City Administrator	64,715.00	66,656	66,656
603 City Secretary	29,355.00	30,236	30,236
604 Receptionist/Clerk	21,630.00	22,000	22,000
605 Intern	-	500	500
606 Mileage	500.00	9,095	9,095
607 Payroll Taxes	8,851.00	6,000	6,000
631 Health Care	5,100.00	1,000	1,000
608 Training-Travel	1,000.00	2,000	2,000
609 Dues (TML & City Mgr Assoc.)	1,800.00	4,000	4,000
610 Public Notices	4,000.00	400	400
611 Printing	500.00	5,500	5,500
612 Telephone	5,500.00	300	300
613 Copies	200.00	36,000	36,000
614 Rent	30,000.00	3,500	3,500
615 Cleaning	3,500.00	5,500	5,500
616 Office Supplies	5,500.00	4,000	4,000
617 Utilities	3,500.00	4,200	4,200
618 Equipment Leases	4,200.00	700	700
619 Water Cooler	500.00	4,500	4,500
620 Postage	2,500.00	4,500	4,500
621 Insurance	3,500.00	2,000	2,000
622 Records Management	1,500.00	1,500	1,500
623 Office Technology	1,500.00	-	-

9/27/2005

VILLAGE OF WIMBERLEY
BUDGET COMPUTATION
2005/2006

CITY ADMIN
PROPOSED
BUDGET

COUNCIL
ADOPTED
BUDGET
2006

COUNCIL
ADOPTED
BUDGET
2005

624	Capital Outlay - Furnishings	1,200.00	1,500	1,500
625	Capital Outlay - Technology	1,200.00	1,200	1,200
628	Technology Consultant	2,400.00	1,500	1,500
715	Signs/Zoning	400.00	0	0
629	Pay Comparability Adjustment		12,000	12,000
	TOTAL ADMINISTRATION	204,551.00	230,287	230,287
	EXPENDITURES			

LEGAL DEPARTMENT

626	Legal	65,000.00	63,000	63,000
-----	-------	-----------	--------	--------

COUNCIL - BOARD EXPENDITURES

651	Association Dues	1,000.00	1,000	1,000
652	Training	2,000.00	1,500	2,500
653	Town Hall Meetings	500.00	0	0
654	Election	2,000.00	2,000	2,000
655	Financial Management Services	7,200.00	13,200	13,200
656	Audit	10,000.00	11,000	11,000
657	Public Satisfaction Survey	5,000.00	2,500	7,000
658	Planning	5,000.00	8,000	8,000
659	Recording Secretary		500	500
660	Public Affairs/Receptions	500.00	500	500
661	Public Information	4,000.00	5,000	5,000
662	Economic Development		8,000	8,000
	TOTAL COUNCIL -BOARD	37,200.00	53,200	58,700
	EXPENDITURES			

BUILDING DEPARTMENT EXPENDITURES

676	Contract Inspector	18,000.00	18,000	18,000
677	Site Plan Reviews	15,000.00	16,000	16,000
678	Building Code Books	200.00	200	200
	TOTAL BUILDING DEPARTMENT	33,200.00	34,200	34,200
	EXPENDITURES			

PUBLIC WORKS/CODE ENFORCEMENT
EXPENDITURES

701	Salaries - Public Works/Code Enforcement	33,949.00	34,967	34,967
702	Payroll Taxes	2,597.00	2,597	2,675
717	Health Benefit	1,500.00	2,675	1,800
703	Mileage	500.00	500	500
704	Training	500.00	500	500
720	City Truck	12,000.00	0	0

9/27/2005

VILLAGE OF WIMBERLEY
BUDGET COMPUTATION
2005/2006

	COUNCIL ADOPTED BUDGET 2005	CITY ADMIN PROPOSED BUDGET	COUNCIL ADOPTED BUDGET 2006
721 Tools	1,500.00	200	200
722 Vehicle Maintenance & Insurance	1,500.00	1,500	1,500
	54,046.00	42,939	42,142
Roads Section			
727 Road Maintenance	18,200.00	50,000	40,000
728 Capital Outlay Roads	55,000.00	30,000	40,000
729 Road Engineering	15,000.00	10,000	15,000
730 Road Insurance	2,650.00	2,700	2,700
731 Mowing/Tree Trimming	10,000.00	7,500	7,500
732 Signs/Barricades	9,000.00	7,000	7,500
733 Parking Lot Lease	1,200.00	1,200	1,200
734 Master Traffic Planning	10,000.00	2,500	5,000
735 Survey Services	20,000.00	8,000	8,000
736 Contract Labor	7,504.00	10,400	10,400
737 Ranch Road 12 Mitigation	10,000.00	3,000	3,000
	158,554.00	132,300	139,800
Water & Wastewater Section			
752 Water Quality Testing	20,460.00	26,540	23,340
753 Wastewater System Start-up	-	0	0
754 Map Services	500.00	0	0
755 Water/Wastewater Purchases	111,936.00	0	0
756 Public Restroom Wastewater	8,000	7,000	10,000
	140,896.00	33,540	33,340
TOTAL PUBLIC WORKS/CODE			
		208,779	215,282
ENFORCEMENT EXPENDITURES	353,496.00		
PUBLIC SAFETY/COURTS EXPENDITURES			
801 Municipal Court Judge	2,000.00	2,000	2,000
802 City Prosecutor	2,000.00	1,500	1,500
803 Emergency Preparedness		2,000	2,000
804 Training	2,000.00	2,500	2,500
806 Trial Preparation		1,000	1,000
Total Public Safety/Courts EXPENDITURES	6,000.00	9,000	9,000
PARKS & RECREATION EXPENDITURES			
851 Assistant to City Admin	28,325.00	28,325	29,175
852 Health Benefit	1,800.00	1,800	2,100
853 Payroll Taxes	2,164.00	2,109	2,231
854 Mileage	200.00	200	200
855 Public Information			0
856 Parks Research & Development		10,000	10,000

VILLAGE OF WIMBERLEY
BUDGET COMPUTATION
2005/2006

	COUNCIL ADOPTED BUDGET 2005	CITY ADMIN PROPOSED BUDGET	COUNCIL ADOPTED BUDGET 2006
857 Trails Master Plan	-		0
858 Blue Hole Master Plan			0
859 Nature Trail Maintenance	600.00	2,000	2,000
860 Blue Hole Summer Program	14,800.00	14,800	20,000
TOTAL PARKS & RECREATION EXPENDITURES	47,889.00	59,234	65,706
TOTAL EXPENDITURES	747,336.00	657,700	676,175
Net Income (Loss)	<u><u>\$0.00</u></u>	<u><u>0</u></u>	<u><u>0</u></u>

VILLAGE OF WIMBERLEY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2004

VILLAGE OF WIMBERLEY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2004

TABLE OF CONTENTS

<u>Exhibit</u>	<u>Page</u>
Independent Auditors' Report	3
Management's Discussion and Analysis	4
 <u>Basic Financial Statements</u>	
Government Wide Statements:	
A-1 Statement of Net Assets	10
B-1 Statement of Activities	11
Governmental Fund Financial Statements:	
C-1 Balance Sheet	12
C-2 Reconciliation of the Balance Sheet to the Statement of Net Assets	14
C-3 Statement of Revenues, Expenditures, and Changes in Fund Balances	15
C-4 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	17
Notes to the Financial Statements	18
 <u>Required Supplementary Information</u>	
D-1 Budgetary Comparison Schedule - General Fund	24
 <u>Federal Awards Section</u>	
Report on Compliance and on Internal Control Over Financial Reporting based On an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	25

FREEMON, SHAPARD & STORY
CERTIFIED PUBLIC ACCOUNTANTS

3305 Northland Drive, Suite 100
Austin, Texas 78731-4961
(512) 454-6010 Fax (512) 454-3494

807 Eighth Street, 2nd Floor
Wichita Falls, Texas 76301-3381
(940) 322-4436 Fax (940) 761-3365

Independent Auditors' Report

Honorable Mayor and
Members of the Village Council
Village of Wimberley, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of the Village of Wimberley, Texas (the Village) as of and for the year ended September 30, 2004, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Village of Wimberley, Texas as of September 30, 2004, and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note IA, the Village has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, as of September 30, 2004.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2005, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Village of Wimberley, Texas's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Freemon, Shapard and Story

March 30, 2005

Offices
Wichita Falls • Austin • Crested Butte • Dallas • Denton • Gunnison • Lampasas • Little Elm • Marble Falls • Smithville • Waco • Windthorst

**Management's Discussion and Analysis
Village of Wimberley, Texas
For the Year Ended September 30, 2004**

In this section of the Annual Financial Report, we, the managers of the Village of Wimberley, Texas, discuss and analyze the Village's financial performance for the fiscal year ended September 30, 2004. Please read it in conjunction with the independent auditors' report on page 3 and the Village's Basic Financial Statements, which begin on page 10.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Assets and the Statement of Activities (on pages 10 and 11-12). These provide information about the activities of the Village as a whole and present a longer-term view of the Village's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 12) report the Village's operations in more detail than the government-wide statements by providing information about the Village's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget.

The notes to the financial statements (starting on page 18) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

Reporting the Village as a Whole

The Statement of Net Assets and the Statement of Activities

The analysis of the Village's overall financial condition and operations begins on page 10. Its primary purpose is to show whether the Village is better off or worse off as a result of the year's activities. The Statement of Net Assets includes all of the Village's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the Village's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

**Management's Discussion and Analysis
Village of Wimberley, Texas
For the Year Ended September 30, 2004**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Net assets of the Village's governmental activities increased from \$1,141,781 to \$2,278,813. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$1,451,144 at September 30, 2004.

Table I
Village of Wimberley, Texas
Net Assets

	Governmental Activities <u>2004</u>
Current and other assets	\$ 1,709,224
Capital assets	<u>631,669</u>
Total assets	<u>2,340,893</u>
Current liabilities	<u>62,080</u>
Total liabilities	<u>62,080</u>
Net Assets:	
Invested in capital assets, net of related debt	631,669
Restricted	196,000
Unrestricted	<u>1,451,144</u>
Total net assets	<u><u>\$ 2,278,813</u></u>

Management's Discussion and Analysis
Village of Wimberley, Texas
For the Year Ended September 30, 2004

THE VILLAGE'S FUNDS

As the Village completed the year, its governmental funds (as presented in the balance sheet on page 12) reported a combined fund balance of \$1,647,144, which is above last year's total of \$1,064,974. Included in this year's total change in fund balance is an increase of \$53,543 in the Village's General Fund.

CAPITAL ASSETS

Capital Assets

At the end of 2004, the Village had \$631,669 invested in a broad range of capital assets, including land, infrastructure, and machinery and equipment. This amount represents a net increase of \$72,058 from last year.

Table III
Village of Wimberley, Texas
Capital Assets

	Governmental Activities <u>2004</u>
Land	\$ 465,494
Infrastructure	24,134
Machinery and equipment	43,365
Construction in Progress	<u>115,694</u>
	648,687
Less Accumulated Depreciation	<u>(17,018)</u>
Capital assets, net of depreciation	<u><u>\$ 631,669</u></u>

BASIC FINANCIAL STATEMENTS

GOVERNMENT WIDE STATEMENTS

VILLAGE OF WIMBERLEY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2004

EXHIBIT B-1

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
General Government	\$ 368,224	\$ 80,642	\$ -	\$ (287,582)
Public Safety	36,816	-	-	(36,816)
Public Works	168,341	-	-	(168,341)
Culture and Recreation	364,627	-	862,148	497,521
	<u>\$ 938,008</u>	<u>\$ 80,642</u>	<u>\$ 862,148</u>	<u>4,782</u>
General Revenues:				
Property Taxes, Levied for General Purposes				-
Property Taxes, Levied for Debt Service				-
Sales Taxes				426,860
Franchise Taxes				127,218
Grants and Contributions Not Restricted				517,811
Miscellaneous Revenue				54,078
Investment Earnings				6,283
Total General Revenues				<u>1,132,250</u>
Change in Net Assets				<u>1,137,032</u>
Net Assets--Beginning				<u>1,141,781</u>
Net Assets--Ending				<u>\$ 2,278,813</u>

The accompanying notes are an integral part of this statement.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

<u>Community Center Fund</u>		<u>Total Governmental Funds</u>	
\$	335,514	\$	1,646,520
	-		62,704
	<u>162,148</u>		<u>279,753</u>
\$	<u>497,662</u>	\$	<u>1,988,977</u>
\$	10,456	\$	59,835
	-		2,245
	<u>4,525</u>		<u>279,753</u>
\$	<u>14,981</u>	\$	<u>341,833</u>
\$	-	\$	196,000
	-		358,267
	-		610,196
	<u>482,681</u>		<u>482,681</u>
\$	<u>482,681</u>	\$	<u>1,647,144</u>
\$	<u>497,662</u>	\$	<u>1,988,977</u>

VILLAGE OF WIMBERLEY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2004

Total Fund Balances - Governmental Funds	\$ 1,647,144
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. The net effect of including the beginning balances for capital assets (net of depreciation) in the governmental activities is to increase net assets.	559,611
Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of including the 2004 capital outlays is to increase net assets.	80,731
The 2004 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.	(8,673)
Net Assets of Governmental Activities	<u>\$ 2,278,813</u>

The accompanying notes are an integral part of this statement.

Community Center Fund	Total Governmental Funds
\$ -	\$ 426,860
-	127,218
-	67,348
162,148	862,148
-	13,294
1,590	6,283
517,811	517,811
-	54,078
<u>681,549</u>	<u>2,075,040</u>
-	364,794
-	36,476
-	166,784
271,164	361,256
-	81,131
<u>271,164</u>	<u>1,010,441</u>
<u>410,385</u>	<u>1,064,599</u>
-	375
-	375
<u>410,385</u>	<u>1,064,974</u>
<u>72,296</u>	<u>582,170</u>
<u>\$ 482,681</u>	<u>\$ 1,647,144</u>

EXHIBIT C-4

VILLAGE OF WIMBERLEY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2004

Total Net Change in Fund Balances - Governmental Funds	\$ 1,064,974
Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of removing the 2004 capital outlays is to increase net assets.	80,731
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.	(8,673)
Change in Net Assets of Governmental Activities	\$ 1,137,032

The accompanying notes are an integral part of this statement.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The Village of Wimberley, Texas (the Village) was incorporated on May 5, 2000 under the provisions of the State of Texas. The Village, a general law municipality, operates as a Mayor/Council form of government. The Mayor is the executive officer of the Village. With few exceptions, all powers of the Village are vested in the Mayor and an elective Council, which enacts local legislation, adopts budgets, determines policies, and appoints the Village Manager, Village Attorney and the Municipal Court Judge. The Village provides the following services: street maintenance, recreation programs, community development, public improvements, and general administrative services.

For financial reporting purposes, in conformance with generally accepted accounting principles, the Village's financial statements include all funds, account groups, agencies, boards, commissions and other organizations over which the Council is financially accountable.

In June, 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statement include the following:

- For the first time, the financial statements include:

A Management's Discussion and Analysis (MD&A) providing an analysis of the Village's overall financial position and results of operations.

Financial statements prepared using full-accrual accounting for all of the Village's activities.

- A change in fund financial statements to focus on the major funds.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

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

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

<u>Asset</u>	<u>Years</u>
Infrastructure	40
Machinery & Equipment	5

3. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.
4. When the Village incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.

II. BUDGETARY DATA

A. GENERAL BUDGET POLICIES

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

The Village Manager, at least thirty (30) days prior to the commencement of the fiscal year, shall prepare and submit a budget to the Council, which shall contain the following:

- 1 – a budget message which shall outline the proposed financial policies for the year with explanations of significant changes in expenditures from previous years and any other major changes of policy and a statement regarding the financial condition of the Village;
- 2 – an estimate of all revenues from taxes and other sources;
- 3 – summaries of proposed expenditures by function, department and activity and of proposed expenditures by character and object;
- 4 – a description of all outstanding bond indebtedness, showing the amount, date of issue, rate of interest and maturity date, as well as any other indebtedness which the Village has incurred and which is unpaid;
- 5 – a statement describing any capital expenditures proposed to be undertaken during the year and recommending provisions for financing such expenditures.

Both cash deposits and investments held at a financial institution can be categorized according to three levels of risk. These three levels of risk are:

- Category 1 -Cash or Investments that are insured, registered or held by the Village or by its agent in the Village's name.
- Category 2 -Cash or Investments that are uninsured and unregistered held by the counter-party's trust department or agent in the Village's name.
- Category 3 -Uninsured and unregistered investments held by the counterparty, its trust department, or its agent, but not in the Village's name.

Based on these three levels of risk, all of the Village's cash is classified as Category 1.

B. INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at September 30, 2004 consisted of the following:

	Due From Other Funds	Due To Other Funds
General Fund		
Cypress Creek Nature Trail Fund	\$ 68,041	\$ 8,445
Community Center Fund	4,525	162,148
Blue Hole Fund	36,594	-
Cypress Creek Fund		
General Fund	8,445	68,041
Blue Hole Fund		
General Fund	-	36,594
Community Center Fund		
General Fund	162,148	4,525
Total	<u>\$ 279,753</u>	<u>\$ 279,753</u>

C. CAPITAL ASSET ACTIVITY

Capital asset activity for the Village for the year ended September 30, 2004, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Land	\$ 465,494	\$ -	\$ -	\$ 465,494
Infrastructure	-	24,134	-	24,134
Machinery and Equipment	35,946	7,819	400	43,365
Construction in Progress	66,516	49,178	-	115,694
Totals at Historical Cost	567,956	81,131	400	648,687
Less Accumulated Depreciation	(8,345)	(8,673)	-	(17,018)
Governmental Activities Capital Assets, Net	<u>\$ 559,611</u>	<u>\$ 72,458</u>	<u>\$ 400</u>	<u>\$ 631,669</u>

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF WIMBERLEY, TEXAS
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes:				
General Sales and Use Taxes	\$ 388,000	\$ 412,500	\$ 426,860	\$ 14,360
Franchise Tax	160,000	160,000	127,218	(32,782)
Licenses and Permits	51,500	68,500	67,348	(1,152)
Charges for Services	8,400	13,400	13,294	(106)
Investment Earnings	4,000	4,000	4,420	420
Other Revenue	800	65,800	54,078	(11,722)
Total Revenues	612,700	724,200	693,218	(30,982)
EXPENDITURES:				
Current:				
General Government	359,044	406,105	364,794	41,311
Public Safety	28,400	37,400	36,476	924
Public Works	154,306	181,306	166,784	14,522
Culture and Recreation	7,250	1,250	1,000	250
Capital Outlay:				
Capital Outlay	63,700	98,139	70,996	27,143
Total Expenditures	612,700	724,200	640,050	84,150
Excess (Deficiency) of Revenues Over Expenditures	-	-	53,168	53,168
OTHER FINANCING SOURCES (USES):				
Sale of Real and Personal Property	-	-	375	375
Total Other Financing Sources (Uses)	-	-	375	375
Net Change	-	-	53,543	53,543
Fund Balance - October 1 (Beginning)	500,724	500,724	500,724	-
Fund Balance - September 30 (Ending)	\$ 500,724	\$ 500,724	\$ 554,267	\$ 53,543

FEDERAL AWARDS SECTION

FREEMON, SHAPARD & STORY
CERTIFIED PUBLIC ACCOUNTANTS

3305 Northland Drive, Suite 100
Austin, Texas 78731-4961
(512) 454-6010 Fax (512) 454-3494

807 Eighth Street, 2nd Floor
Wichita Falls, Texas 76301-3381
(940) 322-4436 Fax (940) 761-3365

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

Independent Auditors' Report

Honorable Mayor and
Members of the Village Council
Village of Wimberley, Texas

We have audited the financial statements of the Village of Wimberley, Texas as of and for the year ended September 30, 2004, and have issued our report thereon dated March 30, 2005. 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.

Compliance

As part of obtaining reasonable assurance about whether the Village of Wimberley, Texas's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Wimberley, Texas's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Village Council, management, and federal awarding agencies and pass-through entities, and is not intended to be used and should not be used by anyone other than these specified parties.

Freemon, Shapard and Story

March 30, 2005

Offices
Wichita Falls • Austin • Crested Butte • Dallas • Denton • Gunnison • Lampasas • Little Elm • Marble Falls • Smithville • Waco • Windthorst

Attachment No. 7

2005 Annual Report of GBRA

**Application by the Village of Wimberley to
Amend Sewer CCN No. 20936**

Building for the Future--Our Commitment to Communities



Guadalupe-Blanco River Authority of Texas
Comprehensive Annual Financial Report
Fiscal Year Ended August 31, 2005



The 2005 Comprehensive Annual Financial Report is published for the clients, customers, employees and friends of GBRA
Edited by Judy Gardner

Graphic design by Connie Rothe

Financial information compiled by GBRA Accounting Department

Copies of this publication have been distributed in compliance with the State Depository Law
and are available for public use throughout Texas at state depository libraries.

For additional information about GBRA,
contact the Manager of Communications and Education
at (830) 379-5822, (800) 413-5822,
or visit our website at <http://www.gbra.org>



Printed on recycled paper



Guadalupe-Blanco River Authority of Texas

Established by the Texas Legislature

GBRA was first created in 1933 under Section 59, Article 16 of the Constitution of Texas as a water conservation and reclamation district and a public corporation called the Guadalupe River Authority. In 1935, it was reauthorized by an act of the Texas Legislature (VCS Art. 8280-106) as the Guadalupe-Blanco River Authority.

Sound Management and Administration

GBRA is governed by a board of nine directors appointed by the Governor and subject to confirmation by the Texas Senate. Each director serves a six-year term, with three directors appointed or reappointed every two years. Prior to each regular monthly meeting, board committees meet to recommend and review policies, programs and actions for consideration. The general manager and staff conduct management and administrative duties in accordance with policies established by the board.

Planning for the Basin and Texas

GBRA provides stewardship for the water resources in its ten-county statutory district, which begins near the headwaters of the Guadalupe and Blanco Rivers, ends at San Antonio Bay, and includes Kendall, Comal, Hays, Caldwell, Guadalupe, Gonzales, DeWitt, Victoria, Calhoun and Refugio counties. Planning and resource development efforts are carefully coordinated within the broader consideration of regional and statewide water needs in order to fulfill GBRA's primary responsibilities of developing, conserving and protecting the water resources of the Guadalupe River basin.

Self-Supporting Operations

GBRA cannot levy or collect taxes or assessments, nor can it pledge the general credit of the State of Texas. Occasional funding for special projects comes from state and federal grants. All other revenues for maintenance and operation are derived from the products and services GBRA provides to customers throughout the basin.

Table of Contents

Guadalupe-Blanco River Authority of Texas
Comprehensive Annual Financial Report
Fiscal Year Ended August 31, 2005
Financials Prepared by the Accounting Department

Introductory Section

Report Cover and Publication Details	Inside Front Cover
About the Guadalupe-Blanco River Authority	1
Table of Contents	2-3
Letter from Board Chair and General Manager	4
Vision and Mission	5
Fiscal Year 2005 Highlights	6-9
Board of Directors	10-11
Operational Chart	12
Guadalupe River Basin Map	13
County Profiles, Commitment to Communities and Operating Divisions/Systems:	
Kendall	14-15
Comal	16-18
Canyon Dam and Reservoir, Canyon Hydroelectric System-Canyon Hydroelectric Plant, Rural Utilities Division-Canyon Park Estates WRS, Northcliffe WRS	
Hays	19-21
San Marcos Water Treatment Plant, Buda Wastewater Treatment Plant and Wimberley Wastewater Treatment Plant	
Caldwell	22-24
Lockhart Division-Lockhart Water Treatment Plant and Lockhart Wastewater Treatment Plants, Luling Water Treatment Plant Division-Luling Water Treatment Plant.	
Guadalupe	25-32
General Office, Business Development and Resource Management, Communications and Education, Engineering, Finance and Administration, Guadalupe-Blanco River Trust, Project Development and Project Engineering, Volunteer Program, Water Resources Division-Regional Laboratory, Guadalupe Valley Hydroelectric Division-Lake Dunlap, Lake McQueeney, Lake Placid, Lake Nolte Dams and Hydroelectric Plants, Nolte Island Park, Rural Utilities Division- Dunlap WRS, Springs Hill WRS and TxDOT Wastewater Treatment Plant	
Gonzales	33-35
Guadalupe Valley Hydroelectric Division-Lake Gonzales and Lake Wood Dams and Hydroelectric Plants; Water Resources Division-Lake Wood Recreation Area	
DeWitt	36-37

A Steady Stream of Support to Our Communities

The rivers that run through GBRA's 10-county district play a vital role in supporting and sustaining the natural environment and quality of life for residents of the Guadalupe River Basin. Archeological excavations near the San Marcos River have uncovered evidence that as long as 12,000 years ago, early man understood that his survival was linked to these life-giving waters.

The Guadalupe, Blanco and San Marcos Rivers, and the springs, streams and tributaries that nourish them, provide drinking water for communities, water for industrial and agricultural use and fresh water for the bay and estuary system at the Gulf Coast. They also provide memory-building opportunities for a wide variety of water recreation.

As the protector of the Guadalupe River system, it is the charge of GBRA to ensure that these resources are managed wisely so future generations will have an abundant supply of clean water.

Last year's Annual Report featured our 'commitment to service.' This year, we highlight GBRA's 'commitment to communities.' GBRA embraces the fact that the 10-county district we are privileged to serve is only as strong and vital as the overall health of each community within it.

Every year since our inception in 1933, GBRA has worked closely with local officials, individuals and organizations, chambers of commerce, schools, hospitals, libraries and others to identify and meet their needs. Throughout this 2005 Annual Report, you will find profiles of each county's unique heritage and how GBRA is providing a steady stream of support to ensure the communities in the Guadalupe River Basin remain strong and vital.



John P. Schneider, Jr.
Board Chair



W. E. West, Jr.
General Manager

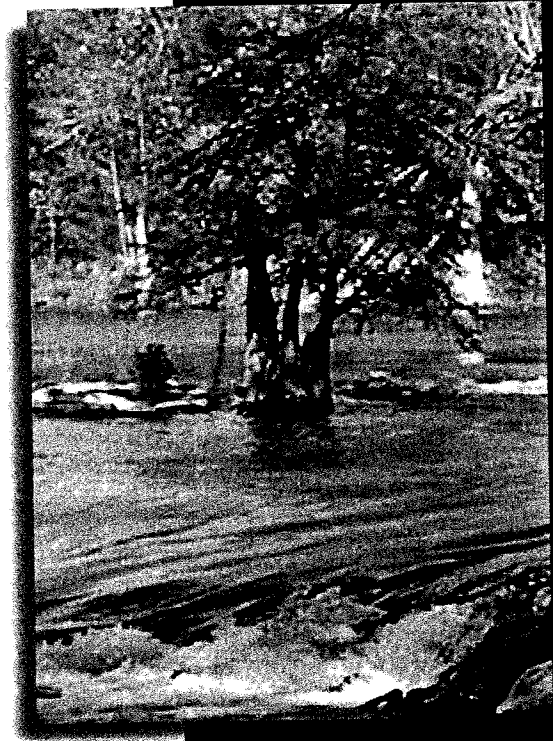
Vision and Mission

Vision

The Guadalupe-Blanco River Authority is a widely recognized leader in managing water resources that benefit both people and the environment.

Mission

The mission of GBRA is to protect, conserve, reclaim and steward the resources of the district, and provide leadership in regional cooperation, in order to enhance quality of life for those we serve.





Fiscal Year 2005 Highlights

BOARD AND ADMINISTRATION:

Elected new officers of the GBRA Board of Directors for the 2005 calendar year: chair John P. Schneider, Jr. of Lockhart (Caldwell County), vice-chair Stephen F. Wilson, DVM of Port Lavaca (Calhoun County), and secretary/treasurer Myrna P. McLeroy of Gonzales (Gonzales County).

Negotiated and executed a Letter Agreement with the Guadalupe Valley Electric Cooperative, Inc. confirming an increase in the energy charge by GBRA to GVEC of 0.8¢ per kWh, effective February 25, 2005.

Finalized a Memorandum of Understanding among the Guadalupe-Blanco River Trust, GBRA and the Upper Guadalupe River Authority authorizing UGRA's participation in the Trust.

Entered into a contract with Gaeke Construction Company of Giddings, Texas for the GBRA Administration Building Expansion and Remodeling Project.

Updated GBRA's Water Conservation Plan for Wholesale Water with specific and quantifiable per capita water use targets, and identified a basin-wide average per capita rate of 153 gallons per capita/day.

Developed a Drought Contingency Plan as required by House Bill 2663 from the 78th Legislature, in which GBRA proposed reductions in use of total contracted water from storage during water shortage Stages 1 through 4.

Updated the GBRA Strategic Plan.

Approved the Fiscal Year 2006 Work Plan and Budget.

General Manager W. E. West, Jr. was elected Vice-President (and President-elect) of the National Water Resources Association.

Completed Fiscal Year 2005 with no lost time accidents for any GBRA employees.

REGIONAL RESOURCE AND WATER PLANNING:

GBRA continued to participate in the South Central Texas Regional Water Planning Group (Region L) and development of the updated 2006 Regional Water Plan.

IH-35 Regional Water Supply Project. GBRA continues working with communities and utilities along IH-35 to develop a treated water delivery system from the San Marcos Water Treatment Plant (SMWTP) to northern Hays County. Contracts have been executed with the City of Kyle, the City of Buda, 2428 Partners, and Goforth Water Supply Corporation. The delivery

Highlights, *continued*

system consists of a pump station at the San Marcos Water Treatment Plant and approximately 22 miles of 12-inch to 30-inch diameter pipe. Estimated cost of the project is approximately \$22-million. Major accomplishments this year included completing construction of the pump station and Phases 1 and 2 of the pipeline, 70% of the third phase of the pipeline, and 50% of the SCADA radio control system; authorized the issuance and sale of GBRA revenue bonds Series 2004A and taxable Series 2004B for the project; acquired the majority of rights-of-way; amended the Contract for Raw Water Service and the Water Supply Agreement and Supplemental Agreement between GBRA and the City of Kyle, and executed a Contract for Raw Water Service and Water Supply Agreement with 2428 Partners. The project is scheduled to go on line early in 2006.

Lower Guadalupe Water Supply Project (LGWSP). During FY 2005, work continued on this project with the San Antonio River Authority (SARA) and the San Antonio Water System (SAWS). During the year the project sponsors accepted the Conceptual Delivery Study and continued work on environmental studies. In response to a decision by SAWS to withdraw from the LGWSP, the GBRA Board adopted a statement that instructed staff to develop options for reconfiguring the project to meet the long-term needs of GBRA's 10-county statutory district in conjunction with the Region L Water Plan, and committed to continue the environmental studies being conducted by Texas A&M University on the endangered Whooping Crane and by the University of Texas-Austin on the San Antonio Bay Beneficial Inflows.

Luling-Lockhart Project. This \$6 million cooperative project is complete and began operation in April 2005. It uses excess capacity at the Luling Water Treatment Plant to deliver treated water to the City of Lockhart in quantities up to 1.5 mgd. Blending Lockhart's current well water supply with treated surface water reduces the mineral content and enhances water quality. Approximately 15 miles of 14-inch to 16-inch diameter pipe connects the Luling WTP and the City of Lockhart. In FY2005, GBRA completed construction of the project and negotiated option agreements for two privately held water rights. When purchased, these water rights will ensure additional water for the City of Lockhart's use once the existing GBRA water rights are fully utilized to serve the City of Luling.

Pre-Disaster Hazard Mitigation Grant. GBRA received final approval from the Federal Emergency Management Agency (FEMA) of the Hazard Mitigation Action Plan for the Guadalupe River Basin funded by a \$200,000 Pre-Disaster Mitigation (PDM) Grant from FEMA. The

