

*REPORT OF EXAMINATION*

**VILLAGE OF  
VOLENTE**

*Volente, Texas*

**For the Year Ended  
September 30, 2011**

VILLAGE OF VOLENTE, TEXAS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SEPTEMBER 30, 2011

VILLAGE OF VOLENTE  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

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CERTIFIED PUBLIC ACCOUNTANTS

MEMBER  
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CERTIFIED PUBLIC ACCOUNTANTS

### Independent Auditor's Report

Honorable Mayor and Council  
Village of Volente, Texas  
Volente, TX 78641

We have audited the accompanying financial statements of the governmental activities and each major fund of Village of Volente, as of and for the year ended September 30, 2011, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Village of Volente's management. 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. 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 opinions.

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 Volente, as of September 30, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis (pages 3 through 7) and budgetary comparison information (page 21) are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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 June 20, 2012 on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Neffendorf, Knopp, Doss & Company, P.C.*  
NEFFENDORF, KNOPP, DOSS & COMPANY, P.C.  
Fredericksburg, Texas

June 20, 2012

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Village of Volente, we offer readers of the Village's financial statements this narrative overview and analysis of the financial statements of the Village for the year ended September 30, 2011. Please read it in conjunction with the independent auditors' report on page 1, and Village's Basic Financial Statements which begin on page 8.

### FINANCIAL HIGHLIGHTS

- The assets of the Village exceeded its liabilities at the close of the most recent fiscal year by \$ 804,183 (net assets). Of this amount, \$ 733,371 (unrestricted net assets) may be used to meet the Village's ongoing obligations to citizen's and creditors.
- The Village's net assets increased by \$ 190,503 as a result of this year's operations.
- At September 30, 2011, the Village's governmental funds reported an ending fund balance of \$ 723,411 ,an increase of \$146,418 in comparison with the prior year. The increase in fund balance was due to the revenues exceeded expenditures.
- At September 30, 2011, the unreserved fund balance of the general fund was \$ 723,411 or 334 percent of total general fund expenditures.

### 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 8 and 9). 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 (on pages 11 & 13) 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 15) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The Budgetary Comparison Schedule (operating fund) is presented as required supplementary information on page 21.

## **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 8. 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 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.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. All the Village's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the Village's net assets and changes in them. The Village's net assets (the difference between assets and liabilities) provide one measure of the Village's financial health, or financial position. Over time, increases or decreases in the Village's net assets are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the Village, however, you should consider other factors as well, such as changes in the Village's customers or its property tax base and the condition of the Village's facilities.

In the Statement of Net Assets and the Statement of Activities, the Village has one kind of activity:

- Governmental activity - The Village's basic services are reported here, including the public safety, public works, and administration. Property taxes, user charges, sales tax and franchise tax finance most of these activities.

## **Reporting the Village's Most Significant Funds**

### ***Fund Financial Statements***

The fund financial statements on pages 11 & 13 provide detailed information about the most significant funds - not the Village as a whole. Governmental fund types include the general fund.

- Governmental funds - All of the Village's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the Village's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in Note II to the financial statements.

## **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 \$ 613,680 to \$ 804,183 . 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 \$ 733,371 at September 30, 2011. This increase in governmental net assets was the result of three factors. First, the Village's revenues exceeded the expenditures by \$146,418. Second, the Village acquired capital assets in the amount of \$64,586. Third, the Village recorded depreciation in the amount of \$5,826.

**Table I**  
**VILLAGE OF VOLENTE**

**NET ASSETS**  
in thousands

	Governmental Activities	
	2011	2010
Current and Other Assets	\$ 740	\$ 590
Capital Assets	71	26
Total Assets	\$ 811	\$ 616
Other Liabilities	\$ 7	\$ 3
Total Liabilities	\$ 7	\$ 3
Net Assets:		
Invested in Capital Assets		
Net of Related Debt	\$ -	\$ 26
Restricted	71	-
Unrestricted	733	587
Total Net Assets	\$ 804	\$ 613

**Table II**  
**VILLAGE OF VOLENTE**  
**CHANGES IN NET ASSETS**  
in thousands

	Governmental Activities	
	2011	2010
Revenues:		
Charges for Services	\$ -	\$ 11
Maintenance & Operations Taxes	189	192
Other Taxes	76	75
Investment Earnings	26	-
Grants	38	14
Miscellaneous	34	16
Special Item - Lawsuit Settlement	-	55
Total Revenue	\$ 363	\$ 363
Expenses:		
General Government	\$ 170	\$ 175
Public Works	3	23
Total Expenses	\$ 172	\$ 198
 Increase in Net Assets Before	 \$ 191	 \$ 165
Net Assets, Beginning	613	448
Net Assets, Ending	\$ 804	\$ 613

The cost of all governmental activities this year was \$ 172,152 . Total revenues for the Village were \$362,655 which consisted of property taxes (\$189,049), other taxes (\$75,556), grants (\$38,235), licenses and permits (\$19,429), interest earnings (\$1,299), Travis County escrow (\$24,420) and miscellaneous (\$14,667).

#### THE VILLAGE'S FUNDS

As the Village completed the year, its governmental fund (as presented in the balance sheet on page 11) reported a fund balance of \$ 723,411 , which is more than last year's total of \$ 576,993 .

The Village adopted the General Fund budget. Actual revenues were more than the budgeted amount by \$30,293 while actual expenditures were less than the budgeted amount by \$100,625.

#### CAPITAL ASSET AND DEBT ADMINISTRATION

At the end of 2011, the Village had \$ 84,863 invested in capital assets, including buildings, equipment and other improvements. This amount represents a net increase of \$50,413, or 147 percent, more than last year.

This year's major additions included:

Road Improvements	\$	36,599
HVAC System		10,124

More detailed information about the Village's capital assets is presented in Note C to the financial statements.

#### DEBT

At year-end, the Village had no outstanding debt.

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

The Village's elected and appointed officials considered many factors when setting the fiscal-year 2012 budget and tax rates. The major factors are the assessed property values and population growth. These indicators were taken into account when adopting the General Fund budget for 2012. Amounts available for appropriation in the General Fund budget are \$344,644 and expenditures are estimated to be \$497,451.

If these estimates are realized, the Village's budgetary General fund balance is expected to decrease by the close of fiscal year 2012.

#### CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Village's business office, at Village of Volente, Volente, Texas.

**BASIC FINANCIAL STATEMENTS**

VILLAGE OF VOLENTE  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2011

EXHIBIT A-1

	Primary Government
	Governmental Activities
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 665,476
Receivables (net of allowance for uncollectibles)	74,967
Capital Assets:	
Infrastructure, net	36,294
Buildings, net	4,209
Machinery and Equipment, net	16,136
Construction in Progress	14,173
Total Assets	811,255
<b>LIABILITIES</b>	
Accounts Payable	7,072
Total Liabilities	7,072
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	70,812
Unrestricted Net Assets	733,371
Total Net Assets	\$ 804,183

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

Net (Expense) Revenue and Changes in Net Assets	
Capital Grants and Contributions	Primary Government Governmental
\$ 38,235	\$ (131,270)
-	(2,647)
<u>\$ 38,235</u>	<u>(133,917)</u>

189,049
42,406
27,230
5,125
795
58,516
1,299
<u>324,420</u>
190,503
613,680
<u>\$ 804,183</u>

VILLAGE OF VOLENTE  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2011

	General Fund
<hr/>	
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 665,476
Taxes Receivable	11,718
Allowance for Uncollectible Taxes (credit)	(1,758)
Receivables (Net)	<u>65,007</u>
Total Assets	<u>\$ 740,443</u>
<b>LIABILITIES AND FUND BALANCES</b>	
Liabilities:	
Accounts Payable	\$ 7,072
Deferred Revenues	9,960
Total Liabilities	<u>17,032</u>
Fund Balances:	
Unassigned Fund Balance	<u>723,411</u>
Total Fund Balances	<u>723,411</u>
Total Liabilities and Fund Balances	<u>\$ 740,443</u>

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

VILLAGE OF VOLENTE  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
 STATEMENT OF NET ASSETS  
 SEPTEMBER 30, 2011

<b>Total Fund Balances - Governmental Funds</b>	\$	723,411
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$34,450 and the accumulated depreciation was \$8,226. The net effect of including the beginning balances for capital assets (net of depreciation) in the governmental activities is to increase net assets.		26,224
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 2011 capital outlays is to increase net assets.		50,414
The 2011 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(5,826)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue. The net effect of these reclassifications and recognitions is to increase net assets.		9,960
<b>Net Assets of Governmental Activities</b>	<b>\$</b>	<b>804,183</b>

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

VILLAGE OF VOLENTE  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

EXHIBIT C-3

	General Fund
<b>REVENUES:</b>	
Taxes:	
Property Taxes	\$ 189,552
General Sales and Use Taxes	42,406
Franchise Tax	27,230
Other Taxes	5,125
Penalty and Interest on Taxes	795
Licenses and Permits	19,429
Intergovernmental Revenue and Grants	38,235
Investment Earnings	1,299
Other Revenue	39,087
Total Revenues	363,158
<b>EXPENDITURES:</b>	
Current:	
General Government	214,093
Public Works	2,647
Total Expenditures	216,740
Net Change in Fund Balances	146,418
Fund Balance - October 1 (Beginning)	576,993
Fund Balance - September 30 (Ending)	\$ 723,411

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

VILLAGE OF VOLENTE  
 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, 2011

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	146,418
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 2011 capital outlays and debt principal payments is to increase net assets.		50,414
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.		(5,826)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue and adjusting the current year revenue earned from the current year's tax levy. The net effect of these reclassifications and recognitions is to decrease net assets.		(503)
<b>Change in Net Assets of Governmental Activities</b>	<b>\$</b>	<b>190,503</b>

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

VILLAGE OF VOLENTE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Village of Volente, Texas, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The *Government Accounting Standards Board* (GASB) is the accepted standard-setting body for establishing government accounting and financial reporting principles. The more significant of the Village's accounting policies are described below:

A. Reporting Entity

The Village was duly incorporated as a municipality on February 3, 2002. The Village is a general law Village, which operates under a council form of government. The Mayor is the chief administrative officer of the Village. The Village provides the following services: Community Development, Public Improvements, and General Administrative Services.

In evaluating how to define the Village, for financial purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement 14. The definition of the reporting entity is based primarily on the concept of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. Based on the foregoing criteria, there were no component units identified that would require inclusion in this report.

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 of Volente nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, sales tax, franchise tax, municipal court fines, charges for services and other miscellaneous 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 "grants and contributions" column includes amounts paid by organizations outside the Village to help meet the operational or capital requirements of a given function. If a revenue is not a program revenue, it is a general revenue used to support all of the Village's functions. Taxes are always general revenues.

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The Village considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the "susceptible to accrual" concept; that is, when they are both measurable and available. The Village considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors some times require the Village to refund all or part of the unused amount.

D. Fund Accounting

The Village reports the following major governmental funds:

1. **The General Fund** - The general fund is the Village's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

E. Other Accounting Policies

1. Capital assets, which include land, buildings, furniture, equipment and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Village as assets with an estimated useful life in excess of two years. 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.

Buildings, furniture and equipment of the Village are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	15-30
Infrastructure	20
Improvements	10-20
Machinery & Equipment	5-7

Pursuant to GASB Statement Number 34, an extended period of deferral is available before the requirement to record and depreciate infrastructure assets (e.g., roads, bridges, and similar items) acquired before the implementation date becomes effective. Therefore, infrastructure assets acquired prior to October 1, 2001 have not yet been capitalized.

2. Beginning with fiscal year end September 30, 2011, the Village implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Non-spendable fund balance – amounts that are not in non-spendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the Village itself, using its highest level of decision-making authority (i.e. City Council). To be reported as committed, amounts cannot be used for any other purpose unless the Village takes the same highest level action to remove or change the constraint.
- Assigned fund balance – amounts the Village intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

Beginning fund balances for the Village's governmental funds have been restated to reflect the above classifications.

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance . This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the City Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or other purposes).

3. 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.
4. The original budget is adopted by the Village Council prior to the beginning of the fiscal year through passage of an ordinance. The budget includes proposed expenditures and the means of financing them.

Budgeted amounts for expenditures from the various funds may not exceed the beginning balances of those funds plus the anticipated revenues for the fiscal year. The final amended budget has been presented in this report. Unencumbered appropriations lapse at the end of each year.

5. The presentation 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.

## II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

### A. Deposits and Investments

At September 30, 2011, the carrying amount of the Village's deposits was \$665,476 and the bank balance was \$666,304. The Village's cash deposits at September 30, 2011 and during the year ended September 30, 2011 were covered by FDIC insurance or by pledged collateral held by the Village's agent bank in the Village's name.

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

#### Policies Governing Deposits and Investments

In compliance with GASB Statement No. 45, the Village discloses the following:

**Custodial Credit Risk - Deposits:** This is the risk that in the event of bank failure, the Village's deposits may not be returned to it. The Village was not exposed to custodial credit risk since its deposits at year-end and during the year ended September 30, 2011 were covered by depository insurance or by pledged collateral held by the Village's agent bank in the Village's name.

**Other Credit Risk:** There is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2011, the District was not exposed to concentration of credit risk, interest rate risk or foreign currency risk.

### B. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the Village in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the Village fiscal year.

The Travis County Appraisal District appraises and collects taxes for the Village. For 2011, the Village of Volente had property with an assessed valuation of \$150,800,752. The tax rate was \$.1286 per \$100 valuation (general fund only). A summary of taxes receivable by years follows:

Tax Roll	Taxes	Taxes	Collections	Taxes
	Receivable 01/10/10	Assessed	and Adjustments	Receivable 09/30/11
2010	\$	\$ 194,319	\$ 189,293	\$ 5,026
2009	7,965		3,670	4,295
2008	2,130		1,427	703
2007	1,087		386	701
2006	779		100	679
2005	342		35	307
2004	5		-	5
2003	2		-	2
<b>TOTAL</b>	<b>\$ 12,310</b>	<b>\$ 194,319</b>	<b>\$ 194,911</b>	<b>\$ 11,718</b>

### C. Capital Asset Activity

Capital asset activity for the Village for the year ended September 30, 2011, was as follows:

	Primary Government			
	Beginning			Ending
	Balance	Additions	Retirements	Balance
<b>Governmental Activities:</b>				
Buildings and Improvements	\$ 5,364	\$ 38,099	\$	\$ 43,463
Furniture & Equipment	14,913	26,488		41,401
Construction in Progress	14,173	-	14,173	-
<b>Totals at Historic Cost</b>	<b>\$ 34,450</b>	<b>\$ 64,586</b>	<b>\$ 14,173</b>	<b>\$ 84,863</b>
<b>Less Accumulated</b>				
Depreciation for:				
Buildings and Improvements	(2,297)	(663)		(2,960)
Furniture & Equipment	(5,929)	(5,163)		(11,092)
<b>Total Accumulated Depreciation</b>	<b>\$ (8,226)</b>	<b>\$ (5,826)</b>	<b>\$ -</b>	<b>\$ (14,052)</b>
<b>Governmental Activities</b>				
<b>Capital Assets, Net</b>	<b>\$ 26,224</b>	<b>\$ 58,761</b>	<b>\$ 14,173</b>	<b>\$ 70,812</b>

### D. Risk Management

The Village of Volente is exposed to various risks of loss relating to general liability, accidental loss of real and personal property, damage to assets, errors and omissions, acts of God and personnel risks which relate to workers compensation.

The Village contracts with the Texas Municipal League (TML) to provide insurance coverage for identified risks. TML is a multi-government group that provides for a combination of modified self-insurance and stop-loss coverage. Contributions are sent annually to TML. Liability by the Village is generally limited to the contributed amounts. Contributions for the year ended September 30, 2011 were \$1,359.

E. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Village expects such amounts, if any, to be immaterial

F. Subsequent Events

The Village has evaluated subsequent events through June 20, 2012, the date which the financial statements were available to be issued. The Village is not aware of any subsequent events that materially impact the financial statements

SUPPLEMENTARY INFORMATION

VILLAGE OF VOLENTE  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes:				
Property Taxes	\$ 180,614	\$ 180,614	\$ 189,552	8,938
General Sales and Use Taxes	23,000	23,000	42,406	19,406
Franchise Tax	26,000	26,000	27,230	1,230
Other Taxes	3,000	3,000	5,125	2,125
Penalty and Interest on Taxes			795	795
Licenses and Permits	21,500	21,500	19,429	(2,071)
Intergovernmental Revenue and Grants	40,000	40,000	38,235	(1,765)
Investment Earnings	500	500	1,299	799
Other Revenue	38,251	38,251	39,087	836
<b>Total Revenue</b>	<u>332,865</u>	<u>332,865</u>	<u>363,158</u>	<u>30,293</u>
<b>EXPENDITURES:</b>				
Current:				
GENERAL GOVERNMENT				
Staff				
Salaries	46,639	46,639	65,936	(19,297)
Payroll Taxes	4,000	4,000	3,507	493
Benefits	5,550	5,550	6,530	(980)
Payroll Services	1,000	1,000	847	153
<b>Total Staff</b>	<u>57,189</u>	<u>57,189</u>	<u>76,820</u>	<u>(19,631)</u>
Consultant				
Attorney	48,000	48,000	18,287	29,713
Professional Services	15,000	15,000	13,047	1,953
Development Inspection	10,000	10,000	2,765	7,235
Development Plan Review	10,000	10,000	4,868	5,132
Zoning & Code Enforcement	10,000	10,000	3,646	6,354
Contract Labor			1,100	(1,100)
Audit	5,500	5,500	5,700	(200)
Noise Consultant	5,150	5,150		5,150
Police Service - Contract	6,000	6,000	1,070	4,930
Special Consultant - Engineer	28,100	28,100	3,000	25,100
Travis CAD	1,787	1,787	1,001	786
<b>Total Consultant</b>	<u>139,537</u>	<u>139,537</u>	<u>54,484</u>	<u>85,053</u>

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

VILLAGE OF VOLENTE  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - GENERAL FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
Operations				
Elections	1,000	1,000		1,000
Events	2,500	2,500	7,144	(4,644)
Bank Charges			291	(291)
Office Supplies & Postage	5,000	5,000	6,343	(1,343)
Equipment Lease	3,300	3,300	3,322	(22)
Website Maintenance	300	300	294	6
Dues, Fees & Subscriptions	1,000	1,000	857	143
Rent	2,000	2,000	629	1,371
Utilities & Telephone	3,300	3,300	2,770	530
Insurance	2,550	2,550	1,014	1,536
Advertising	1,000	1,000	556	444
Training & Education	2,764	2,764	554	2,210
Municipal Court	8,000	8,000		8,000
Books & Publications	250	250		250
Lake Travis Economic Development			5,000	(5,000)
Miscellaneous	2,000	2,000	3,602	(1,602)
Parkland	10,000	10,000		
Public Works	21,500	21,500	2,647	18,853
Capital Outlay	64,175	64,175	50,413	13,762
Total Operations	<u>130,639</u>	<u>130,639</u>	<u>85,436</u>	<u>35,203</u>
Total Expenditures	<u>327,365</u>	<u>327,365</u>	<u>216,740</u>	<u>100,625</u>
Net Change in Fund Balances	<u>5,500</u>	<u>5,500</u>	<u>146,418</u>	<u>130,918</u>
Fund Balance - October 1 (Beginning)	<u>576,993</u>	<u>576,993</u>	<u>576,993</u>	
Fund Balance - September 30 (Ending)	<u>\$ 582,493</u>	<u>\$ 582,493</u>	<u>\$ 723,411</u>	<u>\$ 130,918</u>

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