

**CITY OF WOODCREEK, TEXAS**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED  
SEPTEMBER 30, 2012**

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UNQUALIFIED OPINION ON BASIC FINANCIAL STATEMENTS  
ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION

**Independent Auditor's Report**

Honorable Mayor and City Council  
City of Woodcreek

We have audited the accompanying financial statements of the governmental activities and the General Fund of the City of Woodcreek, Texas (the City) as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of the City of Woodcreek, Texas, as of September 30, 2012 for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis on pages 2-6 of this report is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2013, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Singleton, Clark & Company, PC  
Austin, Texas

March 26, 2013

# 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, 2012. 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, 2012, the General Fund of the City of Woodcreek reported a fund balance increase of \$101,908, to end at \$715,962. All activities of the City are accounted for in the General Fund.
- The total cost of the City of Woodcreek's programs, including depreciation on its assets, was \$351,628. Total net assets of the City increased by \$92,108 for the year, to end at \$896,814.

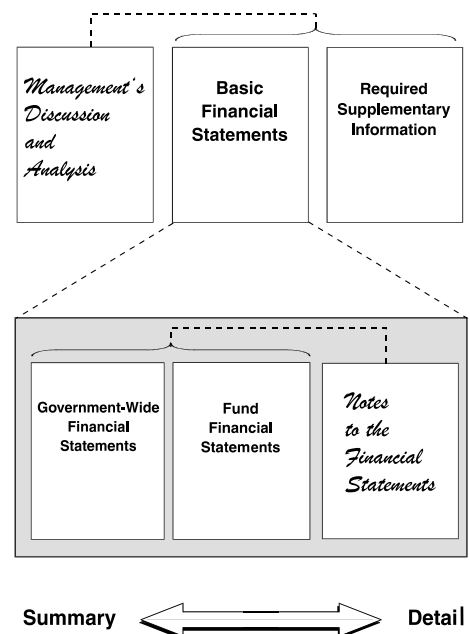
### OVERVIEW OF THE FINANCIAL STATEMENTS

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.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

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



## **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 difference between the City's assets and liabilities – is one way to measure the City's financial health or position. Over time, increases or decreases in the City 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 expenditures were significantly less than budgeted expenditures for the year. The primary reason for actual expenditures differing from budgeted expenditures was less than anticipated for contracted services during the year.

## 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 2012	Governmental Activities 2011	Change
<b>Assets</b>			
Current and Other Assets	\$ 734,521	\$ 636,942	\$ 97,579
Capital Assets, net	176,909	188,064	(11,155)
Total Assets	\$ 911,430	\$ 825,006	\$ 86,424
<b>Liabilities</b>			
Current Liabilities	\$ 12,385	\$ 16,607	\$ (4,222)
Non-Current Liabilities	2,231	3,693	(1,462)
Total Liabilities	14,616	20,300	(5,684)
<b>Net Assets</b>			
Invested in Capital Assets, Net of Debt	174,678	184,371	(9,693)
Unrestricted	722,136	620,335	101,801
Total Net Assets	\$ 896,814	\$ 804,706	\$ 92,108

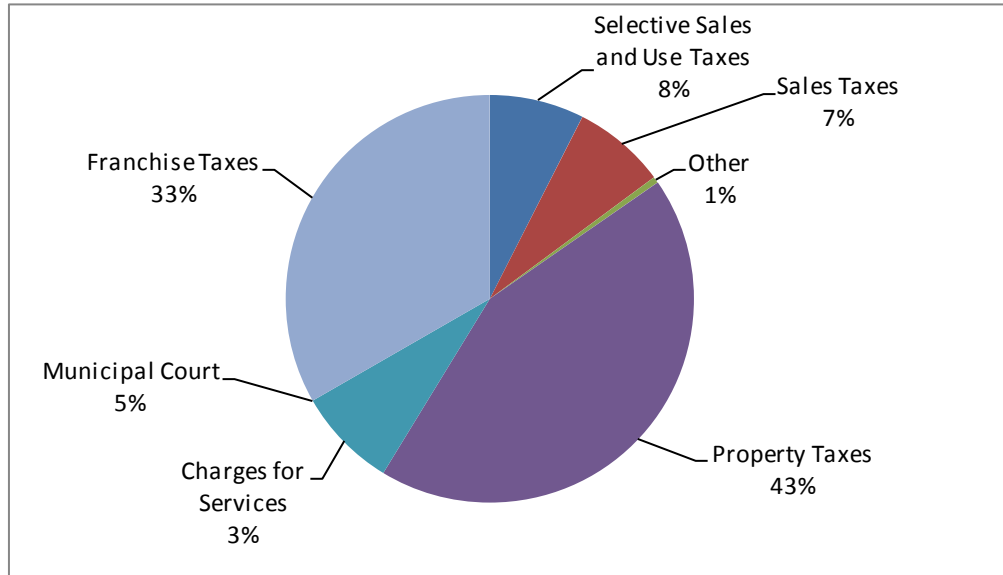
**Table II**  
**Changes in Net Assets**

	Governmental Activities 2012	Governmental Activities 2011	Change
<b>Revenues</b>			
Program Revenues:			
Charges for services	\$ 35,295	\$ 7,780	\$ 27,515
General Revenues:			
Property tax	192,569	189,764	2,805
Sales tax	32,671	34,271	(1,600)
Selective sales and use tax	33,220	35,145	(1,925)
Franchise taxes	147,830	138,443	9,387
Investment earnings	1,064	725	339
Other	1,087	450	637
Total Revenues	443,736	406,578	37,158
<b>Expenses</b>			
General government	351,628	273,230	78,398
Total Expenses	351,628	273,230	78,398
Change in net assets	92,108	133,348	(41,240)
Beginning net assets	804,706	671,358	133,348
Ending Net Assets	\$ 896,814	\$ 804,706	\$ 92,108

## Governmental Activities

The City of Woodcreek's revenue stream is supported primarily by property taxes, hotel occupancy taxes, franchise taxes, sales taxes and municipal court revenues. These five sources represent approximately 96% of overall revenue for Fiscal Year 2011-2012. The remaining revenues were derived from investment income, user fees, and miscellaneous sources. The City of Woodcreek's Fiscal Year 2011-2012 property tax rate was \$.1305 per \$100 property valuation.

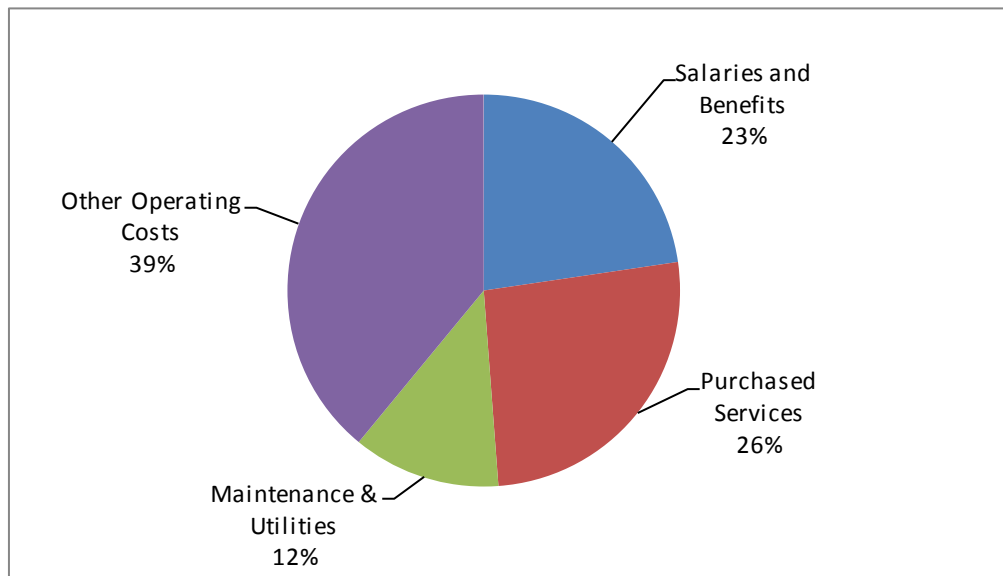
**FY 2011-2012 Revenue**



## Program Expenses

The City of Woodcreek's expenses for Fiscal Year 2011-2012 totaled \$351,628 and are all considered expenses for general government operations. The percentage distribution by natural expense classification is illustrated in the table below.

**FY 2011-2012 Expenses**



## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of Fiscal Year 2011-2012, the City of Woodcreek had invested \$176,909 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 2012	Governmental Activities 2011	Change
Land	\$ 37,850	\$ 37,850	\$ -
Buildings and improvements	253,834	253,834	-
Furniture and equipment	23,751	15,248	8,503
Totals	315,435	306,932	8,503
Less accumulated depreciation	(138,526)	(118,868)	(19,658)
Capital assets, net of depreciation	\$ 176,909	\$ 188,064	\$ (11,155)

### Long-Term Debt

The City of Woodcreek entered into a lease agreement in April 2009 for a copier. The total amount of the lease outstanding at September 30, 2012 is \$2,231 which will be paid off in two years. The City had no other outstanding long-term debt as of September 30, 2012.

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

The City of Woodcreek has adopted a General Fund expenditure budget for FY2011-2012 totaling \$381,000 and a property tax rate of \$.1405 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, John Sone, @ 512-847-9390.



**GOVERNMENT-WIDE STATEMENTS**

CITY OF WOODCREEK, TEXAS  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2012

	Primary Government Governmental Activities
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 204,267
Investments - Current	524,079
Receivables (net of allowance for uncollectibles)	6,175
Capital Assets:	
Land	37,850
Infrastructure, net	40,756
Buildings, net	89,212
Machinery and Equipment, net	9,091
Total Assets	\$ 911,430
<b>LIABILITIES</b>	
Accounts Payable	\$ 12,385
Noncurrent Liabilities:	
Due Within One Year	1,485
Due in More Than One Year	746
Total Liabilities	14,616
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	174,678
Unrestricted Net Assets	722,136
Total Net Assets	\$ 896,814

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, 2012

		Program Revenues		Net (Expense) Rev & Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Governmental Activities
<b>Primary Government</b>				
GOVERNMENTAL ACTIVITIES:				
General Government	\$ 351,628	\$ 35,295	\$ -	\$ (316,333)
<b>TOTAL PRIMARY GOVERNMENT:</b>	<b>\$ 351,628</b>	<b>\$ 35,295</b>	<b>\$ -</b>	<b>(316,333)</b>
General Revenues:				
Taxes:				
Property Taxes				192,569
Sales Taxes				32,671
Hotel Occupancy Taxes				33,220
Franchise Taxes				147,830
Miscellaneous Revenues				1,087
Investment Earnings				1,064
Total General Revenues				408,441
Change in Net Assets				92,108
Net Assets - Beginning				804,706
Net Assets - Ending				\$ 896,814

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, 2012

	General Fund
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 204,267
Investments - Current	524,079
Taxes Receivable	6,500
Allowance for Uncollectible Taxes (credit)	(325)
Total Assets	<u>\$ 734,521</u>
<b>LIABILITIES AND FUND BALANCES</b>	
Liabilities:	
Accounts Payable	\$ 3,096
Wages and Salaries Payable	4,865
Deposits Payable	4,423
Deferred Revenues	6,175
Total Liabilities	<u>18,559</u>
Fund Balances:	
Unassigned Fund Balance	<u>715,962</u>
Total Fund Balances	<u>715,962</u>
Total Liabilities and Fund Balances	<u>\$ 734,521</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, 2012

<b>Total Fund Balances - Governmental Funds</b>	\$ 715,962
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 \$306,932 for capital assets and \$118,868 for accumulated depreciation to the Statement of Net Assets was an increase in net assets.	188,064
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 net assets.	8,503
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 net assets.	(19,658)
Long-term debt issued by governmental activities is not a current financial liability and therefore not reported in governmental funds. The net effect of recording the beginning of the year value for all long-term debt outstanding is a decrease in net assets.	(3,693)
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 net assets.	1,462
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 net assets.	6,174
<b>Net Assets of Governmental Activities</b>	\$ 896,814

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, 2012

	General Fund
<b>REVENUES</b>	
Taxes:	
Property Taxes	\$ 192,676
General Sales and Use Taxes	32,671
Hotel Occupancy Taxes	33,220
Franchise Tax	147,830
Licenses and Permits	13,217
Municipal Court Revenues	22,078
Investment Earnings	1,064
Other Revenue	1,087
Total Revenues	<u>443,843</u>
<b>EXPENDITURES</b>	
Current:	
General Government	341,935
Total Expenditures	<u>341,935</u>
Excess of Revenues Over Expenditures	<u>101,908</u>
Net Change in Fund Balances	101,908
Fund Balance - October 1 (Beginning)	614,054
Fund Balance - September 30 (Ending)	<u><u>\$ 715,962</u></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, 2012

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$ 101,908
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.	8,503
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.	(19,658)
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.	1,462
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.	(107)
<b>Change in Net Assets of Governmental Activities</b>	\$ 92,108

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, 2012

**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 organizations (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 nonfiduciary 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 customers 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, 2012

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.

The City currently utilizes no other fund types.

**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 anticipated 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 15<sup>th</sup> 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**

Revenue from investments, including governmental external investment pools, is based upon fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Most investments are reported at amortized cost when investments have remaining maturities of one year or less at the time of purchase. External investment pools are permitted to report short-term debt instruments at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer, or other factors. For that purpose, a pool's short-term investments are those with remaining maturities of up to ninety days.

CITY OF WOODCREEK, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012

**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 extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture and equipment of the 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, 2012

**H. AD VALOREM PROPERTY TAXES**

Property taxes are levied on October 1<sup>st</sup> based on assessed values as of January 1<sup>st</sup> for all real and personal property located in the City. The October 1, 2011 levy was based upon 100 percent of the assessed market value of \$144,869,810. 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, 2011 levy was \$.1305 per \$100 valuation. The total tax levy was \$189,055.

Taxes are due in January of the following year and become delinquent on February 1<sup>st</sup>. On February 1<sup>st</sup> 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, 2012 for the 2011 tax levy were 101% 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. The difference in these methods has resulted in a timing difference in the recognizing of property tax revenues. For instance, Exhibit B-1 recognizes \$192,569 in property tax revenue compared to Exhibit C-3 property tax revenue \$192,676. The \$107 difference is attributed to additional revenue recognized under the economic resources measurement focus and accrual basis of accounting for the revenue earned from the current year's tax levy.

CITY OF WOODCREEK, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012

**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 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, 2012

**Listing of Deposits and Investments**

As of September 30, 2012, the government had the following cash and investments:

DEPOSITS	Book Balance 09/30/12	Bank Balance 09/30/12
Broadway National Bank	\$ 204,168	\$ 210,481
INVESTMENTS		
Texas CLASS	\$ 524,079	\$ 524,079

**B. CAPITAL ASSETS**

The City had the following changes in general fixed assets for the year ended September 30, 2012:

	Balance 10/1/11	Additions	Retirements	Balance 9/30/12
<b>Governmental Activities:</b>				
Land	\$ 37,850	\$ -	\$ -	\$ 37,850
Buildings and Improvements	253,834	-	-	253,834
Machinery and Equipment	15,248	8,503	-	23,751
Totals at Historical Cost	306,932	8,503	-	315,435
Less Accumulated Depreciation	(118,868)	(19,658)	-	(138,526)
<b>Governmental Activities</b>				
Capital Assets, Net	\$ 188,064	\$ (11,155)	\$ -	\$ 176,909

**C. CAPITAL LEASE**

In April 2009, the City entered into a lease agreement with Dahill to finance the purchase of a copier. The copier was purchased at a cost of \$7,186. The lease interest rate is 2.21% per year and total payments of principal and interest are scheduled monthly, ending 2014. Payments of principal over this five year term will be \$7,186 and the interest will amount to \$462 for a total of \$7,648. The remaining balance at September 30, 2012 for the capital lease is \$2,231.

Description	Interest Rate	Amounts Original Issue	Interest Current Year	Amounts Outstanding 10/1/11	Additions	Deletions	Amounts Outstanding 09/30/12	Due in One Year
<b>Capital Lease:</b>								
Dahill	2.21%	\$ 7,648	\$ 109	\$ 3,693	\$ -	\$ 1,462	\$ 2,231	\$ 1,485
Total Capital Leases Payable			\$ 109	\$ 3,693	\$ -	\$ 1,462	\$ 2,231	\$ 1,485

**Future Debt Service Requirements  
Capital Lease Payable**

Year Ended September 30,	Capital Lease		Requirements
	Principal	Interest	
2013	\$ 1,485	\$ 45	\$ 1,530
2014	746	10	756
	\$ 2,231	\$ 55	\$ 2,286

CITY OF WOODCREEK, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

**D. 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](http://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:

	Plan Year 2011	Plan Year 2012
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

**Contributions**

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, 2012

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 2011/2012, the required contribution rate was 4.50% from October to December and 1.29% from January to September.

The required contribution rates for fiscal year 2012 were determined as part of the December 31, 2009 and 2010 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2011, also follows:

Valuation Date	12/31/2009	12/31/2010	12/31/2011
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining Amortization Period	100.0 years; closed period	24.8 years; closed period	24.9 years; closed period
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return*	7.5%	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, 2012

The funded status as of December 31, 2011, 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)
12/31/2011	\$ 71,123	\$ 61,944	114.8%	\$ (9,179)	\$ 62,664	-14.6%

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.

<u>Natural Category</u>	<u>Expenditure Amount</u>
Salaries and wages	\$ 71,719
Benefits	7,970
Purchased services	91,934
Utilities	6,537
Repairs and maintenance	36,246
Insurance	2,614
Supplies	11,060
Advertising	22,869
Printing	1,274
Other operating costs	89,712
Total governmental expenditures	<u>\$ 341,935</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WOODCREEK, TEXAS  
 SCHEDULE OF FUNDING PROGRESS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

**SCHEDULE OF FUNDING PROGRESS**  
 (unaudited)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a 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%

CITY OF WOODCREEK, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL – GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final	Amounts (GAAP Basis)	
<b>REVENUES</b>				
Taxes:				
Property Taxes	\$ 180,747	\$ 180,747	\$ 192,676	\$ 11,929
General Sales and Use Taxes	30,400	30,400	32,671	2,271
Selective Sales and Use Tax	25,000	25,000	33,220	8,220
Franchise Tax	130,000	135,000	147,830	12,830
Licenses and Permits	10,000	8,000	13,217	5,217
Investment Earnings	700	700	1,064	364
Oak Wilt Containment Revenue	10,000	10,000	-	(10,000)
Municipal Court Revenue	1,000	18,000	22,078	4,078
Other Revenue	300	300	1,087	787
Total Revenues	388,147	408,147	443,843	35,696
<b>EXPENDITURES</b>				
Current:				
General Government	538,147	558,147	341,935	216,212
Total Expenditures	538,147	558,147	341,935	216,212
Excess (Deficiency) of Revenues Over (Under) Expenditures	(150,000)	(150,000)	101,908	251,908
Net Change in Fund Balances	(150,000)	(150,000)	101,908	251,908
Fund Balance - Oct 1 (Beginning)	614,054	614,054	614,054	-
Fund Balance - Sept 30 (Ending)	\$ 464,054	\$ 464,054	\$ 715,962	\$ 251,908

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

OTHER INFORMATION REQUIRED BY GAO



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 Auditors' Report**

Honorable Mayor and City Council  
City of Woodcreek, Texas

We have audited the financial statements of the City of Woodcreek, Texas (the "City") as of and for the year ended September 30, 2012, and have issued our report thereon dated March 26, 2013. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency or combination of control deficiencies that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

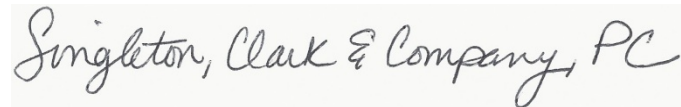
A material weakness is a significant deficiency or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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*.

This report is intended for the information of the City Council, the audit committee, and the administration and is not intended to be used and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Singleton, Clark & Company, PC". The signature is written in black ink on a light gray rectangular background.

Singleton, Clark & Company, PC  
Austin, Texas

March 26, 2013



CITY OF WOODCREEK, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

FINANCIAL STATEMENTS

Type of auditor’s report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiencies identified that are not considered to be material weaknesses?  Yes  None reported
- Noncompliance material to financial statements noted?  Yes  No

**FEDERAL AWARDS**

Under the guidelines of OMB Circular A-133, a single audit was not required this year.

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**SECTION II – FINANCIAL STATEMENT FINDINGS**

Findings Related to Financial Statements Which Are Required to Be Reported in Accordance with *Generally Accepted Government Auditing Standards*.

No findings or questioned costs required to be reported in accordance with *Generally Accepted Government Auditing Standards* for the years ended September 30, 2012 and 2011.

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**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

Not applicable.