

CITY OF WOODCREEK, TEXAS

AUDITED BASIC FINANCIAL STATEMENTS

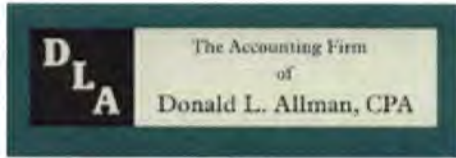
AND SUPPLEMENTAL SCHEDULES

AND INDEPENDENT AUDITOR'S REPORT

**For the Year Ended
September 30, 2014**

TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page</u>
	Independent Auditors' Report	1-2
	Management's Discussion and Analysis	3
 <u>Basic Financial Statements</u>		
Government Wide Statements:		
A-1	Statement of Net Assets	9
B-1	Statement of Activities	10
 Governmental Fund Financial Statements:		
C-1	Balance Sheet	11
C-2	Reconciliation for C-1	12
C-3	Statement of Revenues, Expenditures and Changes in Fund Balance	13
C-4	Reconciliation for C-3	14
	Notes to the Financial Statements	15
 <u>Required Supplementary Information</u>		
	Schedule of Funding Progress	25
	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – General Fund	26
 <u>Other Information Required by GAO</u>		
	Report on Compliance and Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	27
	Schedule of Findings and Questioned Costs	29



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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

Report on the Financial Statements

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, 2014, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Woodcreek, Texas, as of September 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress and budgetary comparison information on pages 3–8 and 16-18 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 nonmajor 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 nonmajor 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 nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2015, 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 City of Woodcreek, Texas' internal control over financial reporting and compliance.



Donald L Allman, CPA, PC

Georgetown, Texas

March 31, 2015

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, 2014. 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, 2014, the General Fund of the City of Woodcreek reported a fund balance increase of \$164,932, to end at \$960,980. All activities of the City are accounted for in the General Fund with the exception of the Hotel-Motel Occupancy Tax Fund, which is a Special Revenue Fund.
- The Government-Wide financial statements for the City of Woodcreek ended fiscal year 2014 with a fund balance of \$1,101,033, an increase of \$147,235.
- The total revenues of the City of Woodcreek's programs, was \$480,805 a \$70,674 decrease over the prior year. Total expenses of the City of Woodcreek were \$333,570, a \$160,925 decrease over the prior year.

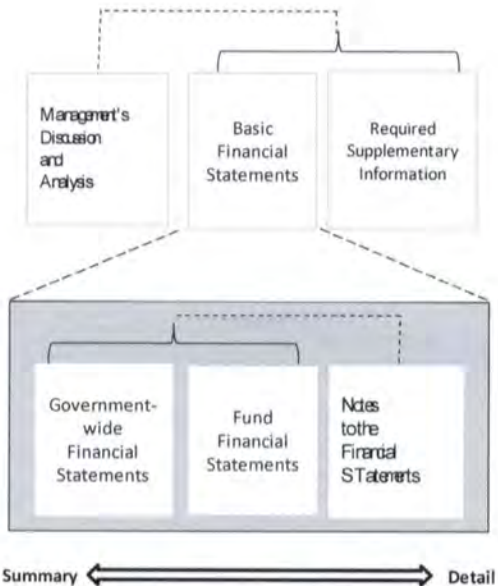
OVERVIEW OF THE FINANCIAL STATEMENTS

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.

2

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 I – 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 2014	Governmental Activities 2013	Change
Assets			
Current and Other Assets	\$ 999,223	\$ 834,315	\$ 164,908
Capital Assets, net	\$ 140,053	\$ 157,750	\$ (17,697)
Total Assets	<u>\$ 1,139,276</u>	<u>\$ 992,065</u>	<u>\$ 147,211</u>
Liabilities			
Current Liabilities	\$ 38,243	\$ 38,267	\$ (24)
Non-Current Liabilities	\$ -	\$ -	\$ -
Total Liabilities	<u>\$ 38,243</u>	<u>\$ 38,267</u>	<u>\$ (24)</u>
Net Assets			
Invested in Capital Assets, Net of Debt	\$ 140,053	\$ 157,750	\$ (17,697)
Unrestricted	\$ 960,980	\$ 796,048	\$ 164,932
Total Net Assets	<u>\$ 1,101,033</u>	<u>\$ 953,798</u>	<u>\$ 147,235</u>

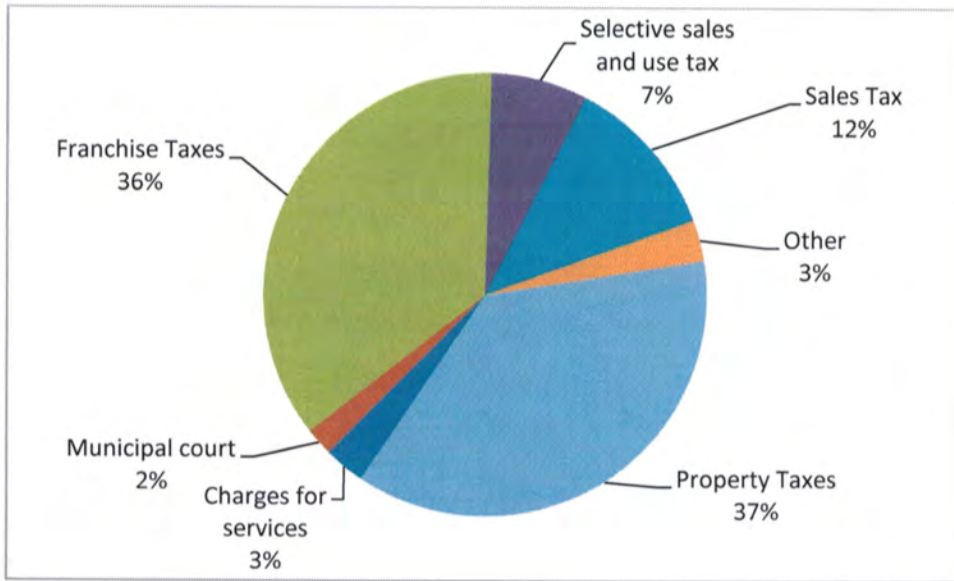
Table II
Change in Net Assets

	Governmental Activities 2014	Governmental Activities 2013	Change
Revenues			
Program Revenues:			
Charges for services	\$ 22,685	\$ 7,635	\$ 15,050
General Revenues:			
Property tax	\$ 188,008	\$ 190,889	\$ (2,881)
Sales Tax	\$ 80,255	\$ 40,770	\$ 39,485
Hotel Motel & Mixed Bev. Tax	\$ 26,654	\$ 47,357	\$ (20,703)
Franchise taxes	\$ 145,982	\$ 227,515	\$ (81,533)
Investment Earnings	\$ 743	\$ 1,002	\$ (259)
Municipal Court income	\$ 1,826	\$ 15,479	\$ (13,653)
Other	\$ 14,652	\$ 20,832	\$ (6,180)
Total Revenues	<u>\$ 480,805</u>	<u>\$ 551,479</u>	<u>\$ (70,674)</u>
Expenses			
General government	\$ 79,015	\$ 68,636	\$ 10,379
Hotel Motel expenses	\$ 28,481	\$ 43,510	\$ (15,029)
Contracted services	\$ 44,948	\$ 89,671	\$ (44,723)
Municipal Court expenses	\$ 35,589	\$ 10,752	\$ 24,837
Public works and maintenance	\$ 55,083	\$ 203,861.00	\$ (148,778)
Salaries & payroll taxes	\$ 90,454	\$ 78,065	\$ 12,389
Total Expenses	<u>\$ 333,570</u>	<u>\$ 494,495</u>	<u>\$ (160,925)</u>
Change in net assets	\$ 147,235	\$ 56,984	\$ 90,251
Beginning net assets	<u>\$ 953,798</u>	<u>\$ 896,814</u>	<u>\$ 56,984</u>
	<u>\$ 1,101,033</u>	<u>\$ 953,798</u>	<u>\$ 147,235</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 2013-2014. The remaining revenues were derived from investment income, user fees, and miscellaneous sources. The City of Woodcreek's Fiscal Year 2013-2014 property tax rate was \$.1305 per \$100 property valuation.

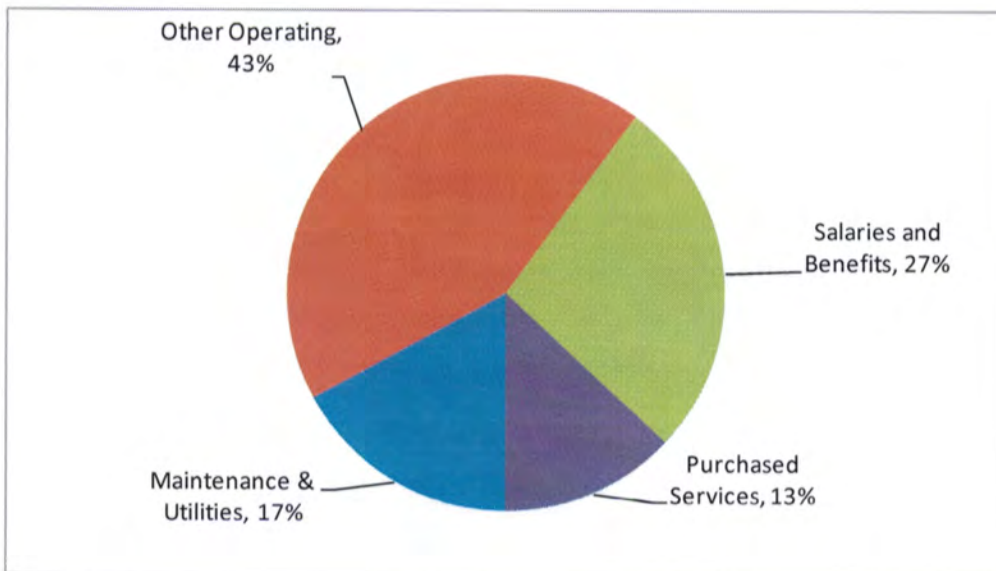
FY 2013-2014 Revenue



Program Expenses

The City of Woodcreek's expenses for Fiscal Year 2013-2014 totaled \$494,495 and are all considered expenses for general government operations. The percentage distribution by natural expense classification is illustrated in the table below.

FY 2013-2014 Expenses



CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of Fiscal Year 2013-2014, the City of Woodcreek had invested \$140,053 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 2014	Governmental Activities 2013	Change
Land	\$ 37,850	\$ 37,850	\$ -
Buildings and improvements	\$ 253,834	\$ 253,834	\$ -
Furniture and Equipment	\$ 26,927	\$ 25,327	\$ 1,600
Totals	<u>\$ 318,611</u>	<u>\$ 317,011</u>	<u>\$ 1,600</u>
Less Accumulated depreciation	\$ (178,558)	\$ (159,261)	\$ (19,297)
Capital assets, net of depreciation	<u>\$ 140,053</u>	<u>\$ 157,750</u>	<u>\$ (17,697)</u>

Long-Term Debt

The City of Woodcreek had no other outstanding long-term debt as of September 30, 2014.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Woodcreek has adopted a General Fund expenditure budget for FY 2014-2015 totaling \$392,700 in revenues and \$388,100 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 Woodcreeks' City Manager, John Sone, @ 512-847-9390.

GOVERNMENT-WIDE STATEMENTS

CITY OF WOODCREEK, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2014

	Primary Government Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 173,987
Investments - Current	725,731
Receivables (net of allowance for uncollectibles)	99,505
Capital Assets:	
Land	37,850
Infrastructure, net	11,901
Buildings, net	83,325
Machinery and Equipment, net	6,977
Total Assets	\$ 1,139,276
LIABILITIES	
Accounts Payable	\$ 6,615
Deferred Revenue	\$ 16,948
Accrued Liabilities	\$ 5,419
Sales tax overpayment	\$ 9,261
Noncurrent Liabilities:	
Due Within One Year	-
Due in More Than One Year	-
Total Liabilities	38,243
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	140,053
Unrestricted Net Assets	960,980
Total Net Assets	\$ 1,101,033

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, 2014

		Program Revenues		Net (Expense) Rev & Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government Governmental Activities
Primary Government				
GOVERNMENTAL ACTIVITIES:				
General Government	\$ 333,570	\$ 22,685	\$ -	\$ (310,885)
TOTAL PRIMARY GOVERNMENT:	\$ 333,570	\$ 22,685	\$ -	\$ (310,885)
General Revenues:				
Taxes:				
Property Taxes				188,008
Sales Taxes				80,255
Hotel Occupancy Taxes				26,654
Franchise Taxes				145,982
Municipal Court income				1,826
Miscellaneous Revenues				14,652
Investment Earnings				743
Total General Revenues				458,120
Change in Net Assets				147,235
Net Assets - Beginning				953,798
Net Assets - Ending				\$ 1,101,033

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, 2014

	General Fund	Hotel Tax Fund	Total Govern- mental Fund
ASSETS			
Cash and Cash Equivalents	\$155,895	\$ 18,092	\$ 173,987
Investments - Current	725,731		725,731
Accounts Receivable	99,969		99,969
Allowance for Uncollectible Taxes (credit)	(464)		(464)
Total Assets	<u>\$981,131</u>	<u>\$ 18,092</u>	<u>\$ 999,223</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 6,615	-	\$ 6,615
Wages and Salaries Payable	5,419		5,419
Sales tax overpayment	9,261		9,261
Deferred Revenues	16,948		16,948
Total Liabilities	<u>\$ 38,243</u>	<u>-</u>	<u>38,243</u>
Fund Balances:			
Assigned for Street Repair	\$ 80,000	-	\$ 80,000
Assigned for Hotel Tax Fund		18,092	18,092
Unassigned Fund Balance	862,888	-	862,888
Total Fund Balances	<u>942,888</u>	<u>18,092</u>	<u>960,980</u>
Total Liabilities and Fund Balances	<u>\$981,131</u>	<u>18,092</u>	<u>999,223</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, 2014

Total Fund Balances - Governmental Funds \$ 960,980

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 \$318,611 for capital assets and \$178,558 for accumulated depreciation to the Statement of Net Assets was an increase in net assets. 140,053

Net Assets of Governmental Activities \$ 1,101,033

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, 2014

	General Fund	Hotel Tax Fund	Total Govern- mental Fund
REVENUES			
Taxes:			
Property Taxes	\$188,008		\$ 188,008
General Sales and use Taxes	80,255		80,255
Hotel Occupancy Taxes	-	19,300	19,300
Franchise Tax	145,982		145,982
Licenses and Permits	7,635		7,635
Municipal Court Revenues	1,826		1,826
Investment Earnings	725	18	743
Other Revenue	37,337		37,337
Total Revenues	<u>461,768</u>	<u>19,318</u>	<u>481,086</u>
EXPENDITURES			
Current;			
General Government	287,673	28,481	316,154
Total Expenditures	<u>287,673</u>	<u>28,481</u>	<u>316,154</u>
Excess of Revenues Over Expenditures	<u>174,095</u>	<u>(9,163)</u>	<u>164,932</u>
Net Change in Fund Balances	174,095	(9,163)	164,932
Transfers	3,145	(3,145)	-
Fund Balance - October 1 (Beginning)	765,648	30,400	796,048
Fund Balance - September 30 (Ending)	<u>\$942,888</u>	<u>18,092</u>	<u>\$ 960,980</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, 2014

Total Net Change in Fund Balances - Governmental Funds	\$	164,932
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.		1,600
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.		(19,297)
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>147,235</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, 2014

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. For the year ended September 30, 2012, the City of Woodcreek conducted all operations from its General Fund.

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, 2014

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.

Hotel-Motel Occupancy Tax Fund – The Hotel-Motel Tax Occupancy Tax Fund is a special revenue fund that accounts for all revenues and expenses relating to the hotel-motel businesses in the City of Woodcreek.

D. BUDGETARY DATA

General Budget Policies

The City follows these procedures in establishing the budgetary data reflected in the financial statements. The City Administrator 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 Administrator shall be deemed to have been finally adopted by the Council. The City Administrator 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, 2014

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:

<u>Assets</u>	<u>Years</u>
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, 2014

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, 2013 levy was based upon 100 percent of the assessed market value of \$144,067,432. 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, 2013 levy was \$.1305 per \$100 valuation. The adjusted total levy was \$188,008.

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 20, 2014 for the 2013 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, 2014

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 “AAAm”.
- 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, 2014

Listing of Deposits and Investments

As of September 30, 2014, the government had the following cash and investments:

DEPOSITS	Book Balance 9/30/14	Bank Balance 9/30/14
Broadway National Bank	\$ 173,987	\$ 175,670
INVESTMENTS		
Texas CLASS	\$ 725,731	\$ 725,731

B. CAPITAL ASSETS

The City had the following changes in general fixed assets for the year ended September 30, 2014:

	Balance 10/1/13	Additions	Retirements	Balance 9/30/14
Governmental Activities:				
Land	\$ 37,850	\$ -	\$ -	\$ 37,850
Buildings and Improvements	253,834	-	-	\$ 253,834
Machinery and Equipment	25,327	1,600	-	\$ 26,927
Totals at Historical Cost	\$317,011	\$ 1,600	\$ -	\$ 318,611
Less Accumulated Depreciation	(159,261)	(19,297)	-	\$ (178,558)
Governmental Activities				
Capital Assets, Net	\$157,750	\$ (17,697)	\$ -	\$ 140,053

CITY OF WOODCREEK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

CAPITAL LEASE

The remaining balance at September 30, 2014 for the capital lease is \$0.

C. PENSION PLAN

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:

CITY OF WOODCREEK, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Plan Year 2013	Plan Year 2014
Employee Deposit rate	5.00%	5.00%
Matching ratio (city to employee)	1 to 1	1 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/year of service)	60/5, 0/25	60/5, 0/25
Updated Service Credit	0%	0%
Annuity Increase (to retirees)	0% of CPI	0% of CPI

Contribution

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contributions rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

CITY OF WOODCREEK, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. For fiscal year 2013/2014, the required contribution rate was 3.69%.

The required contribution rates for fiscal year 2014 were determined as part of the December 31, 2012 and 2013 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2013, also follows:

Valuation Date	12/31/2011	12/31/2012	12/31/2013
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining Amortization Period	24.9 years; closed period	25.1 years; closed period	25 years; closed period
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return*	7.0%	7.0%	7.0%
Projected Salary Increase	Varies by age and service	Varies by age and service	Varies by age and service
*Includes Inflation at	3.0%	3.0%	3.0%
Cost-of-living Adjustments	0.0%	0.0%	0.0%

CITY OF WOODCREEK, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

The funded status as of December 31, 2013, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UALL as of Percentage of Covered Payroll
	(1)	(2)	(3)	(4)	(5)	(6)
			(1)/(2)	(2)-(1)		(4)/(5)
12/31/2013	\$ 82,706	\$ 78,850	104.9%	\$ (3,856)	\$ 69,536	-5.5%

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

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	\$ 79,661
Benefits	1,867
Contract services	44,948
Utilities	5,664
Repairs and maintenance	55,083
Insurance	2,398
Supplies	4,083
Advertising	18,995
Printing	2,544
Other operating costs	100,911
Total governmental expenditures	\$ 316,154

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WOODCREEK, TEXAS
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

SCHEDULE OF FUNDING PROGRESS
(unaudited)

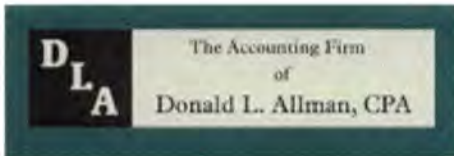
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UALL as of Percentage of Covered Payroll
	(1)	(2)	(3)	(4)	(5)	(6)
			(1) / (2)	(2) - (1)		(4) / (5)
12/31/2009	\$ 50,492	\$ 46,985	107.5%	\$ (3,507)	\$33,392	-10.5%
12/31/2010	\$ 60,817	\$ 53,451	113.8%	\$ (7,366)	\$63,274	-11.6%
12/31/2011	\$ 71,123	\$ 61,944	114.8%	\$ (9,179)	\$62,664	-14.6%
12/31/2012	\$ 77,591	\$ 63,998	121.2%	\$ (13,593)	\$75,803	-17.9%
12/31/2013	\$ 82,706	\$ 78,850	104.9%	\$ (3,856)	\$69,536	-5.5%

CITY OF WOODCREEK, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final	Amounts (GAAP Basis)	
REVENUES				
Taxes:				
Property Taxes	\$ 178,000	\$ 189,228	\$ 188,008	\$ (1,220)
General Sales and Use Taxes	37,000	76,895	80,255	\$ 3,360
Hotel Motel and Mixed Beverage Tax	200	496	19,300	\$ 18,804
Franchise Tax	136,500	147,604	145,982	\$ (1,622)
Licenses and Permits	1,000	8,696	7,635	\$ (1,061)
Investment Earnings	800	800	743	\$ (57)
Development Revenue	4,500	14,935	-	\$ (14,935)
Municipal Court Revenue	5,000	1,900	1,826	\$ (74)
Other Revenue	2,000	450	37,337	\$ 36,887
Total Revenues	365,000	441,004	481,086	40,082
EXPENDITURES				
Current:				
Personnel Services	88,100	91,963	90,454	1,509
Supplies	5,672	-	4,083	(4,083)
Professional Services	46,800	49,900	44,948	4,952
Area Care/Maintenance	141,448	94,700	55,083	39,617
Office expenses	14,250	18,312	10,129	8,183
Other Operating expense	16,400	22,529	67,806	(45,277)
Municipal Court Costs	45,640	52,980	\$ 35,589	17,391
Utilities	10,000	11,000	5,664	5,336
Insurance	2,362	2,362	2,398	(36)
Total Expenditures	370,672	343,746	316,154	27,592
Excess of Revenues Over Expenditures	(5,672)	97,258	164,932	67,674
Net Change in Fund Balances	(5,672)	97,258	164,932	67,674
Fund Balance - October 1 (Beginning)	796,048	796,048	796,048	-
Fund Balance - September 30 (Ending)	\$ 790,376	\$ 893,306	\$ 960,980	\$ 67,674

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

OTHER INFORMATION REQUIRED BY GAO



Donald L. Allman, CPA, PC
205 E. University Ave., Ste.165
Georgetown, Texas 78626
Phone: 512-422-3700

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, 2014, 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 March 31, 2015.

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

March 31, 2015