

CITY OF WOODCREEK, TEXAS

ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
SEPTEMBER 30, 2011**

Singleton, Clark & Company, PC
Certified Public Accountants

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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, 2011, 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, 2011 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 30, 2012, 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
Cedar Park, Texas

March 30, 2012

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 during the fiscal year ended September 30, 2011. 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, 2011, the General Fund of the City of Woodcreek reported a fund balance increase of \$148,704, to end at \$614,054. 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 \$273,230. Total net assets of the City increased by \$133,348 for the year, to end at \$804,706.

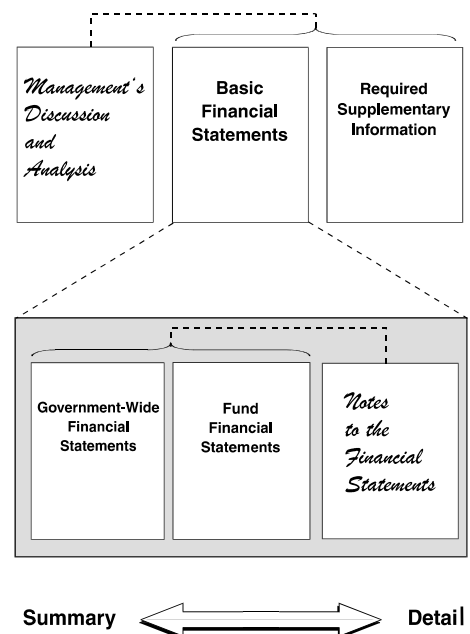
OVERVIEW OF THE FINANCIAL STATEMENTS

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 2011	Governmental Activities 2010	Change
Assets			
Current and Other Assets	\$ 636,942	\$ 561,169	\$ 75,773
Capital Assets, net	188,064	206,874	(18,810)
Total Assets	<u>\$ 825,006</u>	<u>\$ 768,043</u>	<u>\$ 56,963</u>
Liabilities			
Current Liabilities	\$ 16,607	\$ 91,572	\$ (74,965)
Non-Current Liabilities	3,693	5,113	(1,420)
Total Liabilities	<u>20,300</u>	<u>96,685</u>	<u>(76,385)</u>
Net Assets			
Invested in Capital Assets, Net of Debt	184,371	201,761	(17,390)
Unrestricted	620,335	469,597	150,738
Total Net Assets	<u>\$ 804,706</u>	<u>\$ 671,358</u>	<u>\$ 133,348</u>

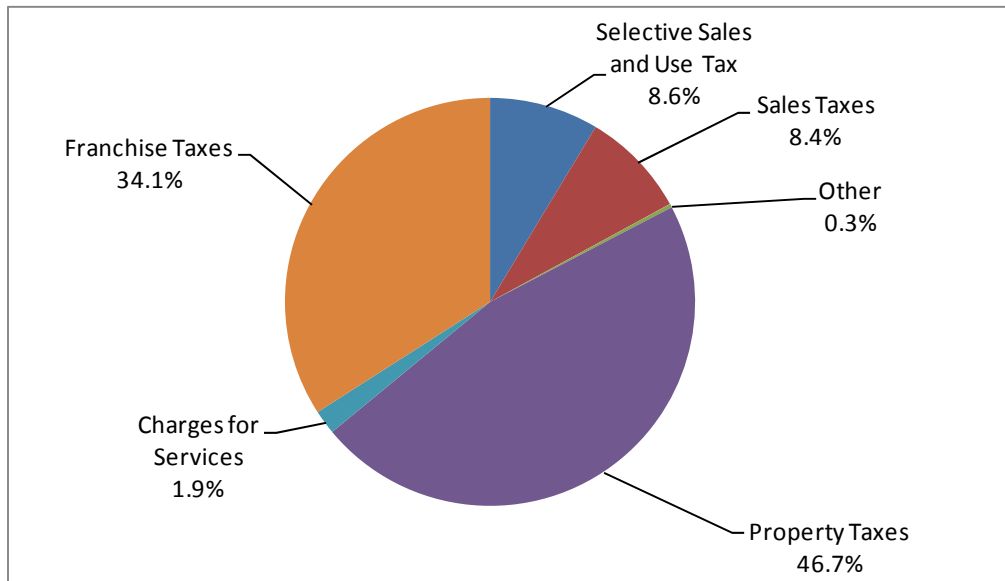
**Table II
Changes in Net Assets**

	Governmental Activities 2011	Governmental Activities 2010	Change
Revenues			
Program Revenues:			
Charges for services	\$ 7,780	\$ 13,696	\$ (5,916)
General Revenues:			
Property tax	189,764	173,575	16,189
Sales tax	34,271	32,494	1,777
Selective sales and use tax	35,145	11,320	23,825
Franchise taxes	138,443	139,360	(917)
Investment earnings	725	968	(243)
Other	450	411	39
Total Revenues	<u>406,578</u>	<u>371,824</u>	<u>34,754</u>
Expenses			
General government	273,230	286,523	(13,293)
Total Expenses	<u>273,230</u>	<u>286,523</u>	<u>(13,293)</u>
Change in net assets	133,348	85,301	48,047
Beginning net assets	671,358	586,057	85,301
Ending Net Assets	<u>\$ 804,706</u>	<u>\$ 671,358</u>	<u>\$ 133,348</u>

Governmental Activities

The City of Woodcreek's revenue stream is supported primarily by property taxes, hotel occupancy taxes, franchise taxes and sales taxes. These four sources represent approximately 98% of overall revenue for Fiscal Year 2010-2011. The remaining revenues were derived from investment income, user fees, and miscellaneous sources. The City of Woodcreek's Fiscal Year 2010-2011 property tax rate was \$.1305 per \$100 property valuation.

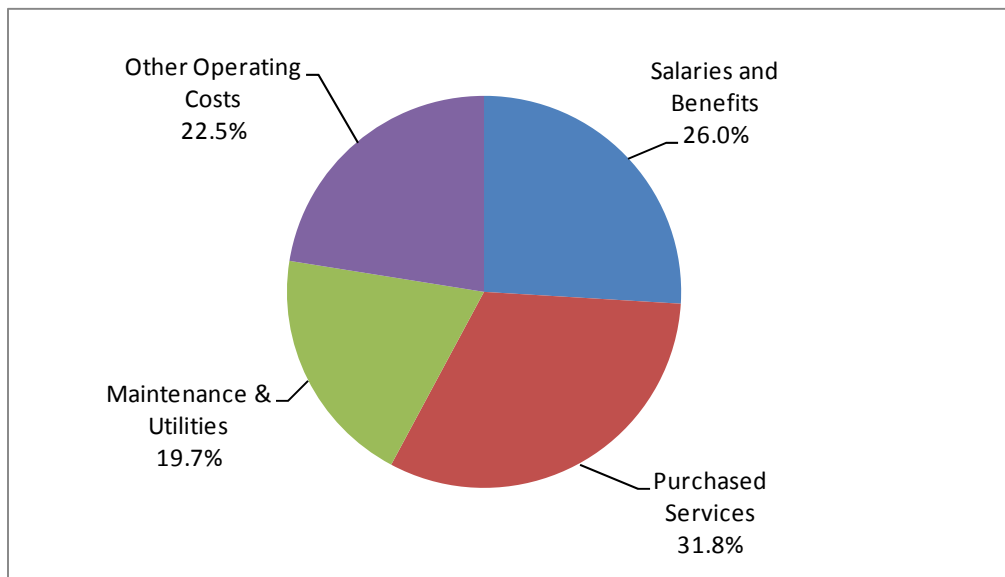
FY 2010-2011 Revenue



Program Expenses

The City of Woodcreek's expenses for Fiscal Year 2010-2011 totaled \$273,230 and are all considered expenses for general government operations. The percentage distribution by natural expense classification is illustrated in the table below.

FY 2010-2011 Expenses



CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of Fiscal Year 2010-2011, the City of Woodcreek had invested \$188,064 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 2011	Governmental Activities 2010	Change
Land	\$ 37,850	\$ 37,850	\$ -
Buildings and improvements	253,834	253,834	-
Furniture and equipment	15,248	15,248	-
Totals	<u>306,932</u>	<u>306,932</u>	<u>-</u>
Less accumulated depreciation	(118,868)	(100,058)	(18,810)
Capital assets, net of depreciation	<u>\$ 188,064</u>	<u>\$ 206,874</u>	<u>\$ (18,810)</u>

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, 2011 is \$3,693 which will be paid off in three years. The City had no other outstanding long-term debt as of September 30, 2011.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Woodcreek has adopted a General Fund expenditure budget for FY2011-2012 totaling \$538,147 and a property tax rate of \$.1305 per \$100 property valuation.

CONTACTING THE CITY OF WOODCREEK'S FINANCIAL MANAGEMENT

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

GOVERNMENT-WIDE STATEMENTS

CITY OF WOODCREEK, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

	Primary Government Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 257,601
Investments - Current	373,060
Receivables (net of allowance for uncollectibles)	6,281
Capital Assets:	
Land	37,850
Infrastructure, net	55,168
Buildings, net	92,171
Machinery and Equipment, net	2,875
Total Assets	\$ 825,006
LIABILITIES	
Accounts Payable	\$ 16,162
Payable from Restricted Assets	445
Noncurrent Liabilities:	
Due Within One Year	1,452
Due in More Than One Year	2,241
Total Liabilities	20,300
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	184,371
Unrestricted Net Assets	620,335
Total Net Assets	\$ 804,706

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, 2011

	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	\$ 273,230	\$ 7,780	\$ -	\$ (265,450)
TOTAL PRIMARY GOVERNMENT:	\$ 273,230	\$ 7,780	\$ -	(265,450)
General Revenues:				
Taxes:				
Property Taxes				189,764
Sales Taxes				34,271
Selective Sales and Use Tax				35,145
Franchise Taxes				138,443
Miscellaneous Revenues				450
Investment Earnings				725
Total General Revenues				398,798
Change in Net Assets				133,348
Net Assets - Beginning				671,358
Net Assets - Ending				\$ 804,706

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, 2011

	General Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 257,601
Investments - Current	373,060
Taxes Receivable	6,612
Allowance for Uncollectible Taxes (credit)	(331)
Total Assets	<u>\$ 636,942</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts Payable	\$ 6,066
Wages and Salaries Payable	5,096
Deposits Payable	5,000
Deferred Revenues	6,281
Liabilities Payable from Restricted Assets	445
Total Liabilities	<u>22,888</u>
Fund Balances:	
Unassigned Fund Balance	<u>614,054</u>
Total Fund Balances	<u>614,054</u>
Total Liabilities and Fund Balances	<u>\$ 636,942</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, 2011

Total Fund Balances - Governmental Funds	\$ 614,054
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 \$100,059 for accumulated depreciation to the Statement of Net Assets was an increase in net assets.	206,873
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.	(18,809)
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.	(5,114)
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.	1,421
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.	6,281
Net Assets of Governmental Activities	\$ 804,706

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, 2011

	General Fund
REVENUES	
Taxes:	
Property Taxes	\$ 187,732
General Sales and Use Taxes	34,763
Selective Sales and Use Tax	34,653
Franchise Tax	138,443
Licenses and Permits	7,780
Investment Earnings	725
Other Revenue	450
Total Revenues	404,546
EXPENDITURES	
Current:	
General Government	255,842
Total Expenditures	255,842
Excess of Revenues Over Expenditures	148,704
Net Change in Fund Balances	148,704
Fund Balance - October 1 (Beginning)	465,350
Fund Balance - September 30 (Ending)	\$ 614,054

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, 2011

Total Net Change in Fund Balances - Governmental Funds	\$ 148,704
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.	1,421
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.	2,032
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.	(18,809)
Change in Net Assets of Governmental Activities	\$ 133,348

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, 2011

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 under 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, 2011, 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, 2011

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 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

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, 2011

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, 2011

I. 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, 2010 levy was based upon 100 percent of the assessed market value of \$144,512,611. 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, 2010 levy was \$.1305 per \$100 valuation. The total tax levy was \$188,589.

Taxes are due in January of the following year and become delinquent on February 1st. On February 1st of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest imposed. Tax collections during the year ended September 30, 2011 for the 2010 tax levy were 98.6% 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 \$189,764 in property tax revenue compared to Exhibit C-3 property tax revenue \$187,732. The \$2,032 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, 2011

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, 2011

Listing of Deposits and Investments

As of September 30, 2011, the government had the following cash and investments:

DEPOSITS	Book Balance 09/30/11	Bank Balance 09/30/11
Broadway National Bank	\$ 257,601	\$ 263,840
INVESTMENTS		
Texas CLASS	\$ 373,060	\$ 373,060

B. CAPITAL ASSETS

The City had the following changes in general fixed assets for the year ended September 30, 2011:

	Governmental Activities 2011	Governmental Activities 2010	Change
Land	\$ 37,850	\$ 37,850	\$ -
Buildings and improvements	253,834	253,834	-
Furniture and equipment	15,248	15,248	-
Totals	306,932	306,932	-
Less accumulated depreciation	(118,868)	(100,058)	(18,810)
Capital assets, net of depreciation	\$ 188,064	\$ 206,874	\$ (18,810)

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, 2011 for the capital lease is \$4,154.

Description	Interest Rate	Amounts Original Issue	Interest Current Year	Amounts Outstanding 10/1/10	Additions	Deletions	Amounts Outstanding 09/30/11	Due in One Year
Capital Lease:								
Dahill	2.21%	\$ 7,648	\$ 109	\$ 5,114	\$ -	\$ 1,421	\$ 3,693	\$ 1,452
Total Capital Leases Payable			\$ 109	\$ 5,114	\$ -	\$ 1,421	\$ 3,693	\$ 1,452

Future Debt Service Requirements
Capital Lease Payable

Year Ended September 30,	Capital Lease		Requirements
	Principal	Interest	
2012	\$ 1,462	\$ 77	\$ 1,539
2013	1,495	34	1,529
2014	736	5	741
	\$ 3,693	\$ 116	\$ 3,809

CITY OF WOODCREEK, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

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.

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 2010	Plan Year 2011
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, 2011

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 2010/2011, 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 2011 were determined as part of the December 31, 2008 and 2009 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2010, also follows:

Valuation Date	12/31/2008	12/31/2009	12/31/2010
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	7.0 years; closed period	100.0 years; closed period	24.8 years; closed period
Asset Valuation Method	Amortized Cost	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return*	7.5%	7.5%	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, 2011

The funded status as of December 31, 2010, 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)
12/31/2010	\$ 60,817	\$ 53,451	113.8%	\$ (7,366)	\$ 63,274	-11.6%

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.

Natural Category	Expenditure Amount
Salaries and wages	\$ 62,477
Benefits	8,465
Purchased services	87,129
Utilities	6,853
Repairs and maintenance	46,868
Insurance	3,128
Supplies	8,638
Printing	3,252
Other operating costs	29,032
Total governmental expenditures	<u>\$ 255,842</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WOODCREEK, TEXAS
 SCHEDULE OF FUNDING PROGRESS
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

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)
12/31/2008	\$ 43,614	\$ 44,367	98.3%	\$ 753	\$ 35,666	2.1%
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%

CITY OF WOODCREEK, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final	Amounts (GAAP Basis)	
REVENUES				
Taxes:				
Property Taxes	\$ 181,200	\$ 186,000	\$ 187,732	\$ 1,732
General Sales and Use Taxes	30,380	30,380	34,763	4,383
Selective Sales and Use Tax	8,000	8,000	34,653	26,653
Franchise Tax	130,500	137,000	138,443	1,443
Licenses and Permits	12,000	12,000	7,780	(4,220)
Investment Earnings	850	850	725	(125)
Oak Wilt Containment Revenue	40,000	40,000	-	(40,000)
Other Revenue	1,300	1,300	450	(850)
Total Revenues	404,230	415,530	404,546	(10,984)
EXPENDITURES				
Current:				
General Government	404,230	415,530	255,842	159,688
Total Expenditures	404,230	415,530	255,842	159,688
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	148,704	148,704
Net Change in Fund Balances	-	-	148,704	148,704
Fund Balance - Oct 1 (Beginning)	465,350	465,350	465,350	-
Fund Balance - Sept 30 (Ending)	\$ 465,350	\$ 465,350	\$ 614,054	\$ 148,704

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

OTHER INFORMATION REQUIRED BY GAO



9442 Capital of Texas Hwy. N., Plaza One - Suite 500 Austin, Texas 78759
Phone (512) 310-5600 Fax (512) 345-2924

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, 2011, and have issued our report thereon dated March 30, 2012. 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.

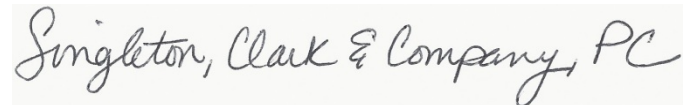
A material weakness is a significant deficiency or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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.

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-colored background.

Singleton, Clark & Company, PC
Cedar Park, Texas

March 30, 2012

CITY OF WOODCREEK, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

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.

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, 2011 and 2010.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Not applicable.