

CITY OF WOODCREEK, TEXAS

AUDITED BASIC FINANCIAL STATEMENTS

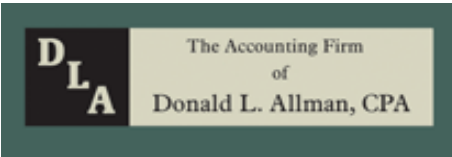
AND SUPPLEMENTAL SCHEDULES

AND INDEPENDENT AUDITOR'S REPORT

**For the Year Ended
September 30, 2015**

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Donald L. Allman, CPA, PC
205 E. University Ave., Ste.165
Georgetown, Texas 78626

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor & Members of the City Council
City of Woodcreek, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Woodcreek, Texas, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Woodcreek, Texas, as of September 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2015 the City adopted new accounting guidance, Governmental Accounting Standards (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Governmental Accounting Standards (GASB) Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-8 and 31-33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Woodcreek, Texas' basic financial statements. The introductory section, combining and individual non-major fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2016, on our consideration of the City of Woodcreek, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Woodcreek, Texas' internal control over financial reporting and compliance.

Donald L. Allman, CPA, PC

Georgetown, TX
April 29, 2016

CITY OF WOODCREEK, TEXAS MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Woodcreek's annual financial report presents our discussion and analysis of the financial performance of the City during the fiscal year ended September 30, 2015. Please read it in conjunction with the City of Woodcreek's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- For the year ended September 30, 2015, the Governmental Fund of the City of Woodcreek reported a fund balance increase of \$90,773, to end at \$1,051,753. All activities of the City are accounted for in the General Fund, the Hotel-Motel Occupancy Fund was closed in fiscal year 2015.
- The Government-Wide financial statements for the City of Woodcreek ended fiscal year 2015 with a fund balance of \$1,207,807, an increase of \$92,103.
- The total revenues of the City of Woodcreek's programs, were \$427,145, a \$53,660 decrease over the prior year. Total expenses of the City of Woodcreek were \$335,042, a \$1,472 increase over the prior year.

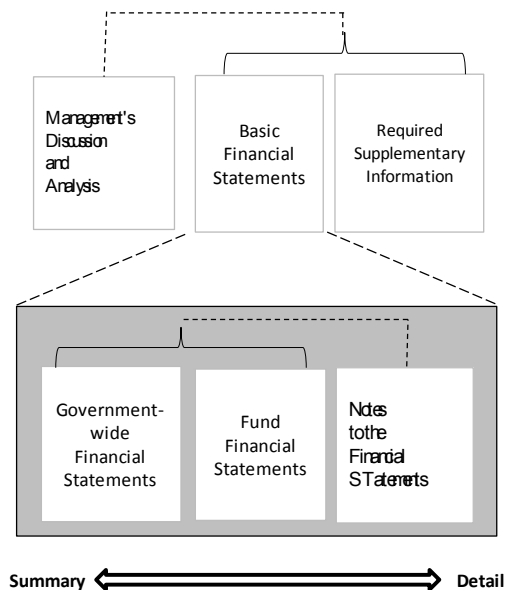
OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are

followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Government-wide Statements

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

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

The government-wide financial statements of the City of Woodcreek include *the governmental activities*. All of the City of Woodcreek's basic services are included here, such as building inspection and development, code enforcement, area beautification, and general administration. Sales taxes, franchise taxes, and property taxes finance most of these activities.

Budgetary Highlights

The City of Woodcreek budgets on a Cash Basis (a major accounting method that recognizes revenues and expenses at the time physical cash is actually received or paid out). This contrasts to the other major accounting method, modified accrual accounting, which requires income to be recognized in a company's books at the time the revenue is earned (but not necessarily received) and records expenses when liabilities are incurred (but not necessarily paid for). Monthly financial reports are provided by management to the City Council which reflects income and expenditures based on when the income is received and the payment is made. Texas procurement law provides that payments to any vendor that supplies goods or services to cities generally requires payment within thirty days of receiving the goods, services, or an invoice, with several exceptions. TEX. GOV'T CODE §2251.021.

The City's actual revenues and expenditures were significantly more than budgeted expenditures for the year. The primary reason for actual revenues and expenditures differing from budgeted expenditures was growth in the City of Woodcreek.

FINANCIAL ANALYSIS OF THE CITY OF WOODCREEK AS A WHOLE

Our analysis here focuses on the net assets (Table 1 – Summary of Net Assets) and changes in net assets (Table II – Changes in Net Assets) of the City’s governmental activities. A two-year summary of net assets is presented below.

Table I
Summary of Net Assets

	Governmental Activities 2015	Governmental Activities 2014	Change
Assets			
Current and Other Assets	\$ 1,082,411	\$ 999,223	\$ 83,188
Deferred Outflows of Resources	6,101	5,772	329
Net Pension Position	5,820	8,899	(3,079)
Capital Assets, net	<u>\$ 144,133</u>	<u>\$ 140,053</u>	<u>\$ 4,080</u>
Total Assets	<u><u>\$ 1,238,465</u></u>	<u><u>\$ 1,153,947</u></u>	<u><u>\$ 84,518</u></u>
Liabilities			
Current Liabilities	\$ 30,658	\$ 38,243	\$ (7,585)
Non-Current Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Liabilities	<u><u>\$ 30,658</u></u>	<u><u>\$ 38,243</u></u>	<u><u>\$ (7,585)</u></u>
Net Assets			
Invested in Capital Assets, Net of Debt	\$ 144,133	\$ 140,053	\$ 4,080
Unrestricted	<u>\$ 1,063,674</u>	<u>\$ 975,651</u>	<u>\$ 88,023</u>
Total Net Assets	<u><u>\$ 1,207,807</u></u>	<u><u>\$ 1,115,704</u></u>	<u><u>\$ 92,103</u></u>

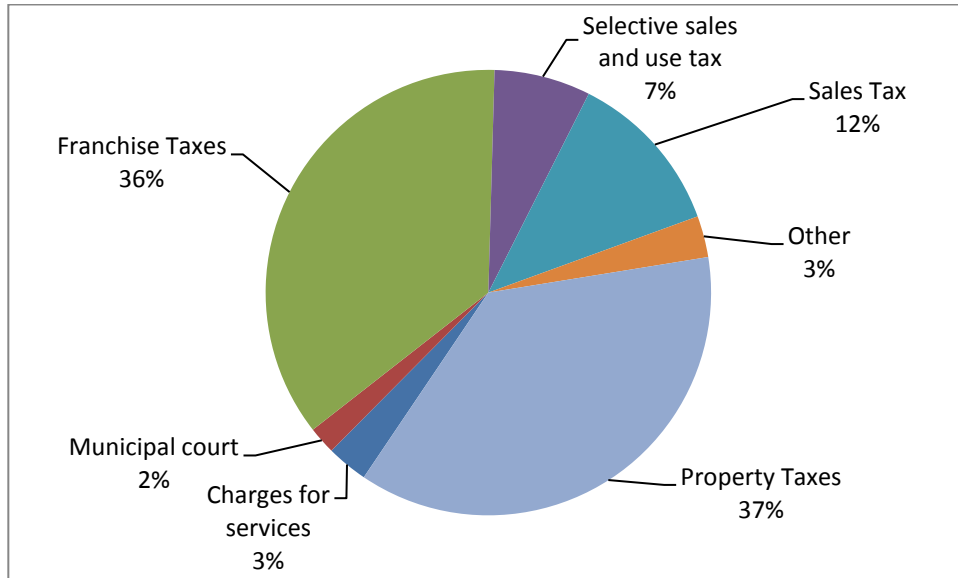
Table II
Change in Net Assets

	Governmental Activities 2015	Governmental Activities 2014	Change
Revenues			
Program Revenues:			
Charges for services	\$ 27,979	\$ 22,685	\$ 5,294
General Revenues:			
Property tax	\$ 196,739	\$ 188,008	\$ 8,731
Sales Tax	\$ 36,862	\$ 80,255	\$ (43,393)
Mixed Bev. Tax	\$ 897	\$ 26,654	\$ (25,757)
Franchise taxes	\$ 155,170	\$ 145,982	\$ 9,188
Investment Earnings	\$ 2,236	\$ 743	\$ 1,493
Municipal Court income	\$ 530	\$ 1,826	\$ (1,296)
Other	\$ 6,732	\$ 14,652	\$ (7,920)
Total Revenues	<u>\$ 427,145</u>	<u>\$ 480,805</u>	<u>\$ (53,660)</u>
Expenses			
General government	\$ 82,287	\$ 79,015	\$ 3,272
Total Pension Expense	\$ 2,750	\$ -	\$ 2,750
Hotel Motel fund expenses	\$ -	\$ 28,481	\$ (28,481)
Contracted services	\$ 75,704	\$ 44,948	\$ 30,756
Municipal Court expenses	\$ 7,645	\$ 35,589	\$ (27,944)
Public works and maintenance	\$ 69,768	\$ 55,083	\$ 14,685
Salaries & payroll taxes	\$ 96,888	\$ 90,454	\$ 6,434
Total Expenses	<u>\$ 335,042</u>	<u>\$ 333,570</u>	<u>\$ 1,472</u>
Change in net assets	\$ 92,103	\$ 147,235	\$ (55,132)
Prior Period Adjustment	\$ -	\$ 14,671	\$ 14,671
Beginning net assets	<u>\$ 1,115,704</u>	<u>\$ 953,798</u>	<u>\$ 161,906</u>
	<u>\$ 1,207,807</u>	<u>\$ 1,115,704</u>	<u>\$ 121,445</u>

Governmental Activities

The City of Woodcreek's revenue stream is supported primarily by property taxes, franchise taxes, sales taxes and municipal court revenues. Hotel-Motel Occupancy Taxes are accounted for separately in a special revenue fund. These five sources represent approximately 95% of overall revenue for Fiscal Year 2014-2015. The remaining revenues were derived from investment income, user fees, and miscellaneous sources. The City of Woodcreek's Fiscal Year 2014-2015 property tax rate was \$.1305 per \$100 property valuation.

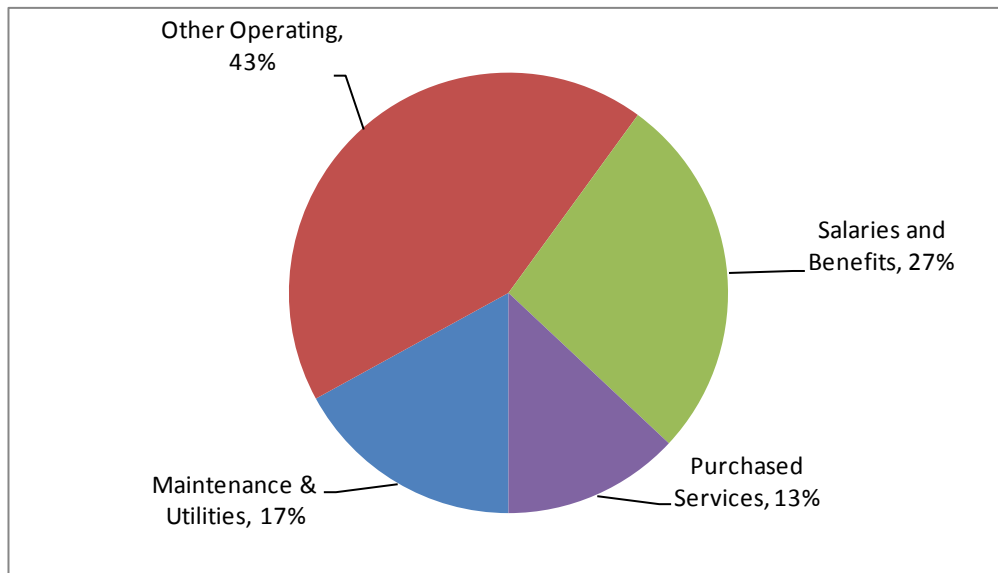
FY 2014-2015 Revenue



Program Expenses

The City of Woodcreek's expenses for Fiscal Year 2014-2015 totaled \$335,042 and are all considered expenses for general government operations. The percentage distribution by natural expense classification is illustrated in the table below.

FY 2014-2015 Expenses



CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of Fiscal Year 2014-2015, the City of Woodcreek had invested \$144,133 in a broad range of capital assets, including buildings, improvements, and equipment. This amount is net of accumulated depreciation. The table below summarizes the City's capital assets:

	Governmental Activities 2015	Governmental Activities 2014	Change
Land	\$ 37,850	\$ 37,850	\$ -
Buildings and improvements	\$ 274,728	\$ 253,834	\$ 20,894
Furniture and Equipment	\$ 26,927	\$ 26,927	\$ -
Totals	\$ 339,505	\$ 318,611	\$ 20,894
Less Accumulated depreciation	\$ (195,372)	\$ (178,558)	\$ (16,814)
Capital assets, net of depreciation	\$ 144,133	\$ 140,053	\$ 4,080

Long-Term Debt

The City of Woodcreek had no other outstanding long-term debt as of September 30, 2015.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Woodcreek has adopted a General Fund expenditure budget for FY 2015-2016 totaling \$417,300 in revenues and \$300,060 in expenses and a property tax rate of \$.1305 per \$100 property valuation.

CONTACTING THE CITY OF WOODCREEK'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City of Woodcreek's finances and to demonstrate the City of Woodcreek's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Woodcreek's City Manager, Brenton Lewis, @ 512-847-9390.

GOVERNMENT-WIDE STATEMENTS

CITY OF WOODCREEK, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2015

	<u>Primary Government Governmental Activities</u>
ASSETS	
Cash and Cash Equivalents	\$ 51,917
Investments - Current	949,199
Receivables (net of allowance for uncollectibles)	81,295
Deferred Outflow of Resources	6,101
Net Pension Position	5,820
Capital Assets:	
Land	37,850
Infrastructure, net	21,180
Buildings, net	80,046
Machinery and Equipment, net	5,057
Total Assets	<u>\$ 1,238,465</u>
LIABILITIES	
Accounts Payable	\$ 14,917
Deferred Revenue	\$ 13,200
Accrued Liabilities	\$ 2,008
Sales tax overpayment	\$ 533
Noncurrent Liabilities:	
Due Within One Year	-
Due in More Than One Year	-
Total Liabilities	<u>30,658</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	144,133
Unrestricted Net Assets	1,063,674
Total Net Assets	<u>\$ 1,207,807</u>

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

CITY OF WOODCREEK, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Program Revenues			Net (Expense) Rev & Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Governmental Activities
Primary Government				
GOVERNMENTAL ACTIVITIES:				
General Government	\$ 335,042	\$ 27,979	\$ -	\$ (307,063)
TOTAL PRIMARY GOVERNMENT:	\$ 335,042	\$ 27,979	\$ -	\$ (307,063)
General Revenues:				
Taxes:				
Property Taxes				196,739
Sales Taxes				36,862
Hotel Occupancy Taxes				897
Franchise Taxes				155,170
Municipal Court income				530
Miscellaneous Revenues				6,732
Investment Earnings				2,236
Total General Revenues				399,166
Change in Net Assets				92,103
Net Assets - Beginning				1,115,704
Net Assets - Ending				\$ 1,207,807

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

FUND BASIS STATEMENTS

CITY OF WOODCREEK, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015

	General Fund	Hotel Tax Fund	Total Govern- mental Fund
ASSETS			
Cash and Cash Equivalents	\$ 51,917	\$ -	\$ 51,917
Investments - Current	949,199		949,199
Accounts Receivable	81,759		81,759
Allowance for Uncollectible Taxes (credit)	(464)		(464)
Total Assets	<u>\$1,082,411</u>	<u>\$ -</u>	<u>\$ 1,082,411</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 14,917	-	\$ 14,917
Accrued Liabilities Payable	2,008		2,008
Sales tax overpayment	533		533
Deferred Revenues	13,200		13,200
Total Liabilities	<u>\$ 30,658</u>	<u>-</u>	<u>30,658</u>
Fund Balances:			
Assigned for Street Repair	\$ 80,000	-	\$ 80,000
Assigned for Hotel Tax Fund		-	-
Unassigned Fund Balance	971,753	-	971,753
Total Fund Balances	<u>1,051,753</u>	<u>-</u>	<u>1,051,753</u>
Total Liabilities and Fund Balances	<u>\$1,082,411</u>	<u>-</u>	<u>1,082,411</u>

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

CITY OF WOODCREEK, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS
 SEPTEMBER 30, 2015

Total Fund Balances - Governmental Funds	\$	1,051,753
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. The net effect of recording the beginning of the year value of \$339,505 for capital assets and \$195,372 for accumulated depreciation to the Statement of Net Assets was an increase in net assets.		144,133
Deferred Outflow of Resources is not considered for government funds		6,101
Net Pension Position is not considered for governmental funds		5,820
Net Assets of Governmental Activities	\$	<u>1,207,807</u>

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

CITY OF WOODCREEK, TEXAS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

	General Fund	Hotel Tax Fund	Total Govern- mental Fund
REVENUES			
Taxes:			
Property Taxes	\$ 196,739		\$ 196,739
General Sales and use Taxes	36,862		36,862
Hotel Occupancy Taxes	-	-	-
Franchise Tax	155,170		155,170
Licenses and Permits	-		-
Municipal Court Revenues	530		530
Investment Earnings	2,236	-	2,236
Other Revenue	35,608		35,608
Total Revenues	<u>427,145</u>	<u>-</u>	<u>427,145</u>
EXPENDITURES			
Current;			
General Government	336,372	-	336,372
Total Expenditures	<u>336,372</u>	<u>-</u>	<u>336,372</u>
Excess of Revenues Over Expenditures	<u>90,773</u>	<u>-</u>	<u>90,773</u>
Net Change in Fund Balances	90,773	-	90,773
Transfers	18,092	(18,092)	-
Fund Balance - October 1 (Beginning)	942,888	18,092	960,980
Fund Balance - September 30 (Ending)	<u>\$1,051,753</u>	<u>-</u>	<u>\$ 1,051,753</u>

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

CITY OF WOODCREEK, TEXAS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

Total Net Change in Fund Balances - Governmental Funds	\$	90,773
Capital outlay transactions are expenditures in governmental funds but are capitalized as assets on the Statement of Net Assets. The net effect of capitalizing current expenditures for capital outlays during the year was an increase in the change in net assets.		20,894
Since capital assets are not reported in governmental funds, related depreciation expense is also not reported. The net effect of recording depreciation expense to the Statement of Net Assets is a decrease in the change in net assets.		(16,814)
Total pension expense not considered for governmental funds		(2,750)
Long-term debt payments are expenditures in the governmental funds but are treated as reductions of long-term debt on the Statement of Net Assets. The net effect of reducing long-term debt is an increase in the change in net assets.		-
Property taxes are recognized as revenue in the governmental funds when collected but recognized on the Statement of Activities in the year levied. The net effect of this difference in property tax revenue recognition is an increase in the change in net assets.		-
Change in Net Assets of Governmental Activities	<u>\$</u>	<u>92,103</u>

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

NOTES TO THE FINANCIAL STATEMENTS

CITY OF WOODCREEK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The City of Woodcreek, Texas (the primary government) is a general law city incorporated under the laws of the State of Texas in 1984. The City operates as a Type-A, General Law Municipality, with a Mayor-Council form of government. The City provides the following services: street maintenance, area beautification, code enforcement, building inspection and general administrative services.

For financial reporting purposes, in conformance with generally accepted accounting principles, the City's financial statements include all funds and other organizations over which the Council is financially accountable. In addition, component units which may be included are organizations for which the nature and the significance of their operational or financial relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete.

As a result of applying the entirety definition criteria noted above, no organization (component units) have been included in or excluded from the City's financial statements.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. The Statement of Activities demonstrates the degree to which the direct expenses of a given department are offset by department revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customer or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given department and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular department. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual government funds are reported as separate columns in the fund financial statements.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collectible within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

CITY OF WOODCREEK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

The government reports the following major governmental fund:

General Fund – The General Fund is the government’s primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.

D. BUDGETARY DATA

General Budget Policies

The City follows these procedures in establishing the budgetary data reflected in the financial statements. The City Manager submits to the Council a proposed budget. The Council holds a public hearing on the budget submitted, and all interested persons are given an opportunity to be heard for or against any item or the amount of any item contained therein.

After the conclusion of the public hearing, the council may insert new items or may increase or decrease the items of the budget, except items in proposed expenditures fixed by law, but where it increases the total proposed expenditures, it also provides for an increase in the total anticipate revenue to at least equal such total proposed expenditures. The budget is adopted by a majority vote of the members of the whole Council.

The budget must be adopted no later than the 15th of September. Should the Council take no final action on or prior to such day, the budget as submitted by the City Manager shall be deemed to have been finally adopted by the Council. The City Manager may at any time transfer any unencumbered appropriation balance or portion thereof between general classifications or expenditures within an office, department or agency. Therefore, expenditures should not exceed appropriations at the “agency” level. The Council may transfer any unencumbered appropriation balance or portion thereof from one office, department or agency to another through formal budget amendments. Unencumbered appropriations lapse at year-end. An annual budget is prepared for the General Fund.

E. INVESTMENTS

It is City policy that after allowing for the anticipated cash flow requirements and giving due consideration to the safety and risk of investment, all available funds shall be invested in conformance with these legal and administrative guidelines and to the maximum extent possible, at the highest rates obtainable at the time of investment. Investments shall be made with the primary objective of: Safety and preservation of principal, portfolio diversification, maintenance of sufficient liquidity to meet operating needs, maximization of yield on the portfolio, and public trust from prudent investment activities. The purpose of the Investment Policy is to comply with Chapter 2256 of the Government Code “Public Funds Investment Act”, which requires each entity to adopt a written Investment Policy regarding the investment of its funds and funds under its control. The Investment Policy addresses the methods, procedures and practices that must be exercised to ensure effective and judicious fiscal management of the City’s funds. The City Investment Policy and Strategy has been adopted by the City Council and complies with state laws and regulations.

CITY OF WOODCREEK, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

F. MEASUREMENT FOCUS AND FIXED ASSETS

The accounting and reporting treatment applied to the fixed assets associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or “financial flow” measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of “available spendable resources”. Governmental fund operating statements present increases (revenues and other financial sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources.”

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

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

Assets	Years
Buildings	40
Improvements	10
Furniture & Equipment	3-7

Noncurrent portions of long-term receivables due to governmental funds are reported on their balance sheets, in spite of their spending measurement focus. Special reporting treatments are used to indicate, however, that they should not be considered “available spendable resources”, since they do not represent net current assets. Recognition of governmental fund type revenue represented by noncurrent receivables is deferred until they become current receivables.

G. CASH AND CASH EQUIVALENTS

All short-term investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months.

CITY OF WOODCREEK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

H. AD VALOREM PROPERTY TAXES

Property taxes are levied on October 1st based on assessed values as of January 1st for all real and personal property located in the City. The October 1, 2014 levy was based upon 100 percent of the assessed market value of \$150,757,854. The maximum tax rate permitted by the Constitution of the State of Texas is \$2.50 per \$100 of assessed valuation. The tax rate for the October 1, 2014 levy was \$.1305 per \$100 valuation. The adjusted total levy was \$196,739. Property taxes receivable at September 30, 2015 are \$11,160.

Taxes are due in January of the following year and become delinquent on February 1st. On February 1st of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest imposed. Tax collections during the year ended September 30, 2015 for the 2014 tax levy were 99% of the total tax levy for that year.

The appraisal of property within the City is the responsibility of the Hays County Appraisal District. The Hays County Appraisal District is required under the Property Tax Code to assess all property with the appraisal city on the basis of 100 percent of its appraised value and is prohibited from applying any assessment ratios.

The value of appraised property must be reviewed at least every five years. The City may challenge appraised values established by the appraising authority through various appeals and, if necessary, legal action. Under this legislation, the City continues to set tax rates on City property. However, if the effective tax rate, excluding tax rates for bonds and other contractual obligations adjusted for new improvements, exceeds the rate for the previous year by more than 8 percent, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8 percent above the tax rate of the previous year.

Exhibit B-1 (government-wide financial statement) is prepared using the economic resources measurement focus and the accrual basis of accounting, these statements report all of the assets, liabilities, revenues, expenses and gains and losses of the City. Exhibit C-3 (governmental fund financial statement) is prepared using the current financial resources measurement focus and the modified accrual basis of accounting.

II. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

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

CITY OF WOODCREEK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

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

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

- a. Custodial Credit Risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. During the year, the government’s deposits were not exposed to custodial credit risk. Pledged securities and FDIC coverage was adequate at all times during the year to secure the City’s deposits.
- b. Custodial Credit Risk – investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the City’s investments are held in external municipal investment pools which are not subject to custodial credit risk.
- c. Credit Risk – This is the risk that an issuer of an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The credit quality rating issued by Standard and Poor’s for Texas CLASS is “AAA”.
- d. Interest Rate Risk – This is the risk that changes in interest rates will adversely affect the fair value of an investment. The City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase.
- e. Foreign Currency Risk – This is the risk that exchange rates will adversely affect the fair value of an investment. The City is not exposed to foreign currency risk.
- f. Concentration of Credit Risk - This is the risk of loss attributed to the magnitude of the City’s investment in a single issuer (i.e. lack of diversification). Concentration risk is defined as positions of 5 percent or more in securities of a single issuer. Investments issued by the U.S. Government and investments in investment pools are excluded from the 5 percent disclosure requirement. The City is not exposed to concentration of credit risk.

CITY OF WOODCREEK, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

Listing of Deposits and Investments

As of September 30, 2015, the government had the following cash and investments:

<u>DEPOSITS</u>	<u>Book Balance</u> <u>9/30/15</u>	<u>Bank Balance</u> <u>9/30/15</u>
Broadway National Bank	\$ 51,917	\$ 60,595
<u>INVESTMENTS</u>		
Broadway National Bank	25,762	25,762
Broadway National Bank	501,532	501,532
Crockett National Bank	221,839	221,839
Pioneer Bank	200,066	200,066
	<u>\$ 949,199</u>	<u>\$ 949,199</u>

B. CAPITAL ASSETS

The City had the following changes in general fixed assets for the year ended September 30, 2015:

	<u>Balance</u> <u>10/1/14</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>9/30/15</u>
Governmental Activities:				
Land	\$ 37,850	\$ -	\$ -	\$ 37,850
Buildings and Improvements	253,834	20,894	-	\$ 274,728
Machinery and Equipment	26,927	-	-	\$ 26,927
Totals at Historical Cost	<u>\$318,611</u>	<u>\$ 20,894</u>	<u>\$ -</u>	<u>\$ 339,505</u>
Less Accumulated Depreciation	<u>(178,558)</u>	<u>(16,814)</u>	<u>-</u>	<u>\$ (195,372)</u>
Governmental Activities				
Capital Assets, Net	<u>\$140,053</u>	<u>\$ 4,080</u>	<u>\$ -</u>	<u>\$ 144,133</u>

CITY OF WOODCREEK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

CAPITAL LEASE

The remaining balance at September 30, 2015 for the capital lease is \$0.

C. PENSION PLAN

h) Pensions

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's Total Pension Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions.

i) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Pension contributions after measurement date – these contributions are deferred and recognized in the following fiscal year.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five year period.
- Difference in expected and actual pension experience – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statements element, deferred inflows or resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, this item is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and municipal court fines. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net Position

Net position represents the difference between assets, deferred inflows/outflows of resources and liabilities. Net position investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by

CITY OF WOODCREEK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Plan Description

The City provides pension benefits for all of its eligible employees through a non-traditional, joint contributory, hybrid-defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the city are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits, and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

Pension Plan

The City of Woodcreek participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual report (CAFR) that can be obtained at www.tmr.com. All eligible employees of the city are required to participate in TMRS.

B. Benefits Provided

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

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

CITY OF WOODCREEK, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

Employees covered by benefit terms.

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms.

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	2
Active employees	<u>3</u>
Total	7

C. Contributions

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

Employees for the City of Woodcreek were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of Woodcreek were 5% and 5% in calendar years 2014 and 2015 respectively. The city's contributions to TMRS for the year ended September 30, 2015 were \$3,089 in the General Fund and were in excess of the required contributions.

D. Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation 3.0% per year

Overall payroll growth 3.0% per year

Investment Rate of Return 7.0% net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB o account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

CITY OF WOODCREEK, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset class	Target allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	5.0%	8.50%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

CITY OF WOODCREEK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

City of Woodcreek		
Schedule of Changes in Net Pension Liability and Related Ratios Current Period		
September 30, 2015		
A.	Total pension liability	
	1. Service Cost	\$ 5,994
	2. Interest (on the Total Pension Liability)	5,516
	3. Changes of benefit terms	-
	4. Difference between expected and actual experience	2,304
	5. Changes of assumptions	-
	6. Benefit payments, including refunds of employee contributions	(6,104)
	7. Net change in total pension liability	\$ 7,710
	8. Total pension liability - beginning	78,850
	9. Total pension liability - ending	<u>\$ 86,560</u>
B.	Plan fiduciary net position	
	1. Contributions - employer	\$ 1,547
	2. Contributions - employee	4,225
	3. Net investment income	5,019
	4. Benefit payments, including refunds of employee contributions	(6,104)
	5. Administrative Expense	(52)
	6. Other	(4)
	7. Net change in plan fiduciary net position	\$ 4,631
	8. Plan fiduciary net position - beginning	87,749
	9. Plan fiduciary net position - ending	<u>\$ 92,380</u>
C.	Net pension liability [A.9-B.9]	<u>\$ (5,820)</u>
D.	Plan fiduciary net position as a percentage of the total pension liability [B.9 / A.9]	106.72%
E.	Covered-employee payroll	\$ 84,492
F.	Net pension liability as a percentage of covered employee payroll [C / E]	-6.89%

CITY OF WOODCREEK, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

CITY OF WOODCREEK		
SCHEDULE OF PENSION EXPENSE		
SEPTEMBER 30, 2015		
1.	Total Service Cost	\$ 5,994
2.	Interest on the Total Pension Liability	5,516
3.	Current Period Benefit Changes	-
4.	Employee Contributions (Reduction of Expense)	(4,225)
5.	Projected Earnings on Plan Investments (Reduction of Expense)	(6,142)
6.	Administrative Expense	52
7.	Other Changes in Fiduciary Net Position	4
8.	Recognition of Current Year Outflow (Inflow) of Resources - Liabilities	1,326
9.	Recognition of Current Year Outflow (Inflow) of Resources - Assets	225
10.	Amortization of Prior Year Outflows (Inflows) of Resources - Liabilities	-
11.	Amortization of Prior Year Outflows (Inflows) of Resources - Assets	-
12.	Total Pension Expense	\$ 2,750

Sensitivity of the net pension liability to changes in the discount rate.

The following presents the net pension liability of the City, calculated using the discount rate of 7.0%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0%) or 1 percentage point higher (8.0%) than the current rate:

	1% Decrease in Discount Rate (6.0%)	Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
City's net pension liability	\$1,753	\$(5,820)	\$(12,362)

Pension Plan Fiduciary Net Position

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

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

CITY OF WOODCREEK, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

CITY OF WOODCREEK				
SCHEDULE OF OUTFLOWS AND INFLOWS - CURRENT AND FUTURE EXPENSE				
SEPTEMBER 30, 2015				
	Recognition		2014	
	Period (or	Total (Inflow)	Recognized	Deferred
	amortization	or Outflow of	in current	(Inflow) Outflow
	yrs)	Resources	pension expense	in future expense
Due to Liabilities:				
Difference in expected and actual experience [actuarial (gains) or losses]	1.7376	\$ 2,304	\$ 1,326	\$ 978
Difference in assumption changes [actuarial (gains) or losses]	1.7376	\$ -	\$ -	\$ -
			<u>\$ 1,326</u>	<u>\$ 978</u>
Due to Assets:				
Difference in projected and actual earnings on pension plan investments [actuarial (gains) or losses]	5.0000	\$ 1,123	\$ 225	\$ 898
			<u>\$ 225</u>	<u>\$ 898</u>
Total:				<u>\$ 1,876</u>
Deferred Outflows and Deferred Inflows of Resources, by year, to be recognized in future pension expense as follows:				
	Net deferred			
	outflows			
	(inflows) of			
	resources			
2015	\$ 1,203			
2016	225			
2017	225			
2018	223			
2019	-			
Thereafter	-			
Total	\$ 1,876			

CITY OF WOODCREEK, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

SUPPLEMENTAL DEATH BENEFITS PLAN

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

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

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

The City’s contributions to the TMRS SDBF for the years ended 2015, 2014, and 2013 were \$500, \$500, and \$500 respectively, which equaled the required contributions each year.

TMRS records indicate the following percentages contributed by the City (as employer contributions) for the following fiscal years ending:

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2012	0.00%	0.00%	100%
2013	0.00%	0.00%	100%
2014	0.03%	0.03%	100%
2015	0.07%	(city to provide)	(city to provide)
2016	0.07%	(city to provide)	(city to provide)

CITY OF WOODCREEK, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

III. OTHER INFORMATION

A. RISK MANAGEMENT

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

B. FUND BASIS GOVERNMENTAL EXPENDITURES BY NATURAL CATEGORY

The Statement of Revenues, Expenditures, and Changes in Fund Balance (Exhibit C-3) presents in summary the total amount of expenditures for the general government function. Shown below is a detail of the make-up of those expenditures by natural category.

Natural Category	Expenditure Amount
Salaries and wages	\$ 85,643
Benefits	3,089
Contract services	75,704
Utilities	2,588
Repairs and maintenance	54,148
Insurance	2,618
Supplies	3,131
Advertising	5,638
Printing	1,165
Other operating costs	101,318
Total governmental expenditures	\$ 335,042

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WOODCREEK, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final	Amounts (GAAP Basis)	
REVENUES				
Taxes:				
Property Taxes	\$ 190,000	\$ 194,680	\$ 196,739	\$ 2,059
General Sales and Use Taxes	50,000	35,000	36,862	\$ 1,862
Hotel Motel and Mixed Beverage Tax	400	898	897	\$ (1)
Franchise Tax	144,500	154,644	155,170	\$ 526
Licenses and Permits	-	5,145	5,145	\$ -
Investment Earnings	800	2,100	2,236	\$ 136
Development Revenue	5,000	26,759	27,569	\$ 810
Municipal Court Revenue	1,000	1,587	530	\$ (1,057)
Other Revenue	1,000	645	1,997	\$ 1,352
Total Revenues	392,700	421,458	427,145	5,687
EXPENDITURES				
Current:				
Personnel Services	95,600	96,541	96,888	(347)
Supplies	-	-	162	(162)
Professional Services	41,500	62,433	75,704	(13,271)
Area Care/Maintenance	165,910	101,527	69,768	31,759
Office expenses	18,100	18,100	6,204	11,896
Other Operating expense	17,550	14,412	74,795	(60,383)
Municipal Court Costs	36,940	37,454	\$ 7,645	29,809
Utilities	10,000	10,000	2,588	7,412
Insurance	2,500	2,618	2,618	-
Total Expenditures	388,100	343,085	336,372	6,713
Excess of Revenues Over Expenditures	4,600	78,373	90,773	12,400
Net Change in Fund Balances	4,600	78,373	90,773	12,400
Fund Balance - October 1 (Beginning)	960,980	960,980	960,980	-
Fund Balance - September 30 (Ending)	\$ 965,580	\$ 1,039,353	\$ 1,051,753	\$ 12,400

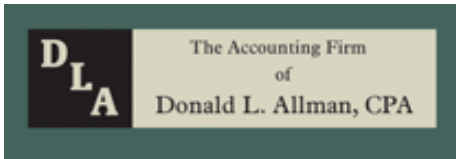
The notes to the Financial Statements are an integral part of this statement.

City of Woodcreek				
Schedule of Changes in Net Pension Liability and Related Ratios				
Last ten years (will ultimately be displayed)				
	2014	2015	2016	2017
Total pension liability				
1. Service Cost	\$ 5,994	xxxx	xxxx	xxxx
2. Interest (on the Total Pension Liability)	5,516	xxxx	xxxx	xxxx
3. Changes of benefit terms	-			
4. Difference between expected and actual experience	2,304	xxxx	xxxx	xxxx
5. Changes of assumptions	-			
6. Benefit payments, including refunds of employee contributions	(6,104)	xxxx	xxxx	xxxx
7. Net change in total pension liability	\$ 7,710	xxxx	xxxx	xxxx
8. Total pension liability - beginning	78,850	xxxx	xxxx	xxxx
9. Total pension liability - ending	\$ 86,560	xxxx	xxxx	xxxx
Plan fiduciary net position				
1. Contributions - employer	\$ 1,547	xxxx	xxxx	xxxx
2. Contributions - employee	4,225	xxxx	xxxx	xxxx
3. Net investment income	5,019	xxxx	xxxx	xxxx
4. Benefit payments, including refunds of employee contributions	(6,104)	xxxx	xxxx	xxxx
5. Administrative Expense	(52)	xxxx	xxxx	xxxx
6. Other	(4)	xxxx	xxxx	xxxx
7. Net change in plan fiduciary net position	\$ 4,631	xxxx	xxxx	xxxx
8. Plan fiduciary net position - beginning	87,749	xxxx	xxxx	xxxx
9. Plan fiduciary net position - ending	\$ 92,380	xxxx	xxxx	xxxx
Net pension liability [A.9-B.9]	\$ (5,820)	xxxx	xxxx	xxxx
Plan fiduciary net position as a percentage of the total pension liability [B.9 / A.9]	106.72%	xxxx	xxx	xxx
Covered-employee payroll	\$ 84,492	xxxx	xxx	xxx
Net pension liability as a percentage of covered employee payroll [C / E]	-6.89%	xxxx	xxxx	xxx

City of Woodcreek
Schedule of Contributions
Last 10 Fiscal Years (will ultimately be displayed)
September 30, 2015

	2014	2015	2016	2017
Actually Determined Contribution	\$ 86,560	xxx,xxx	\$xxx,xxx	\$xxx,xxx
Contributions in relation to the actuarially determined contribution	92,380	xxx,xxx	xxx,xxx	xxx,xxx
	-		xxx,xxx	xxx,xxx
Contribution deficiency (excess)	(5,820)	xxx,xxx	xxx,xxx	xxx,xxx
Covered employee payroll	\$ 84,492	xxx,xxx	\$xxx,xxx	\$xxx,xxx
Contributions as a percentage of covered employee payroll	-6.89%	xx.xx%	xx.xx%	xx.xx%
Noes to Schedule of Contributions				
Valuation Date determined	12/31/2014			
Notes				
Valuation Date:				
Notes	effective in January 13 months later.			
Methods and Assumptions Used to Determine Contribution Rates:				
Actuarial Cost Method	Entry Age Normal			
Amortization Method	Level Percentage of Payroll, Closed			
Remaining Amortization Period	25 Years			
Asset Valuation Method	10 Year Smoothed Market 15% Soft Corridor			
Inflation	3.0%			
Salary Increases	3.50% to 12.00% Including Inflation			
Investment Rate of Return	7.00%			
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005-2009			
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB			
Other Information:				
Notes	There were no benefit changes during the year.			

OTHER INFORMATION REQUIRED BY GAO



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

Independent Auditor's Report

Honorable Mayor and City Council
City of Woodcreek, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Woodcreek, Texas, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise City of Woodcreek, Texas' basic financial statements, and have issued our report thereon dated April 29, 2016.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

Donald. L. Allman, CPA, PC
Georgetown, TX

April 29, 2016

