

City of Woodcreek, Texas

Annual Financial Report

**For the Year Ended
September 30, 2009**

Singleton, Moore & Company, LLP
Certified Public Accountants

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**CITY OF WOODCREEK, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

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Independent Auditors' Report

Honorable Mayor and City Council
City of Woodcreek, Texas
41 Champion Circle
Woodcreek, Texas 78676

Honorable Mayor and Members of the Council:

We have audited the accompanying financial statements of the governmental activities of the City of Woodcreek, Texas, (the "City") as of and for the year ended September 30, 2009, 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 of the City of Woodcreek, Texas, as of September 30, 2009, and the respective budgetary comparison for the General Fund 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 3-7 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, 2010, 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. 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, Moore & Company, LLP

Singleton, Moore & Company, LLP
Cedar Park, Texas

March 30, 2010

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, 2009. 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, 2009, the General Fund of the City of Woodcreek reported a fund balance increase of \$16,957, to end at \$366,098.
- The total cost of the City of Woodcreek's programs, including depreciation on its assets, was \$372,204. Total net assets of the City were \$586,057 at year end.

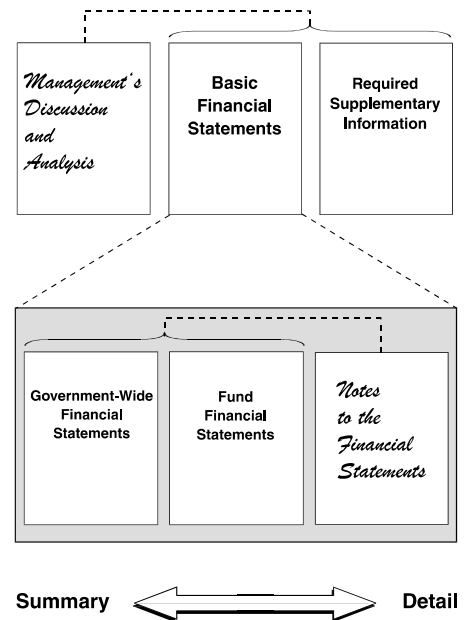
OVERVIEW OF THE FINANCIAL STATEMENTS

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 reflect 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.

Two budget amendments were approved by the City Council during the fiscal year. The first budget amendment, approved on March 11, 2009, transferred funds from the City's reserves (savings accumulated in previous years), recognized additional revenues, and increased expenditures. The second budget amendment, approved on August 12, 2009, also recognized additional revenues and increased expenditures. Additional expenditures for both budget amendments were primarily necessary due to costs of legal advice and legal representation.

The City Council's action in March 2010 to authorize \$25,000 toward the purchase of additional land for the Jacob's Well Nature Area to help settle a lawsuit is being reported by the Auditor as an expense against the FY 2008-2009 Budget, based on the modified accrual accounting method. Since the City budgets on a cash basis, the FY 2009-2010 Budget will be amended to accommodate this additional expenditure.

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 2009	Governmental Activities 2008	Change
Assets			
Current and other assets	\$ 414,297	\$ 359,506	\$ 54,791
Capital assets	<u>222,724</u>	<u>234,345</u>	<u>(11,621)</u>
Total assets	<u>637,021</u>	<u>593,851</u>	<u>43,170</u>
Liabilities			
Current liabilities	44,461	7,722	36,739
Noncurrent liabilities	<u>6,503</u>	<u>-</u>	<u>6,503</u>
Total liabilities	<u>50,964</u>	<u>7,722</u>	<u>43,242</u>
Net Assets			
Invested in capital assets, net of debt	216,221	234,345	(18,124)
Unrestricted	<u>358,348</u>	<u>351,784</u>	<u>6,564</u>
Total net assets	<u>\$ 586,057</u>	<u>\$ 586,129</u>	<u>\$ (11,560)</u>

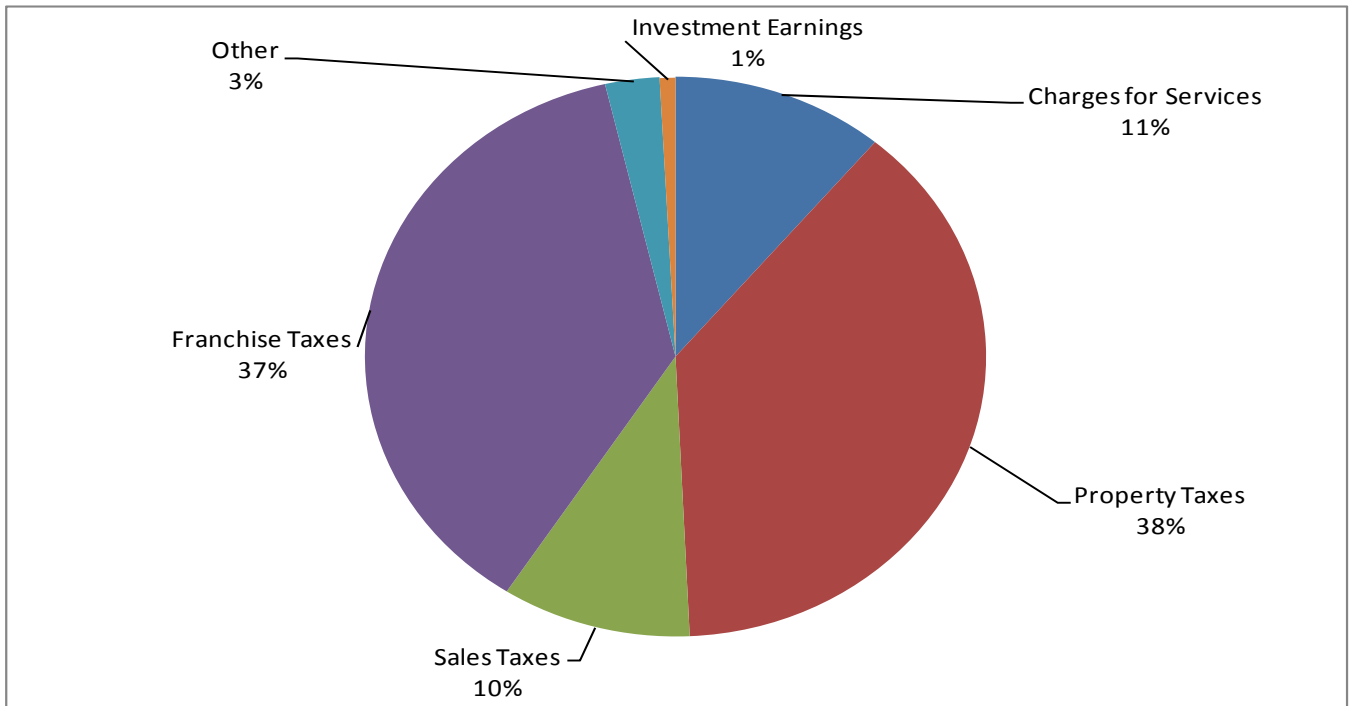
Table II
Changes in Net Assets

	Governmental Activities 2009	Governmental Activities 2008	Change
Revenues			
Program revenues:			
Charges for services	\$ 41,172	\$ 17,438	\$ 8,068
General revenues:			
Property taxes	141,956	134,879	9,916
Sales taxes	36,615	43,079	(1,679)
Mixed beverage taxes	478	193	(166)
Franchise taxes	138,377	120,042	5,312
Investment earnings	3,043	13,986	(1,810)
Other	10,491	1,677	(8,765)
Total revenues	<u>372,132</u>	<u>331,294</u>	<u>10,876</u>
Expenses			
General government	<u>372,204</u>	<u>388,345</u>	<u>174,783</u>
Total expenses	<u>388,345</u>	<u>388,345</u>	<u>174,783</u>
Change in net assets	<u>(72)</u>	<u>(57,051)</u>	<u>(163,907)</u>
Beginning net assets	<u>586,129</u>	<u>643,180</u>	<u>106,856</u>
Ending net assets	<u>\$ 586,057</u>	<u>\$ 586,129</u>	<u>\$ (57,051)</u>

Governmental Activities

As indicated by the chart on the following page, the City of Woodcreek's revenue stream is supported primarily by property taxes, franchise taxes, and sales taxes. These three sources represent approximately 85% of overall revenue for Fiscal Year 2008-09. The remaining revenues were derived from investment income, user fees, and miscellaneous sources. The City of Woodcreek's Fiscal Year 2008-09 property tax rate was \$.10 per \$100 property valuation.

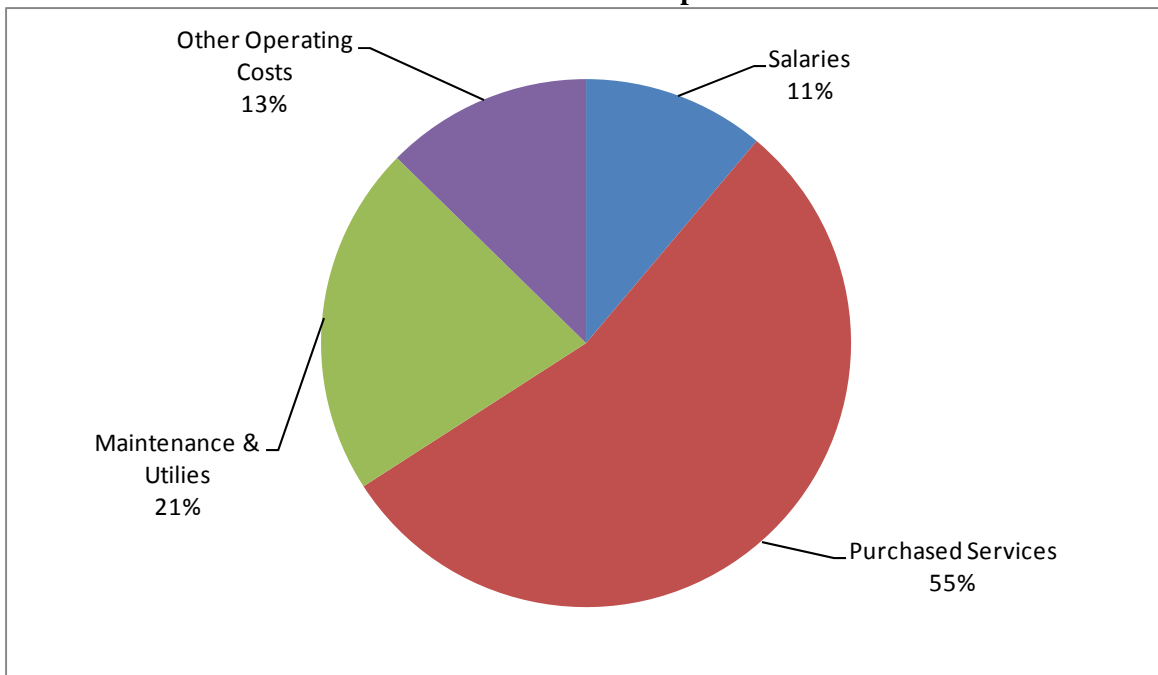
FY 2008-09 Revenue



Program Expenses

The City of Woodcreek's expenses for Fiscal Year 2008-09 totaled \$372,204 and are all considered expenses for general government operations. The percentage distribution by natural expense classification is illustrated in the table below.

FY 2008-09 Expenses



CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of Fiscal Year 2008-09, the City of Woodcreek had invested \$222,724 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 <u>2009</u>	Governmental Activities <u>2008</u>	<u>Change</u>
Land	\$ 37,850	\$ 37,850	\$ -
Buildings and Improvements	253,834	253,834	-
Furniture and Equipment	<u>15,248</u>	<u>8,062</u>	<u>7,186</u>
Totals	<u>306,932</u>	<u>299,746</u>	<u>7,186</u>
Less accumulated depreciation	<u>(84,208)</u>	<u>(65,401)</u>	<u>(18,807)</u>
Capital assets, net of depreciation	<u>\$ 222,724</u>	<u>\$ 234,345</u>	<u>\$ (11,621)</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 is \$7,186 which will be paid off in five years. The city had no other outstanding long-term debt as of September 30, 2009.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Woodcreek has adopted a General Fund expenditure budget for FY2009-10 totaling \$368,035 and a property tax rate of \$.12 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, 2009

EXHIBIT A-1

	Primary Government
	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 39,150
Investments - Current	371,409
Receivables (net of allowance for uncollectibles)	3,738
Capital Assets:	
Land	37,850
Infrastructure, net	83,993
Buildings, net	95,132
Machinery and Equipment, net	5,749
Total Assets	637,021
LIABILITIES	
Accounts Payable	35,994
Payable from Restricted Assets	8,467
Noncurrent Liabilities	
Due Within One Year	1,390
Due in More Than One Year	5,113
Total Liabilities	50,964
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	216,221
Unrestricted Net Assets	369,836
Total Net Assets	\$ 586,057

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, 2009

EXHIBIT B-1

Net (Expense)
Revenue and
Changes in Net
Assets

Primary Gov.
Governmental
Activities

Primary Government:

GOVERNMENTAL ACTIVITIES:

	Expenses	Charges for Services	Program Revenues <u>Operating Grants and Contributions</u>	Net (Expense) Revenue and Changes in Net Assets
General Government	\$ 372,204	\$ 41,172	\$ -	\$ (331,032)
TOTAL PRIMARY GOVERNMENT:	<u>\$ 372,204</u>	<u>\$ 41,172</u>	<u>\$ -</u>	<u>(331,032)</u>

General Revenues:

Taxes:

Property Taxes, (See Note I)	141,956
Sales Taxes	36,615
Selective Sales and Use Tax	478
Franchise Taxes	138,377
Miscellaneous Revenue	10,491
Investment Earnings	3,043
Total General Revenues	<u>330,960</u>

Change in Net Assets	(72)
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Net Assets--Beginning	586,129
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Net Assets--Ending	<u>\$ 586,057</u>
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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, 2009

EXHIBIT C-1

	General Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 39,150
Investments - Current	371,409
Taxes Receivable	3,935
Allowance for Uncollectible Taxes (credit)	(197)
Total Assets	<u>\$ 414,297</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts Payable	\$ 28,222
Wages and Salaries Payable	2,772
Retainage Payable	5,000
Deferred Revenues	3,738
Liabilities Payable from Restricted Assets	8,467
Total Liabilities	<u>48,199</u>
Fund Balances:	
Unreserved and Undesignated:	
Reported in the General Fund	<u>366,098</u>
Total Fund Balances	<u>366,098</u>
Total Liabilities and Fund Balances	<u>\$ 414,297</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, 2009

Total Fund Balances - Governmental Funds	\$	366,098
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$299,746 and the accumulated depreciation was \$65,401. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net assets.		234,345
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2009 capital outlays and debt principal payments is to increase (decrease) net assets.		(6,503)
The 2009 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(18,807)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.		10,924
Net Assets of Governmental Activities	<u>\$</u>	<u>586,057</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, 2009

EXHIBIT C-3

General
Fund

REVENUES:

Taxes:

Property Taxes, (See Note I)	\$ 140,861
General Sales and Use Taxes	36,615
Selective Sales and Use Tax	478
Franchise Tax	138,377
Licenses and Permits	41,172
Investment Earnings	3,043
Other Revenue	10,491
Total Revenues	371,037

EXPENDITURES:

Current:

General Government	361,266
Total Expenditures	361,266
Excess of Revenues Over Expenditures	9,771

OTHER FINANCING SOURCES (USES):

Proceeds from Capital Leases	7,186
Total Other Financing Sources (Uses)	7,186
Net Change in Fund Balances	16,957
Fund Balance - October 1 (Beginning)	349,141
Fund Balance - September 30 (Ending)	\$ 366,098

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

CITY OF WOODCREEK, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

Total Net Change in Fund Balances - Governmental Funds	\$	16,957
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2009 capital outlays and debt principal payments is to increase (decrease) net assets.		(6,503)
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.		(18,807)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.		8,281
Change in Net Assets of Governmental Activities	<u>\$</u>	<u>(72)</u>

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

NOTES TO THE FINANCIAL STATEMENTS

CITY OF WOODCREEK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

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, 2009, 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 with 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, 2009

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 general government, 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.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal expenditure control. Encumbrances outstanding at year-end related to the governmental funds are reported as reservations of fund balances since they do not constitute expenditures or liabilities on the GAAP basis operation statements.

CITY OF WOODCREEK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

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.

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, 2009

H. ACCUMULATED COMPENSATED ABSENCES

City employees are required to use vacation benefits in the calendar year they are accumulated. Balances not used at the end of the fiscal year are accumulated but must be used by the end of the calendar year. Sick leave benefits are earned at each employee's hourly rate of pay, and employees are permitted to accumulate earned but unused sick leave. A liability for these amounts is not reported in governmental funds due to the amount being immaterial to the financial statements for both net assets and net revenues.

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, 2008 levy was based upon 100 percent of the assessed market value of \$138,451,520. The maximum tax rate permitted by the Constitution of the State of Texas is \$2.50 per \$100.00 of assessed valuation and the City Charter provides no limitation within the \$2.50. The tax rate for the October 1, 2008 levy was \$.10 per \$100 valuation. The total tax levy was \$138,451.

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, 2009 for the 2008 tax levy were 99% of the total tax levy for that year.

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

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

Exhibit B-1(government-wide financial statement) is prepared using the economic resources measurement focus and the accrual basis of accounting, these statements report all of the assets, liabilities, revenues, expenses and gains and losses of the City. Exhibit C-3 (governmental fund financial statement) is prepared using the current financial resources measurement focus and the modified accrual basis of accounting. The difference in these methods has resulted in recognizing the timing of property tax revenues. For instance, Exhibit B-1 recognizes \$141,956 in property tax revenue compared to Exhibit C-3 property tax revenue \$140,861. The \$1,095 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, 2009

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 due to balances not exceeding the \$100,000 FDIC insurance coverage amount. 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 MBIA is 'AAA'.
- d. Interest Rate Risk – This is the risk that changes in interest rates will adversely affect the fair value of an investment. The City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase.
- e. Foreign Currency Risk – This is the risk that exchange rates will adversely affect the fair value of an investment. The City is not exposed to foreign currency risk.

CITY OF WOODCREEK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

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.

Listing of Deposits and Investments

As of September 30, 2009, the government had the following cash and investments:

Deposits	Book Balance 9/30/2009	Bank Balance 9/30/2009
Broadway National Bank	\$ 39,150	\$ 60,243
Investments		
MBIA Municipal Investors Service Corp.	\$ 371,409	\$ 371,409

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 that are in the possession of an outside party. During the year, the City invested only in a Government Investment Pool which is not exposed to custodial credit risk.

B. CAPITAL ASSETS

The City had the following changes in general fixed assets for the year ended September 30, 2009:

	Balance 9/30/2008	Additions	Retirements	Balance 9/30/2009
Governmental Activities:				
Land	\$ 37,850	\$ -	\$ -	\$ 37,850
Buildings and Improvements	253,834		-	253,834
Furniture and Equipment	8,062	7,186	-	15,248
Totals at Historical Cost	299,746	7,186	-	306,932
Less Accumulated Depreciation	(65,401)	(18,807)	-	(84,208)
Governmental Activities				
Capital Assets, Net	\$ 234,345	\$ (11,621)	\$ -	\$ 222,724

CITY OF WOODCREEK, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

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 .0221% per year and total payments of principal and interest are scheduled to start April 27, 2009, 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, 2009 for the capital lease is \$6,503.

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	\$ 33,760
Benefits	6,575
Purchased services	197,735
Utilities	6,709
Repairs and maintenance	70,719
Insurance	2,637
Supplies	4,252
Printing	1,245
Other operating costs	37,633
Total governmental expenditures	\$ 361,266

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WOODCREEK, TEXAS
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property Taxes, (See Note I)	\$ 133,510	\$ 140,000	\$ 140,861	\$ 861
General Sales and Use Taxes	42,000	42,000	36,615	(5,385)
Selective Sales and Use Tax	380	380	478	98
Franchise Tax	129,400	137,200	138,377	1,177
Licenses and Permits	24,000	38,000	41,172	3,172
Investment Earnings	10,110	3,200	3,043	(157)
Other Revenue	1,000	1,000	10,491	9,491
Total Revenues	<u>340,400</u>	<u>361,780</u>	<u>371,037</u>	<u>9,257</u>
EXPENDITURES:				
Current:				
General Government	340,400	401,180	361,266	39,914
Total Expenditures	<u>340,400</u>	<u>401,180</u>	<u>361,266</u>	<u>39,914</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(39,400)</u>	<u>9,771</u>	<u>49,171</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from Capital Leases	-	-	7,186	7,186
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>7,186</u>	<u>7,186</u>
Net Change	-	(39,400)	16,957	56,357
Fund Balance - October 1 (Beginning)	<u>349,141</u>	<u>349,141</u>	<u>349,141</u>	<u>-</u>
Fund Balance - September 30 (Ending)	<u>\$ 349,141</u>	<u>\$ 309,741</u>	<u>\$ 366,098</u>	<u>\$ 56,357</u>

The accompanying notes are an integral part of this statement.

OTHER INFORMATION REQUIRED BY GAO



930 S. Bell Blvd., Suite 105 Cedar Park, Texas 78613
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditors' Report

Honorable Mayor and Council
City of Woodcreek, Texas
41 Champion Circle
Woodcreek, Texas 78676

Honorable Mayor and Members of the Council:

We have audited the financial statements of the City of Woodcreek, Texas, (the "City") as of and for the year ended September 30, 2009, and have issued our report thereon dated March 30, 2010. 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's trustees, 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.

Singleton, Moore & Company, LLP

Singleton, Moore & Company, LLP
Cedar Park, Texas

March 30, 2010