

**CITY OF WILLOW PARK, TEXAS**

**ANNUAL FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2016**



**GMS**

CERTIFIED PUBLIC  
ACCOUNTANTS

GEORGE | MORGAN | SNEED

**CITY OF WILLOW PARK, TEXAS**  
Annual Financial Report  
For the Year Ended September 30, 2016

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## **FINANCIAL SECTION**



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## **INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and City Council  
City of Willow Park, Texas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Willow Park, Texas, (the "City") as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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



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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2016, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4-11 and budgetary comparison information, schedule of changes in net pension liability and related ratios, and schedule of contributions and related ratios on pages 46-50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. The combining nonmajor governmental funds financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor governmental funds financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted

in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2017, on our consideration of the City Willow Park, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*George, Morgan & Sneed, P.C.*

George, Morgan & Sneed, P.C.  
Weatherford, Texas  
May 3, 2017

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of The City of Willow Park, Texas, we offer readers of The City of Willow Park's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

### FINANCIAL HIGHLIGHTS

- The assets of the City of Willow Park exceeded its liabilities at the close of the most recent fiscal year by \$11,201,882 (*net position*). Of this amount, \$3,457,149 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$236,349. The City's operations decreased the governmental activities by \$104,709 and increased the business-type activities by \$341,058.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,073,257, or 28% of total general fund expenditures.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City of Willow Park's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).



Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include administration, development services, municipal court, police, fire and rescue, public works parks and roads and tourism. The business-type activities of the City include water, wastewater, and solid waste.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate Willow Park Fire and Rescue for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on Exhibits A-1 and B-1 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, building capital projects fund and roads capital projects fund, which are considered major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on Exhibits C-1 through C-4 of this report.



**Proprietary funds.** The City maintains one type of proprietary fund. The enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, wastewater and solid waste operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and wastewater funds, which are considered major funds. Data from the other enterprise fund is combined into a single, aggregated presentation.

The basic proprietary fund financial statements can be found on Exhibits D-1 through D-3 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-45 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. Required supplementary information can be found on pages 46-50 of this report.

The combining and individual nonmajor governmental funds statements are presented immediately following the required supplementary information. These statements can be found on Exhibits F-1 through F-2 of this report.

### **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$11,201,882 as of September 30, 2016.

The largest portion of the City's net position (62%) reflects its investment in capital assets (e.g. land, buildings and improvements, furniture and equipment, vehicles, infrastructure and construction in progress); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

\$814,175 represents resources that are subject to external restrictions on how they may be used. The \$3,457,149 balance of unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The following is a summary of the City's Statement of Net Position.

#### Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 8,831,317	\$ 1,857,707	\$ 4,471,584	\$ 3,452,042	\$ 13,302,901	\$ 5,309,749
Capital assets	5,731,186	5,375,208	8,186,423	7,777,556	13,917,609	13,152,764
Total Assets	<u>14,562,503</u>	<u>7,232,915</u>	<u>12,658,007</u>	<u>11,229,598</u>	<u>27,220,510</u>	<u>18,462,513</u>
Deferred outflows of resources	<u>138,377</u>	<u>79,435</u>	<u>39,693</u>	<u>24,261</u>	<u>178,070</u>	<u>103,696</u>
Long-term liabilities	11,848,477	4,364,972	3,823,478	2,733,461	15,671,955	7,098,433
Other liabilities	186,263	171,893	290,663	272,537	476,926	444,430
Total liabilities	<u>12,034,740</u>	<u>4,536,865</u>	<u>4,114,141</u>	<u>3,005,998</u>	<u>16,148,881</u>	<u>7,542,863</u>
Deferred inflows of resources	<u>37,064</u>	<u>41,700</u>	<u>10,753</u>	<u>16,113</u>	<u>47,817</u>	<u>57,813</u>
Net Position:						
Invested in capital assets net of related debt	1,042,352	1,224,207	5,888,206	5,813,727	6,930,558	7,037,934
Restricted	331,347	190,049	482,828	410,719	814,175	600,768
Unrestricted	<u>1,255,377</u>	<u>1,319,529</u>	<u>2,201,772</u>	<u>2,007,302</u>	<u>3,457,149</u>	<u>3,326,831</u>
Total Net Position	<u>\$ 2,629,076</u>	<u>\$ 2,733,785</u>	<u>\$ 8,572,806</u>	<u>\$ 8,231,748</u>	<u>\$ 11,201,882</u>	<u>\$ 10,965,533</u>

**Governmental Activities.** Governmental activities decreased the City's net position by \$104,709 in the current year. Total governmental activities revenues decreased \$49,502 (1%). Property taxes increased \$240,382 due to a \$43.7 million increase in the taxable value of property in the City and franchise taxes increased \$128,851 due to new water and wastewater taxes. Capital grants and contributions decreased \$341,156. The capital grants and contributions consisted of fire department vehicles, equipment and buildings net of related debt transferred from the Willow Park Fire and Rescue in the previous year. Total expenses increased \$595,159 primarily in administration due to salaries and phone and software upgrades, public works due to street repairs, salaries and depreciation expense and debt issuance costs.

**Business-type activities.** Business-type activities increased the City's net position by \$341,058. Total business-type activities revenues increased \$73,045 (3%) primarily due to water and wastewater rate increases that resulted in a \$254,096 increase to charges for services. Capital grants and contributions decreased \$202,781 because of contributions from a developer recognized in the previous year. Expenses increased \$372,880 primarily due to personnel costs for additional workers, repairs and maintenance and new franchise fees paid to the general fund.



The following is a summary of the City's Statement of Activities.

### Statement of Activities

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues:						
Program revenues:						
Charges for services	\$ 552,182	\$ 625,023	\$ 2,574,578	\$ 2,320,482	\$ 3,126,760	\$ 2,945,505
Operating grants and contributions	22,435	68,045	-	-	22,435	68,045
Capital grants and contributions	-	341,156	3,990	206,771	3,990	547,927
General revenues:						
Property taxes	1,856,820	1,616,438	-	-	1,856,820	1,616,438
Sales taxes	834,871	808,638	-	-	834,871	808,638
Franchise taxes	386,114	257,263	-	-	386,114	257,263
Hotel Occupancy taxes	14,901	16,209	-	-	14,901	16,209
Investment earnings	4,997	2,977	7,681	1,393	12,678	4,370
Other revenue	74,312	60,385	20,000	4,558	94,312	64,943
Total revenues	<u>3,746,632</u>	<u>3,796,134</u>	<u>2,606,249</u>	<u>2,533,204</u>	<u>6,352,881</u>	<u>6,329,338</u>
Expenses						
Administration	394,221	301,472	-	-	394,221	301,472
Development services	231,211	241,512	-	-	231,211	241,512
Legislative	120,025	83,520	-	-	120,025	83,520
Municipal court	138,553	113,563	-	-	138,553	113,563
Police	1,093,938	1,119,734	-	-	1,093,938	1,119,734
Fire and rescue	778,155	723,845	-	-	778,155	723,845
Public works parks & roads	643,892	424,154	-	-	643,892	424,154
Tourism	9,646	9,137	-	-	9,646	9,137
Interest on long-term debt	105,624	84,763	-	-	105,624	84,763
Debt issuance costs	181,594	-	-	-	181,594	-
Water	-	-	1,840,263	1,431,705	1,840,263	1,431,705
Wastewater	-	-	387,156	444,533	387,156	444,533
Solid Waste	-	-	192,254	170,555	192,254	170,555
Total expenses	<u>3,696,859</u>	<u>3,101,700</u>	<u>2,419,673</u>	<u>2,046,793</u>	<u>6,116,532</u>	<u>5,148,493</u>
Increase (decrease) in net position before transfers and special items	49,773	694,434	186,576	486,411	236,349	1,180,845
Transfers	(154,482)	-	154,482	-	-	-
Increase (decrease) in net position	(104,709)	694,434	341,058	486,411	236,349	1,180,845
Net Position October 1	2,733,785	2,093,859	8,231,748	7,765,767	10,965,533	9,859,626
Prior Period Adjustment	-	(54,508)	-	(20,430)	-	(74,938)
Net Position September 30	<u>\$ 2,629,076</u>	<u>\$ 2,733,785</u>	<u>\$ 8,572,806</u>	<u>\$ 8,231,748</u>	<u>\$ 11,201,882</u>	<u>\$ 10,965,533</u>

## **Financial Analysis of the City's Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,073,257. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 28% of the total general fund expenditures. Fund balance of the general fund decreased \$116,676.

The debt service fund has a total fund balance of \$199,971, all of which is restricted for the payment of debt service.

During the year the City issued \$6,330,000 in general obligation bonds for a new Public Safety Building and road improvements. These are accounted for in the Building Capital Projects Fund and Roads Capital Projects Fund.

**Proprietary funds.** The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The City's water fund, wastewater fund and solid waste fund are enterprise funds that comprise the City's proprietary funds. Unrestricted net position of the water fund, wastewater fund and solid waste fund at the end of the year amounted to \$3,289,982, (\$1,311,186) and \$222,976 respectively. The total change in net position for the three funds was \$174,547, \$82,707 and \$83,804 respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

## **General Fund Budgetary Highlights**

The general fund budget was not amended during the year.

During the year, actual revenues were \$52,014 greater than budgeted and actual expenditures were \$907,917 more than budgeted. Actual expenditures were greater than budgeted primarily because of \$743,220 in vehicle and equipment purchases funded with a certificate of obligation. Salaries, software upgrades and debt service expenditures were also over budget.



## Capital Assets

The City's investment in capital assets for its governmental and business type activities as of September 30, 2016, amounts to \$13,917,609 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture and equipment, vehicles, infrastructure and water and wastewater systems.

Major capital asset events during the current fiscal year included the following:

### Governmental Activities:

- \$256,878 (5) 2016 Chevrolet Tahoe police vehicles.
- \$485,601 Gradall excavator, asphalt paver base machine, milling machine, 2 zero turn mowers, hot mix trailer and asphalt recycler and (2) Ford F550 dump trucks. These assets were split between governmental activities and business-type activities.
- \$63,465 Various street improvements

### Business-type activities:

- \$481,708 Gradall excavator, asphalt paver base machine, milling machine, 2 zero turn mowers, hot mix trailer and asphalt recycler and (2) Ford F550 dump trucks. These assets were split between governmental activities and business-type activities.
- \$137,939 Water system pumps and improvements.
- \$102,996 Engineering for water system improvements.
- \$62,441 Treatment plant and lift station improvements.

### The City of Willow Park's Capital Assets (Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 126,024	\$ 126,024	\$ 383,897	\$ 383,897	\$ 509,921	\$ 509,921
Construction in progress	-	-	177,415	74,419	177,415	74,419
Buildings and improvements	403,766	381,593	55,476	57,452	459,242	439,045
Furniture and equipment	536,086	136,766	562,737	170,043	1,098,823	306,809
Vehicles	608,879	455,789	160,812	160,434	769,691	616,223
Infrastructure	4,056,431	4,275,036	-	-	4,056,431	4,275,036
Water system	-	-	4,699,280	4,774,454	4,699,280	4,774,454
Wastewater system	-	-	2,146,806	2,156,857	2,146,806	2,156,857
Total	<u>\$ 5,731,186</u>	<u>\$ 5,375,208</u>	<u>\$ 8,186,423</u>	<u>\$ 7,777,556</u>	<u>\$ 13,917,609</u>	<u>\$ 13,152,764</u>

Additional information on the City's capital assets can be found in the notes to the financial statements.

## Long-Term Debt

At year-end the City had \$14,352,768 in bonds and leases outstanding. \$11,015,000 are general obligation bonds that are backed by the full faith and credit of the City. \$2,980,000 are certificates of obligation secured by surplus revenues of the water and wastewater fund and ad valorem taxes. The City also had \$357,768 in capital leases outstanding.

### City of Willow Park's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Capital leases	\$ 231,820	\$ 268,567	\$ 125,948	\$ 139,316	\$ 357,768	\$ 407,883
General Obligation Bonds	9,625,000	3,680,000	1,390,000	1,715,000	11,015,000	5,395,000
Certificates of Obligation	834,522	-	2,145,478	685,000	2,980,000	685,000
Total	<u>\$ 10,691,342</u>	<u>\$ 3,948,567</u>	<u>\$ 3,661,426</u>	<u>\$ 2,539,316</u>	<u>\$ 14,352,768</u>	<u>\$ 6,487,883</u>

More detailed information about the City's debt is presented in the notes to the financial statements.

## Economic factors and the Next Year's Budgets and Rates

For Fiscal Year 2016-17 the city's steady commercial and residential growth will insure the increase of ad valorem tax revenues and sales tax revenues. Newly completed multi-family, single family homes and retail construction have been completed as well as other projects underway are continuing to improve the tax base for Willow Park.

The biggest and most dynamic project ever planned for Willow Park was approved in late 2016 with Wilks Development. This Tax Increment Financing Zone (TIRZ) project will include retail, residential, entertainment, recreational and medical facilities that will be financed by the development's incremental tax value increase.

The hiring of Jake Weber, CPA has been a forward step in the separation of financial duties, improving bank statement reconciliation, and providing professional oversight in the financial systems of the city. The summer of the 2017 will see a new water and wastewater utility rate system adopted, insuring adequate revenues to finance utility operations. Also, an updated impact fee schedule will be adopted before the end of the fiscal year to assist in financing upgraded water and wastewater capital improvement projects.

Newly hired departmental leaders with improved educational backgrounds as well as professional experience has proven a benefit to all city operations. Increasing the staff's accountability to the Council and citizens are a priority for moving Willow Park forward.

## Request for Information

The financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, 516 Ranch House Road, Willow Park, Texas 76087.

## **BASIC FINANCIAL STATEMENTS**



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**CITY OF WILLOW PARK, TEXAS**  
**Statement of Net Position**  
**September 30, 2016**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Willow Park Fire and Rescue
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 8,075,124	\$ 2,425,305	\$ 10,500,429	\$ 55,335
Certificates of deposit	247,467	27,554	275,021	-
Receivables (Net of allowances for uncollectibles)				
Property taxes	28,071	-	28,071	-
Sales taxes	147,136	-	147,136	-
Franchise taxes	148,694	-	148,694	-
Accounts	-	341,980	341,980	-
Miscellaneous	145,401	52,452	197,853	-
Internal balances	39,424	(39,424)	-	-
Prepaid expenses	-	-	-	-
Restricted assets:				
Cash and investments	-	1,446,041	1,446,041	-
Certificates of deposit	-	217,676	217,676	-
Capital assets:				
Nondepreciable	126,024	561,312	687,336	-
Depreciable, net of accumulated depreciation	5,605,162	7,625,111	13,230,273	-
<b>Total Assets</b>	<b>14,562,503</b>	<b>12,658,007</b>	<b>27,220,510</b>	<b>55,335</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>				
Deferred Outflows Related to Pensions	138,377	39,693	178,070	-
<b>Total Deferred Outflows of Resources</b>	<b>138,377</b>	<b>39,693</b>	<b>178,070</b>	<b>-</b>
<b>LIABILITIES:</b>				
Accounts payable	34,442	87,380	121,822	-
Payroll liabilities	74,081	14,818	88,899	-
Court costs and bonds payable	43,692	-	43,692	-
Unearned grant revenue	-	40,360	40,360	-
Current Liabilities Payable from Restricted Assets:				
Interest payable	34,048	12,164	46,212	-
Customer deposits	-	135,941	135,941	-
Noncurrent liabilities:				
Due Within One Year	669,486	461,122	1,130,608	-
Due in More Than One Year	11,178,991	3,362,356	14,541,347	-
<b>Total Liabilities</b>	<b>12,034,740</b>	<b>4,114,141</b>	<b>16,148,881</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Deferred Inflows Related to Pensions	37,064	10,753	47,817	-
<b>Total Deferred Inflows of Resources</b>	<b>37,064</b>	<b>10,753</b>	<b>47,817</b>	<b>-</b>
<b>NET POSITION:</b>				
Investments in Capital Assets, Net of Debt	1,042,352	5,888,206	6,930,558	-
Restricted Net Assets (Expendable)				
Debt service	175,235	-	175,235	-
Municipal court	51,533	-	51,533	-
Police	34,940	-	34,940	-
Tourism	29,356	-	29,356	-
Impact fees	-	482,828	482,828	-
Public educational governmental fees	40,283	-	40,283	-
Unrestricted Net Position	1,255,377	2,201,772	3,457,149	55,335
<b>Total Net Position</b>	<b>\$ 2,629,076</b>	<b>\$ 8,572,806</b>	<b>\$ 11,201,882</b>	<b>\$ 55,335</b>

The notes to the financial statements are an integral part of this statement.

**CITY OF WILLOW PARK, TEXAS**  
**Statement of Activities**  
**For the Year Ended September 30, 2016**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental activities:				
Administration	\$ 394,221	\$ -	\$ -	\$ -
Development services	231,211	307,126	-	-
Legislative	120,025	-	-	-
Municipal court	138,553	18,320	-	-
Police	1,093,938	226,736	981	-
Fire and rescue	778,155	-	20,564	-
Public works parks & roads	643,892	-	550	-
Tourism	9,646	-	340	-
Interest on long-term debt	105,624	-	-	-
Debt issuance costs	181,594	-	-	-
Total governmental activities	<u>3,696,859</u>	<u>552,182</u>	<u>22,435</u>	<u>-</u>
Business-type activities:				
Water	1,840,263	1,878,153	-	3,990
Wastewater	387,156	436,467	-	-
Solid Waste	192,254	259,958	-	-
Total business-type activities	<u>2,419,673</u>	<u>2,574,578</u>	<u>-</u>	<u>3,990</u>
Total primary government	<u>\$ 6,116,532</u>	<u>\$ 3,126,760</u>	<u>\$ 22,435</u>	<u>\$ 3,990</u>
<b>Component Unit</b>				
Fire and Rescue	\$ 29,160	\$ -	\$ 9,169	\$ -
	<u>\$ 29,160</u>	<u>\$ -</u>	<u>\$ 9,169</u>	<u>\$ -</u>

General Revenues:

Taxes:

Property taxes, levied for general purposes

Property taxes, levied for debt service

Sales and use

Franchise

Hotel occupancy tax

Investment Earnings

Gain (loss) on sale of capital assets

Other revenue

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

Net Position - Ending

The notes to the financial statements are an integral part of this statement.

Exhibit B-1

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Willow Park Fire and Rescue
\$ (394,221)	\$ -	\$ (394,221)	\$ -
75,915	-	75,915	-
(120,025)	-	(120,025)	-
(120,233)	-	(120,233)	-
(866,221)	-	(866,221)	-
(757,591)	-	(757,591)	-
(643,342)	-	(643,342)	-
(9,306)	-	(9,306)	-
(105,624)	-	(105,624)	-
(181,594)	-	(181,594)	-
<u>(3,122,242)</u>	<u>-</u>	<u>(3,122,242)</u>	<u>-</u>
-	41,880	41,880	-
-	49,311	49,311	-
-	67,704	67,704	-
<u>-</u>	<u>158,895</u>	<u>158,895</u>	<u>-</u>
<u>\$ (3,122,242)</u>	<u>\$ 158,895</u>	<u>\$ (2,963,347)</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (19,991)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (19,991)</u>
\$ 1,166,862	\$ -	\$ 1,166,862	\$ -
689,958	-	689,958	-
834,871	-	834,871	-
386,114	-	386,114	-
14,901	-	14,901	-
4,997	7,681	12,678	14
41,341	-	41,341	-
32,971	20,000	52,971	4,512
(154,482)	154,482	-	-
<u>3,017,533</u>	<u>182,163</u>	<u>3,199,696</u>	<u>4,526</u>
(104,709)	341,058	236,349	(15,465)
2,733,785	8,231,748	10,965,533	70,800
<u>\$ 2,629,076</u>	<u>\$ 8,572,806</u>	<u>\$ 11,201,882</u>	<u>\$ 55,335</u>

**CITY OF WILLOW PARK, TEXAS**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2016**

	General	Debt Service Fund	Building Capital Projects	Roads Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Assets:						
Cash and cash equivalents	\$ 708,323	\$ 295,755	\$ 4,605,738	\$ 2,275,000	\$ 190,308	\$ 8,075,124
Certificates of deposit	247,467	-	-	-	-	247,467
Receivables (Net of allowances for uncollectibles)						
Property taxes	18,759	9,312	-	-	-	28,071
Sales taxes	147,136	-	-	-	-	147,136
Franchise taxes	148,694	-	-	-	-	148,694
Miscellaneous	141,416	-	-	-	3,985	145,401
Due from other funds	136,584	-	-	-	375	136,959
Total assets	<u>\$ 1,548,379</u>	<u>\$ 305,067</u>	<u>\$ 4,605,738</u>	<u>\$ 2,275,000</u>	<u>\$ 194,668</u>	<u>\$ 8,928,852</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 34,429	\$ -	\$ -	\$ -	\$ 13	\$ 34,442
Payroll liabilities	74,081	-	-	-	-	74,081
Court costs and bonds payable	43,692	-	-	-	-	43,692
Due to other funds	375	95,784	-	-	1,376	97,535
Total liabilities	<u>152,577</u>	<u>95,784</u>	<u>-</u>	<u>-</u>	<u>1,389</u>	<u>249,750</u>
Deferred inflows of resources:						
Deferred revenue	<u>282,262</u>	<u>9,312</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>291,574</u>
Total deferred inflows of resources	<u>282,262</u>	<u>9,312</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>291,574</u>
Fund balances:						
Restricted	40,283	199,971	4,605,738	2,275,000	115,829	7,236,821
Committed					77,450	77,450
Unassigned	<u>1,073,257</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,073,257</u>
Total fund balances	<u>1,113,540</u>	<u>199,971</u>	<u>4,605,738</u>	<u>2,275,000</u>	<u>193,279</u>	<u>8,387,528</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,548,379</u>	<u>\$ 305,067</u>	<u>\$ 4,605,738</u>	<u>\$ 2,275,000</u>	<u>\$ 194,668</u>	<u>\$ 8,928,852</u>



**CITY OF WILLOW PARK, TEXAS**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**To the Statement of Net Position**  
**September 30, 2016**

Total Fund Balances - Governmental Funds	\$ 8,387,528
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Capital assets used in governmental activities are not financial resources and therefore are reported in the governmental funds. The cost of these assets was \$8,956,268 and the accumulated depreciation was \$3,225,082.	5,731,186
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Some liabilities are not due and payable in the current period and are not included in the fund financial statements, but are included in the governmental activities of the Statement of Net Position. The details of these differences are as follows:

Interest payable	(34,048)	
General obligation bonds	(9,625,000)	
Certificate of obligation bonds	(834,522)	
Premium on bonds	(878,230)	
Capital leases	(231,820)	
Compensated absences	(102,882)	
		(11,706,502)

Certain receivables are not available soon enough to pay for the current period's expenditures and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position. The details of these differences are as follows:

Property taxes	28,071	
Court fines	133,242	
Franchise taxes	130,261	
		291,574

Included in the items related to noncurrent liabilities is the recognition of the City's net pension liability in the amount of \$176,023, a deferred resource outflow related to pensions of \$138,377 and a deferred resource inflow related to pensions of \$37,064. This resulted in a decrease to net position.	(74,710)
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Net Position of Governmental Activities	\$ 2,629,076
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**CITY OF WILLOW PARK, TEXAS**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended September 30, 2016**

	General	Debt Service Fund	Building Capital Projects	Roads Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Taxes:						
Property	\$ 1,156,281	\$ 684,659	\$ -	\$ -	\$ -	\$ 1,840,940
Sales and use	834,871	-	-	-	-	834,871
Franchise	380,810	-	-	-	-	380,810
Hotel occupancy tax	-	-	-	-	14,901	14,901
Court fines and fees	213,950	-	-	-	18,320	232,270
Licenses and permits	307,126	-	-	-	-	307,126
Investment Earnings	2,616	1,447	739	-	195	4,997
Contributions	22,095	-	-	-	340	22,435
Other revenue	30,050	865	-	-	2,056	32,971
Total revenues	<u>2,947,799</u>	<u>686,971</u>	<u>739</u>	<u>-</u>	<u>35,812</u>	<u>3,671,321</u>
<b>EXPENDITURES</b>						
Current						
Administration	402,327	-	-	-	-	402,327
Development services	229,920	-	-	-	-	229,920
Legislative	119,760	-	-	-	-	119,760
Municipal court	137,754	-	-	-	286	138,040
Police	1,020,280	-	-	-	-	1,020,280
Fire and rescue	701,752	-	-	-	-	701,752
Public works parks & roads	404,007	-	-	-	-	404,007
Tourism	-	-	-	-	9,646	9,646
Capital outlay	743,220	-	-	-	-	743,220
Debt service:						
Principal	36,747	416,916	-	-	-	453,663
Interest and fiscal charges	8,719	110,946	-	-	-	119,665
Debt issuance costs	29,195	-	105,090	47,309	-	181,594
Total expenditures	<u>3,833,681</u>	<u>527,862</u>	<u>105,090</u>	<u>47,309</u>	<u>9,932</u>	<u>4,523,874</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>\$ (885,882)</u>	<u>\$ 159,109</u>	<u>\$ (104,351)</u>	<u>\$ (47,309)</u>	<u>\$ 25,880</u>	<u>\$ (852,553)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	60,388	17,390	-	-	100	77,878
Transfers out	(168,650)	(50,607)	(1,865)	(1,457)	(9,781)	(232,360)
Proceeds from sale of capital assets	11,030	-	-	-	35,000	46,030
Certificates of Obligation issued	866,438	-	-	-	-	866,438
General Obligation Bonds issued	-	-	4,365,000	1,965,000	-	6,330,000
Bond Premiums	-	-	346,954	358,766	-	705,720
Total other financing sources (uses)	<u>769,206</u>	<u>(33,217)</u>	<u>4,710,089</u>	<u>2,322,309</u>	<u>25,319</u>	<u>7,793,706</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(116,676)</u>	<u>125,892</u>	<u>4,605,738</u>	<u>2,275,000</u>	<u>51,199</u>	<u>6,941,153</u>
<b>FUND BALANCE, OCTOBER 1, 2015</b>	<u>1,230,216</u>	<u>74,079</u>	<u>-</u>	<u>-</u>	<u>142,080</u>	<u>1,446,375</u>
<b>FUND BALANCE, SEPTEMBER 30, 2016</b>	<u>\$ 1,113,540</u>	<u>\$ 199,971</u>	<u>\$ 4,605,738</u>	<u>\$ 2,275,000</u>	<u>\$ 193,279</u>	<u>\$ 8,387,528</u>

The notes to the financial statements are an integral part of this statement.



**CITY OF WILLOW PARK, TEXAS**  
**Reconciliation of Statement of Revenues,**  
**Expenditures and Changes in Fund Balances of**  
**The Governmental Funds to the Statement of Activities**  
**For the Year Ended September 30, 2016**

Total Net Change in Fund Balances - Governmental Funds	\$ 6,941,153
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 \$854,737 of capital outlays and \$453,663 of debt principal payments is to increase net assets.	1,308,400
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, disposals and transfers between activities) is to decrease net position.	(4,689)
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.	(494,070)
Current year proceeds from the sale of bonds are other financing sources in the fund financial statements. The net effect of the increase in certificates of obligation and general obligation bonds is a decrease in net position.	(7,902,158)
Certain liabilities are not due and payable in the current period and, therefore are not reported as liabilities in the funds. Changes in these balances are reported as expenses in the governmental activities of the Statement of Activities.	
Interest payable	(15,883)
Premium on bonds	29,924
Compensated absences	(1,297)
	12,744
Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the funds.	33,970
The City recognized their net pension liability, deferred resource outflow related to pensions and deferred resource inflow related to pensions. The changes in these balances decreased net position.	(59)
Change in Net Position of Governmental Activities	<u>\$ (104,709)</u>

**CITY OF WILLOW PARK, TEXAS**  
**Statement of Net Position**  
**Proprietary Funds**  
**September 30, 2016**

	Water	Wastewater	Solid Waste	Totals
<b>ASSETS:</b>				
Current Assets:				
Cash and cash equivalents	\$ 2,186,010	\$ 43,439	\$ 195,856	\$ 2,425,305
Certificates of deposit	-	27,554	-	27,554
Receivables (Net of allowance for uncollectibles):				
Accounts	231,285	65,914	44,781	341,980
Miscellaneous	-	52,452	-	52,452
Restricted Assets:				
Cash and cash equivalents	1,446,041	-	-	1,446,041
Certificates of deposit	217,676	-	-	217,676
Total current assets	<u>4,081,012</u>	<u>189,359</u>	<u>240,637</u>	<u>4,511,008</u>
Noncurrent Assets:				
Due from other funds	1,453,535	-	-	1,453,535
Capital assets, at cost:				
Non-depreciable capital assets	448,812	112,500	-	561,312
Depreciable capital assets	9,451,246	2,960,977	-	12,412,223
Less: accumulated depreciation	<u>(3,993,428)</u>	<u>(793,684)</u>	<u>-</u>	<u>(4,787,112)</u>
Capital assets, net	5,906,630	2,279,793	-	8,186,423
Total noncurrent assets	<u>7,360,165</u>	<u>2,279,793</u>	<u>-</u>	<u>9,639,958</u>
Total assets	<u>\$ 11,441,177</u>	<u>\$ 2,469,152</u>	<u>\$ 240,637</u>	<u>\$ 14,150,966</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>				
Deferred outflows related to pensions	33,238	6,455	-	39,693
Total deferred outflows of resources	<u>33,238</u>	<u>6,455</u>	<u>-</u>	<u>39,693</u>
<b>LIABILITIES:</b>				
Current Liabilities:				
Accounts payable	\$ 53,657	\$ 16,062	\$ 17,661	\$ 87,380
Payroll liabilities	11,515	3,303	-	14,818
Due to other funds	39,424	-	-	39,424
Unearned grant revenue	40,360	-	-	40,360
Compensated absences	23,618	3,308	-	26,926
Current portion of long-term liabilities	432,973	1,223	-	434,196
Current Liabilities Payable from Restricted Assets:				
Interest payable	12,164	-	-	12,164
Customer deposits payable	135,941	-	-	135,941
Total current liabilities	<u>749,652</u>	<u>23,896</u>	<u>17,661</u>	<u>791,209</u>
Noncurrent Liabilities:				
Due to other funds	-	1,453,535	-	1,453,535
Net Pension Liability	40,289	10,782	-	51,071
Capital lease payable	112,096	-	-	112,096
Bonds payable	3,199,189	-	-	3,199,189
Total noncurrent liabilities	<u>3,351,574</u>	<u>1,464,317</u>	<u>-</u>	<u>4,815,891</u>
Total liabilities	<u>4,101,226</u>	<u>1,488,213</u>	<u>17,661</u>	<u>5,607,100</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Deferred inflows related to pensions	8,483	2,270	-	10,753
Total deferred inflows of resources	<u>8,483</u>	<u>2,270</u>	<u>-</u>	<u>10,753</u>
<b>NET POSITION:</b>				
Investment in capital assets, net of debt	3,608,413	2,279,793	-	5,888,206
Restricted impact fees (Expendable)	466,311	16,517	-	482,828
Unrestricted	3,289,982	(1,311,186)	222,976	2,201,772
Total net position	<u>\$ 7,364,706</u>	<u>\$ 985,124</u>	<u>\$ 222,976</u>	<u>\$ 8,572,806</u>

**CITY OF WILLOW PARK, TEXAS**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended September 30, 2016**

	<u>Water</u>	<u>Wastewater</u>	<u>Solid Waste</u>	<u>Totals</u>
Operating revenues:				
Charges for services	\$ 1,758,110	\$ 420,049	\$ 259,958	\$ 2,438,117
Tap fees	7,089	1,850	-	8,939
Impact fees	56,351	14,568	-	70,919
Other fees	56,603	-	-	56,603
	<u>1,878,153</u>	<u>436,467</u>	<u>259,958</u>	<u>2,574,578</u>
Total operating revenue				
Operating expenses:				
Personnel	492,966	89,347	-	582,313
Supplies	255,318	66,861	-	322,179
Contractual services	382,731	97,973	190,039	670,743
Utilities	134,684	26,134	-	160,818
Bad debts	31,543	9,247	2,215	43,005
Franchise fees	97,799	22,283	-	120,082
Depreciation	310,009	75,311	-	385,320
	<u>1,705,050</u>	<u>387,156</u>	<u>192,254</u>	<u>2,284,460</u>
Total operating expenses				
Operating income (loss)	<u>173,103</u>	<u>49,311</u>	<u>67,704</u>	<u>290,118</u>
Nonoperating revenues (expenses):				
Investment earnings	7,139	263	279	7,681
Other revenue	20,000	-	-	20,000
Interest expense	(61,968)	-	-	(61,968)
Debt issuance costs	(73,245)	-	-	(73,245)
	<u>(108,074)</u>	<u>263</u>	<u>279</u>	<u>(107,532)</u>
Total nonoperating revenues (expenses)				
Income (loss) before contributions and transfers	65,029	49,574	67,983	182,586
Capital contributions and transfers:				
Capital Contributions	3,990	-	-	3,990
Transfers in	119,596	33,133	15,821	168,550
Transfers out	(14,068)	-	-	(14,068)
	<u>109,518</u>	<u>33,133</u>	<u>15,821</u>	<u>158,472</u>
Total capital contributions and transfers				
Change in Net Position	174,547	82,707	83,804	341,058
Net Position, October 1, 2015	7,190,159	902,417	139,172	8,231,748
Net Position, September 30, 2016	<u>\$ 7,364,706</u>	<u>\$ 985,124</u>	<u>\$ 222,976</u>	<u>\$ 8,572,806</u>

The notes to the financial statements are an integral part of this statement.



**CITY OF WILLOW PARK, TEXAS**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended September 30, 2016**

	Water	Wastewater	Solid Waste	Totals
Cash flows from operating activities:				
Cash received from customers	\$ 1,930,204	\$ 419,870	\$ 249,252	\$ 2,599,326
Cash paid to suppliers	(798,274)	(206,200)	(187,775)	(1,192,249)
Cash paid to employees	(517,904)	(95,575)	-	(613,479)
Cash paid for interfund services	(97,799)	(22,283)	-	(120,082)
Net cash provided by operating activities	<u>516,227</u>	<u>95,812</u>	<u>61,477</u>	<u>673,516</u>
Cash flow from noncapital financing activities:				
Net transfers	105,528	33,133	15,821	154,482
Increase in due to other funds	9,905			9,905
Repayment of interfund loans	76,465	(76,465)	-	-
Net cash provided (used) by noncapital financing activities	<u>191,898</u>	<u>(43,332)</u>	<u>15,821</u>	<u>164,387</u>
Cash flow from capital and related financing activities:				
Proceeds from issuance of bonds	1,508,562	-	-	1,508,562
Principal payments on long-term debt	(386,452)	-	-	(386,452)
Capital grants and contributions	57,925	62,178	-	120,103
Capital expenditures	(722,645)	(71,542)	-	(794,187)
Other revenue	20,000	-	-	20,000
Debt Issuance costs	(73,245)	-	-	(73,245)
Interest paid on long-term debt	(78,826)	-	-	(78,826)
Net cash (used) by capital and related financing activities	<u>325,319</u>	<u>(9,364)</u>	<u>-</u>	<u>315,955</u>
Cash flow from investing activities:				
Investment earnings	7,139	263	279	7,681
Reinvested in certificates of deposits	(1,003)	(188)	-	(1,191)
Net cash provided by investing activities	<u>6,136</u>	<u>75</u>	<u>279</u>	<u>6,490</u>
Net increase (decrease) in cash and cash equivalents	1,039,580	43,191	77,577	1,160,348
Cash and cash equivalents, beginning	<u>2,592,471</u>	<u>248</u>	<u>118,279</u>	<u>2,710,998</u>
Cash and cash equivalents, ending	<u>\$ 3,632,051</u>	<u>\$ 43,439</u>	<u>\$ 195,856</u>	<u>\$ 3,871,346</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	<u>\$ 173,103</u>	<u>\$ 49,311</u>	<u>\$ 67,704</u>	<u>\$ 290,118</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	310,009	75,311	-	385,320
(Increase) decrease in accounts receivable	72,180	(7,350)	(8,491)	56,339
Increase (decrease) in accounts payable	(25,541)	(556)	2,264	(23,833)
Increase (decrease) in payroll liabilities	(6,250)	(4,438)	-	(10,688)
Increase (decrease) in customer meter deposits	11,414	-	-	11,414
Increase (decrease) in accrued administrative penalty		(14,676)	-	(14,676)
Increase (decrease) in compensated absences payable	(6,349)	(983)	-	(7,332)
Increase (decrease) in pension related balances	(12,339)	(807)	-	(13,146)
Total adjustments	<u>343,124</u>	<u>46,501</u>	<u>(6,227)</u>	<u>383,398</u>
Net cash provided by operating activities	<u>\$ 516,227</u>	<u>\$ 95,812</u>	<u>\$ 61,477</u>	<u>\$ 673,516</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF WILLOW PARK, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2016**

**NOTE 1:     SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A.     Reporting Entity**

The City of Willow Park, Texas (the City) was formed as an incorporated City in 1963. The City is governed by an elected mayor and five-member council and provides the following services to the citizens of the City: administration, development services, municipal court, police, fire and rescue, public works, water, wastewater and solid waste.

As required by generally accepted accounting principles, these financial statements present the City and its component units. Component units are legally separate entities for which the City is considered financially accountable or other organizations whose nature and significant relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. Based on these considerations, the Willow Park Fire and Rescue has been included in the City's reporting entity as a component unit.

Discretely Presented Component Unit

The Willow Park Fire and Rescue is a 501(c)4 non-profit organization responsible for providing fire and rescue services in the City. The organization is governed by a 5 member board of directors that is not appointed by the City Council. The organization functions independently of the City however the City provides payroll and bookkeeping services for the organization. The Willow Park Fire and Rescue is financially dependent on the City to provide revenue. Effective October 1, 2014, the employees and capital assets of the Willow Park Fire and Rescue were transferred to the City of Willow Park. Willow Park Fire and Rescue does not issue separate financial statements.

**B.     Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separately component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program 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 function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.



# CITY OF WILLOW PARK, TEXAS

## Notes to Financial Statements

September 30, 2016

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### B. Government-wide and Fund Financial Statements (Continued)

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

#### C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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. The government considers all revenues available if they are collected within 60 days after year-end. Expenditures generally are recorded when the related fund liability is incurred, however, debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized when payment is due.

Property taxes, sales and use taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the government receives payment.

The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The City reports the following major governmental funds:

The *general fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

CITY OF WILLOW PARK, TEXAS

Notes to Financial Statements

September 30, 2016

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**C. Measurement Focus, Basis of Accounting and Basis of Presentation** (Continued)

The *debt service fund* is used to account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *building capital projects fund* is used to account for financial resources to be used for constructing, improving and equipping public safety facilities.

The *roads capital projects fund* is used to account for financial resources to be used for constructing, improving and maintaining streets.

The City reports the following major proprietary fund:

The *water fund* accounts for the operation of the water system.

The *wastewater fund* accounts for the operation of the wastewater system.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges and transfers between the governmental activities and the business-type activities, which cannot be eliminated.

Amounts reported as program revenues include 1) charges for customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds, distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.



**CITY OF WILLOW PARK, TEXAS**

**Notes to Financial Statements**

**September 30, 2016**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities and Net Assets or Equity**

**1. *Cash and Cash Equivalents***

The City pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable.

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments that are highly liquid with maturity within three months or less when purchased.

**2. *Receivables and Payables***

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

All trade and property tax receivables are shown net of an allowance for uncollectibles. Enterprise funds accounts receivable aged 90 days or more comprise the allowance for uncollectible accounts of \$202,018. The property tax receivable and municipal court allowances of \$28,071 and \$1,199,182 are equal to 50% and 90% respectively of the outstanding balances at September 30, 2016.

**3. *Unbilled Service***

Utility operating revenues (water, wastewater, and solid waste) are billed on monthly cycles. The City records estimated revenues for services delivered during the fiscal year, which will be billed during the next fiscal year. Unbilled service reported in accounts receivable of the enterprise funds was \$127,857 at September 30, 2016.

**4. *Prepaid Expenses***

Payments made for services that will benefit periods beyond September 30, 2016, are recorded as prepaid expenses in both the government-wide and fund financial statements.

**5. *Capital Assets***

Capital assets, which include property, plant, equipment and infrastructure, are reported in the applicable governmental activities or business-type activities columns in the government-wide financial statements and in the proprietary funds financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

# CITY OF WILLOW PARK, TEXAS

## Notes to Financial Statements

September 30, 2016

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### D. Assets, Liabilities and Net Assets or Equity (Continued)

##### 5. *Capital Assets* (Continued)

The cost 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. Interest incurred during the construction phase of capital assets of business-type activities and proprietary funds are included as part of the capitalized value of the assets constructed. The total interest expense incurred by the water fund during the current fiscal year was \$61,968. Of this amount \$0 was included as part of the cost of capital assets under construction in connection with water and sewer construction projects. Property, plant and equipment of the primary government and component unit are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	20 - 40 years
Furniture and equipment	5 - 10 years
Vehicles	5 years
Infrastructure	20 years
Water and wastewater systems	25 - 40 years

##### 6. *Compensated Absences*

It is the City's policy to permit employees to accumulate earned but unused compensatory time, vacation leave, sick leave and holiday time benefits. Nonexempt employees may earn compensatory time in lieu of being paid overtime. Employees may carry over 120 hours of compensatory time and upon separation from employment will be paid for the time at their hourly rate at the time of termination. Employees may carry over a maximum of 240 hours of vacation leave and upon termination will be paid for vacation time up to 240 hours at their hourly rate at the time of termination. Employees may carry over a maximum of 480 hours of sick leave however upon termination, resignation or other separation from employment, no payment will be made for unused sick leave. Police employees may accrue holiday time when they work on a holiday up to a maximum of 104 hours each year. Upon termination, resignation or other separation from employment, no payment will be made for unused holiday time. A liability for the accrued compensatory time and vacation leave amounts are reported in the government-wide and proprietary fund financial statements but in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.



**CITY OF WILLOW PARK, TEXAS**

**Notes to Financial Statements**

**September 30, 2016**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities and Net Assets or Equity (Continued)**

**7. *Pensions***

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**8. *Long-term Obligations***

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuances cost, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**9. *Fund Balance – Governmental Funds***

In the fund financial statements, governmental funds report the following classifications of fund balance:

**Nonspendable** – includes amounts that cannot be spent because they are either not spendable in form (such as prepaid expenses or inventory) or are legally or contractually required to be maintained intact (such as endowment funds).

**Restricted** – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

**Committed** – includes amounts constrained to specific purposes by a government itself, using its highest decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint (City Council ordinance).



# CITY OF WILLOW PARK, TEXAS

## Notes to Financial Statements

September 30, 2016

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### D. Assets, Liabilities and Net Assets or Equity (Continued)

#### 9. Fund Balance – Governmental Funds (Continued)

Assigned – includes amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

Unassigned – All amounts not included in other spendable classifications.

The details of the fund balances of the governmental funds are as follows:

	General Fund	Debt Service Fund	Building Capital Projects Fund	Roads Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Restricted:						
Debt service	\$ -	\$ 199,971	\$ -	\$ -	\$ -	\$ 199,971
Construction			4,605,738	2,275,000	-	6,880,738
Municipal court	-	-	-	-	51,533	51,533
Police	-	-	-	-	34,940	34,940
Tourism	-	-	-	-	29,356	29,356
Public educational						
governmental fees	40,283	-	-	-	-	40,283
Committed:						
Equipment replacement	-	-	-	-	77,450	77,450
Unassigned	1,073,257	-	-	-	-	1,073,257
	<u>\$ 1,113,540</u>	<u>\$ 199,971</u>	<u>\$ 4,605,738</u>	<u>\$ 2,275,000</u>	<u>\$ 193,279</u>	<u>\$ 8,387,528</u>

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted fund balance to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been first spent out of committed funds, then assigned, and finally unassigned as needed.

The City Council adopted a minimum fund balance policy for the general fund. The policy requires the City to strive to maintain an unassigned fund balance in the general fund of 75 days of annual budgeted expenditures. At the end of the year, the unassigned fund balance of \$1,073,257 was \$463,723 above the minimum fund balance requirement of \$609,534.

**CITY OF WILLOW PARK, TEXAS**

**Notes to Financial Statements**

**September 30, 2016**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities and Net Assets or Equity (Continued)**

**10. *Net Position***

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**11. *Use of Estimates***

The preparation of financial statements, in conformity with Generally Accepted Accounting Principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

**NOTE 2: DEPOSITS AND INVESTMENTS**

**A. Deposits**

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's funds are required to be deposited and invested under the terms of a depository contract. The City's deposits are required to be collateralized with securities held by the pledging institution's trust department or agent in the City's name. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") Insurance. At September 30, 2016, the City's deposits were covered by FDIC Insurance or collateralized with securities held by the bank's agent in the City's name.

**B. Investments**

The Texas Public Funds Investment Act authorizes the government to invest in obligations of the U.S. Treasury, obligations of states, agencies, counties, cities and other political subdivisions, secured certificates of deposit, repurchase agreements, bankers' acceptance, commercial paper, mutual funds, guaranteed investment contracts and investment pools. Investments are state at fair value except for short-term highly liquid investments which are stated at cost or amortized cost. During the year ended September 30, 2016, the City did not own any types of securities other than those permitted by statute.



# CITY OF WILLOW PARK, TEXAS

## Notes to Financial Statements

September 30, 2016

### NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

The City invests idle funds in the Texas Short Term Asset Reserve Fund (TexSTAR). TexSTAR is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. The investment pool is stated at amortized cost, which in most cases approximates the market value of the securities. The objective of the pool is to maintain a stable \$1.00 net asset value; however, the \$1.00 net asset value is not guaranteed or insured by the State of Texas. An advisory board composed of participants in TexSTAR and other persons who do not have a business relationship with TexSTAR has been established and maintained.

#### Credit Risk— Investments

The City controls credit risk by limiting its investments to those instruments allowed by its investment policy.

#### Interest Rate Risk – Investments

In accordance with its investment policy, the City manages its risk of market price changes by avoiding over-concentration of assets in specific maturity sectors, limitation of average maturity of operating funds investments to one year, and avoidance of over-concentration of assets in specific instruments other than U.S. Treasury Securities and insured or collateralized certificates of deposit.

The City's investments at September 30, 2016 included the following:

Investment	Credit Rating	Weighted Average Maturities	Percentage of Total Investments	Cost	Fair Value
TexSTAR Pool	AAAm	83days	100.00%	\$ 1,860,994	\$ 1,860,994

The City's investments are included with cash and cash equivalents in the financial statements.

### C. **Restricted Assets**

The following cash and cash equivalents and certificates of deposit in the enterprise funds are restricted for the following purposes:

	Cash	Certificates of Deposit	Total
Enterprise Funds			
Customer deposits	\$ -	\$ 105,005	\$ 105,005
2003 bond funds	-	112,671	112,671
2014 bonds	559,433	-	559,433
2016 bonds	886,608	-	886,608
Total	\$ 1,446,041	\$ 217,676	\$ 1,663,717



**CITY OF WILLOW PARK, TEXAS**

**Notes to Financial Statements**

**September 30, 2016**

**NOTE 3: PROPERTY TAX**

The City's property tax is levied (assessed) each October 1, on the assessed value listed as of the prior January 1, for all real property and personal property located in the City. The appraisal property within the City is the responsibility of a countywide appraisal district as required by legislation passed by the Texas Legislature. The appraisal district is required under such legislation to assess all property within the appraisal district on the basis of 100% of its appraised value and is prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every three years; however, the government may, at its own expense require annual reviews of appraised values. The government may challenge appraised values established by the appraisal district through various appeals and, if necessary, legal action.

Taxes are billed and due on October 1 each year. The last date for payment without penalty is the following January 31. Delinquent penalties are added on February 1. Liens attach to the properties on the February 1 following levy date. Parker County Appraisal District bills and collects the property taxes for the City.

In the governmental funds the City's property tax revenues are recognized when levied to the extent that they result in current receivables available for financing current operations. The remaining receivables are reflected in deferred revenue.

**NOTE 4: DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows related to pensions reported in the government-wide statement of net position and proprietary funds statement of net position.

In addition to liabilities, the statement of financial position and governmental fund balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resource (revenue) until that time. The City has two types of items in this category: unavailable revenues for the governmental funds and deferred inflows related to pensions in the government-wide statement of net position and proprietary funds statements. At the end of the fiscal year, the various components of deferred inflows of in the governmental funds were as follows:

	General	Debt Service	Total
Property taxes receivable	\$ 18,759	\$ 9,312	\$ 28,071
Franchise tax receivable	130,261	-	130,261
Court fines and fees receivable	133,242	-	133,242
Total deferred revenue	<u>\$ 282,262</u>	<u>\$ 9,312</u>	<u>\$ 291,574</u>

**CITY OF WILLOW PARK, TEXAS**

**Notes to Financial Statements**

**September 30, 2016**

**NOTE 5: INTERFUND RECEIVABLE, PAYABLES AND TRANSFERS**

The composition of interfund transfers for the City's individual major funds and nonmajor funds at September 30, 2016, is as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>	<u>Purpose</u>
General	Debt service	50,607	Debt service
General	Other governmental funds	9,781	Court
Debt Service	Building capital projects	1,865	Debt service
Debt Service	Roads capital projects	1,457	Debt service
Debt Service	Water	14,068	Debt service
Other governmental funds	General	100	Tourism
Total Governmental Funds Transfers In		<u>\$ 77,878</u>	
Water	General	\$ 119,596	Pooled cash
Wastewater	General	33,133	Pooled cash
Solid Waste	General	15,821	Pooled cash
Total Proprietary Funds Transfers In		<u>\$ 168,550</u>	

The composition of interfund receivables and payables for the City's individual major funds and nonmajor funds at September 30, 2016, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Debt service	\$ 95,784
General	Other governmental funds	1,376
General	Water	39,424
Other governmental funds	General	375
Total Governmental Funds		<u>\$ 136,959</u>
Water	Wastewater	<u>\$ 1,453,535</u>

The general fund receivable from the debt service fund is the remaining funds from the 2015 Certificates of Obligation. The general fund receivable is due to 2014 bond issuance costs paid by the general fund for the water fund.

The water fund loaned the wastewater fund for lift station improvements and working capital. The loan is to be repaid in annual installments over 20 years at 0% interest through September 30, 2035.



**CITY OF WILLOW PARK, TEXAS**

**Notes to Financial Statements**

**September 30, 2016**

**NOTE 6: CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>					
Non - Depreciable Assets:					
Land	\$ 126,024	\$ -	\$ -	\$ -	\$ 126,024
Construction in progress	-	-	-	-	-
Total non-depreciable assets	<u>126,024</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>126,024</u>
Depreciable Assets:					
Buildings and improvements	547,971	38,282	-	-	586,253
Furniture and equipment	415,373	462,120	-	-	877,493
Vehicles	1,423,811	290,870	(276,049)	-	1,438,632
Infrastructure	5,864,401	63,465	-	-	5,927,866
Total capital assets being depreciated	<u>8,251,556</u>	<u>854,737</u>	<u>(276,049)</u>	<u>-</u>	<u>8,830,244</u>
Accumulated Depreciation:					
Buildings and improvements	(166,378)	(16,109)	-	-	(182,487)
Furniture and equipment	(278,607)	(62,800)	-	-	(341,407)
Vehicles	(968,022)	(133,091)	271,360	-	(829,753)
Infrastructure	(1,589,365)	(282,070)	-	-	(1,871,435)
Total accumulated depreciation	<u>(3,002,372)</u>	<u>(494,070)</u>	<u>271,360</u>	<u>-</u>	<u>(3,225,082)</u>
Governmental activities capital assets, net	<u>\$ 5,375,208</u>	<u>\$ 360,667</u>	<u>\$ (4,689)</u>	<u>\$ -</u>	<u>\$ 5,731,186</u>



**CITY OF WILLOW PARK, TEXAS**

**Notes to Financial Statements**

**September 30, 2016**

**NOTE 6: CAPITAL ASSETS (Continued)**

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Business-type activities:</b>					
Non - Depreciable Assets:					
Land	\$ 383,897	\$ -	\$ -	\$ -	\$ 383,897
Construction in Progress	74,419	102,996	-	-	177,415
Total non-depreciable assets	<u>458,316</u>	<u>102,996</u>	<u>-</u>	<u>-</u>	<u>561,312</u>
Depreciable Assets:					
Buildings and improvements	79,050	-	-	-	79,050
Furniture and equipment	317,467	456,816	-	-	774,283
Vehicles	358,159	33,993	-	-	392,152
Water system	8,110,936	137,939	-	-	8,248,875
Wastewater system	2,855,422	62,441	-	-	2,917,863
Total capital assets being depreciated	<u>11,721,034</u>	<u>691,189</u>	<u>-</u>	<u>-</u>	<u>12,412,223</u>
Accumulated Depreciation:					
Buildings and improvements	(21,598)	(1,976)	-	-	(23,574)
Furniture and equipment	(147,424)	(64,122)	-	-	(211,546)
Vehicles	(197,725)	(33,615)	-	-	(231,340)
Water system	(3,336,480)	(213,115)	-	-	(3,549,595)
Wastewater system	(698,565)	(72,492)	-	-	(771,057)
Total accumulated depreciation	<u>(4,401,792)</u>	<u>(385,320)</u>	<u>-</u>	<u>-</u>	<u>(4,787,112)</u>
Business-type activities capital assets, net	<u>\$ 7,777,558</u>	<u>\$ 408,865</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,186,423</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

**Governmental activities:**

Administration	\$ 11,976
Development services	1,086
Legislative	265
Municipal court	499
Police	72,971
Fire and rescue	87,577
Public works parks & roads	319,696
Total depreciation expense - governmental activities	<u>\$ 494,070</u>

**Business-type activities:**

Water	\$ 310,009
Wastewater	75,311
Total depreciation expense - business-type activities	<u>\$ 385,320</u>

**CITY OF WILLOW PARK, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2016**

**NOTE 7: LONG-TERM LIABILITIES**

**A. Capital Leases Payable**

Governmental Activities:

In October 2014 the City refinanced the lease for the Willow Park Fire and Rescue fire truck for \$202,870. The lease is due in annual installments of \$31,918 including interest at 2.981% through February 15, 2021. The lease is secured by the 2010 Peirce Fire Truck.

In February 2014 the City acquired a Chevy Tahoe for police department with a capital lease. The lease requires annual payments of \$4,443 including interest at 3.92% through February 28, 2022.

In February 2014 the City acquired a brush truck for the fire department and a 2015 Freightliner for the water department with a capital lease. The lease requires annual payments of \$27,524 including interest at 3.626% through February 29, 2024. This lease is split between the governmental activities and business-type activities.

Total capital assets acquired through capital leases were as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Assets:		
Vehicles	\$ 375,647	\$ 156,458
Less: accumulated depreciation	(155,938)	(29,988)
Total	<u>\$ 219,709</u>	<u>\$ 126,470</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2016, were as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2017	45,466	\$ 18,419
2018	45,466	18,419
2019	45,466	18,419
2020	45,466	18,419
2021	45,466	18,419
2022 - 2024	31,759	55,255
Total minimum lease payments	259,089	147,350
Less: interest portion	(27,269)	(21,402)
Obligations under capital lease	<u>\$ 231,820</u>	<u>\$ 125,948</u>

**CITY OF WILLOW PARK, TEXAS**

**Notes to Financial Statements**

**September 30, 2016**

**NOTE 7: LONG-TERM LIABILITIES (Continued)**

**B. Bonds Payable**

General obligation bonds are direct obligations and pledge the full faith and credit of the government. Certificates of obligation are secured by surplus revenues of the water and wastewater funds and ad valorem taxes. Bonds outstanding are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
\$2,665,000; 2010 Refunding bond due in annual installments through February 15, 2021 at interest rates ranging from 2.0% to 4.0%.	\$ 305,000	\$ 715,000
\$5,135,000; 2012 Refunding bond due in annual installments through February 15, 2023 at interest rates ranging from 2.0% to 3.0%.	2,990,000	675,000
\$685,000; 2014 Combination tax and revenue certificates of obligation due in annual installments through February 15, 2035 at interest rates ranging from 0.00% to 2.59%.	-	655,000
\$1,380,000; 2015 Certificates of Obligation due in annual installments through February 15, 2031 at an interest rate of 2.14%.	834,522	495,478
\$995,000; 2016 Combination tax and revenue certificates of obligation due in annual installments through February 15, 2037 at interest rates ranging from 0.04% to 1.62%.		995,000
\$6,330,000; 2016 General Obligation Bonds due in annual installments through February 15, 2046 at interest rates ranging from 3.0% to 4.0%.	6,330,000	
Bond Premiums	878,230	82,832
	<u>\$ 11,337,752</u>	<u>\$ 3,618,310</u>



**CITY OF WILLOW PARK, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2016**

**NOTE 7: LONG-TERM LIABILITIES** (Continued)

**B. Bonds Payable** (Continued)

The annual debt service requirements to maturity for bonds outstanding as of September 30, 2016, are as follows:

Bonds Payable Year Ending September 30,	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 478,610	\$ 325,993	\$ 804,603	\$ 401,390	\$ 69,702	\$ 471,092
2018	498,592	329,179	827,771	461,408	57,078	518,486
2019	535,049	315,564	850,613	274,951	47,507	322,458
2020	565,031	299,123	864,154	279,969	41,015	320,984
2021	605,011	281,583	886,594	289,989	34,149	324,138
2022 - 2026	2,305,697	1,162,544	3,468,241	779,303	113,607	892,910
2027 - 2031	2,221,532	764,473	2,986,005	568,468	69,439	637,907
2032 - 2036	905,000	455,500	1,360,500	425,000	22,909	447,909
2037 - 2041	1,085,000	273,350	1,358,350	55,000	446	55,446
2042 - 2046	1,260,000	97,050	1,357,050	-	-	-
	<u>\$ 10,459,522</u>	<u>\$ 4,304,359</u>	<u>\$ 14,763,881</u>	<u>\$ 3,535,478</u>	<u>\$ 455,852</u>	<u>\$ 3,991,330</u>

**C. Administrative Penalty**

In 2013 the City was assessed a \$44,038 penalty by the Texas Commission on Environmental Quality for violations at the wastewater treatment facility. The City has made 35 of 36 payments of \$1,223 and will continue to pay the balance in 1 monthly payment of \$1,223 with no interest.

# CITY OF WILLOW PARK, TEXAS

## Notes to Financial Statements

September 30, 2016

### NOTE 7: LONG-TERM LIABILITIES (Continued)

#### D. Changes in Long-term Liabilities

##### Changes in Long-term Liabilities

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
General obligation bonds	\$ 3,680,000	\$ 6,330,000	\$ 385,000	\$ 9,625,000	\$ 385,000
Certificates of obligation bonds	-	866,438	31,916	834,522	73,610
Bond premiums	202,434	705,720	29,924	878,230	70,075
Total bonds payable	3,882,434	7,902,158	446,840	11,337,752	528,685
Capital leases	268,567	-	36,747	231,820	37,919
Compensated absences	101,585	102,882	101,585	102,882	102,882
Net pension liability	112,386	63,637	-	176,023	-
Total Governmental Activities	<u>\$ 4,364,972</u>	<u>\$ 8,068,677</u>	<u>\$ 585,172</u>	<u>\$ 11,848,477</u>	<u>\$ 669,486</u>
<b>Business-type Activities:</b>					
Certificates of obligation	\$ 685,000	\$ 1,508,562	\$ 48,084	\$ 2,145,478	\$ 66,390
General obligation bonds	1,715,000	-	325,000	1,390,000	335,000
Bond premiums	100,563	-	17,731	82,832	17,731
Total bonds payable	2,500,563	1,508,562	390,815	3,618,310	419,121
Capital leases	139,316	-	13,368	125,948	13,852
Accrued administrative penalty	15,899	-	14,676	1,223	1,223
Compensated absences	34,258	26,926	34,258	26,926	26,926
Net pension liability	43,425	7,646	-	51,071	-
Total Business-type Activities	<u>\$ 2,733,461</u>	<u>\$ 1,543,134</u>	<u>\$ 453,117</u>	<u>\$ 3,823,478</u>	<u>\$ 461,122</u>
<b>Total Long-term Liabilities</b>	<u>\$ 7,098,433</u>	<u>\$ 9,611,811</u>	<u>\$ 1,038,289</u>	<u>\$ 15,671,955</u>	<u>\$ 1,130,608</u>

Compensated absences of the governmental activities and business-type activities are paid by the general fund and water and wastewater funds, respectively.



**CITY OF WILLOW PARK, TEXAS**

**Notes to Financial Statements**

**September 30, 2016**

**NOTE 8: RISK MANAGEMENT**

The City is exposed to various risk of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The City is a member of the Texas Municipal League and participates in the Intergovernmental Risk Pool. Premiums are paid to the Pool who administers all claims. The City retains, as a risk, only the deductible amount of each policy. The City has maintained insurance coverage in all major categories of risk comparable to that of the prior year with no reduction in coverage. The amount of settlements during the past three years has not exceeded the insurance coverage.

**NOTE 9: RETIREMENT PLAN**

**A. PLAN DESCRIPTION**

The City participates as one of 866 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmr.com](http://www.tmr.com).

All eligible employees of the city are required to participate in TMRS.

**B. BENEFITS PROVIDED**

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

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



**CITY OF WILLOW PARK, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2016**

**NOTE 9: RETIREMENT PLAN (Continued)**

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 for 2016 and 2015 were as follows:

Plan year	2016	2015
Employee deposit rate	7%	7%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	0	0
Annuity Increase (to retirees)	0% of CPI	0% of CPI

**EMPLOYEES COVERED BY BENEFIT TERMS**

**Employees covered by benefit terms**

Inactive employees or beneficiaries currently receiveing benefits	3
Inactive employees entitled to but not receiving benefits	37
Active employees	43
	<hr/> 83

**C. CONTRIBUTIONS**

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 7.13% and 6.6% in calendar years 2015 and 2016, respectively. The city's contributions to TMRS for the year ended September 30, 2016, were \$134,745, and were equal to the required contributions.

**D. NET PENSION LIABILITY**

The city's Net Pension Liability (NPL) was measured as of December 31, 2015, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

**CITY OF WILLOW PARK, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2016**

**NOTE 9:     RETIREMENT PLAN** (Continued)

ACTUARIAL ASSUPMTIONS:

The Total Pension Liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2015, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:



# CITY OF WILLOW PARK, TEXAS

## Notes to Financial Statements

September 30, 2016

### NOTE 9: RETIREMENT PLAN (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	17.50%	4.55%
International Equity	17.50%	6.10%
Core-Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	3.65%
Real Return	10.00%	4.03%
Real Estate	10.00%	5.00%
Absolute Return	10.00%	4.00%
Private Equity	5.00%	8.00%
Total	100.00%	

### DISCOUNT RATE

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

### CHANGES IN THE NET PENSION LIABILITY

		<u>Increase (Decrease)</u>	
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balance at 12/31/2014	\$ 873,789	\$ 717,979	\$ 155,810
Changes for the Year			
Service Cost	240,748	0	240,748
Interest	68,080	0	68,080
Change of benefit terms	-	0	0
Difference between expected and actual performance	(4,518)	0	(4,518)
Changes of assumptions	43,222	0	43,222
Contributions- employer	0	136,696	(136,696)
Contributions- employee	0	139,169	(139,169)
Net investment income	0	1,060	(1,060)
Benefit payments, including refunds of employee contributions	(43,186)	(43,186)	0
Administrative expense	0	(645)	645
Other changes	0	(32)	32
Net Changes	304,346	233,062	71,284
Balance at 12/31/2015	<u>\$ 1,178,135</u>	<u>\$ 951,041</u>	<u>\$ 227,094</u>



# CITY OF WILLOW PARK, TEXAS

## Notes to Financial Statements

September 30, 2016

### NOTE 9: RETIREMENT PLAN (Continued)

#### SENSITIVITY OF THE NET POSITION LIABILITY TO CHANGES IN THE DISCOUNT RATE

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$407,809	\$227,094	\$77,486

#### PENSION PLAN FIDUCIARY NET POSITION

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

#### E. PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

For the year ended September 30, 2016, the city recognized pension expense of \$124,513.

At September 30, 2016 the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in expected and actual experience	\$ -	\$ 47,817
Difference in assumptions changes	35,692	-
Differences in projected and actual investment earnings	44,100	-
Contributions subsequent to the measurement date	98,278	-
Total	<u>\$ 178,070</u>	<u>\$ 47,817</u>

\$98,278 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

**CITY OF WILLOW PARK, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2016**

**NOTE 9: RETIREMENT PLAN (Continued)**

Year ended September 30:

	Net deferred outflows (inflows) of resources
2016	\$ 4,436
2017	4,436
2018	4,437
2019	13,677
2020	4,989
Thereafter	-
	<u>\$ 31,975</u>

**NOTE 10. OTHER POSTEMPLOYMENT BENEFITS**

**Supplemental Death Benefits Fund**

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

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

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers. The city's contributions to the TMRS SDBF for the years ended 2016, 2015, and 2014 of \$2,289, \$2,232 and \$1,597, respectively, were equal to the required contributions each year.



**CITY OF WILLOW PARK, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2016**

**NOTE 11: CONTINGENT LIABILITIES**

Litigation

The City has claims or lawsuits arising from the normal course of business. Although the outcome of these claims and lawsuits is not presently determinable, it is the opinion of City management and legal counsel that they will not have a material adverse effect on the financial condition of the City.

**NOTE 12: SUBSEQUENT EVENTS**

Subsequent events were evaluated through May 3, 2017, which is the date the financial statements were available to be issued.

**NOTE 13: FUTURE ACCOUNTING PRONOUNCEMENTS**

The Governmental Accounting Standards Board has issued several statements that will be effective in future years. The City has not yet determined the effect these statements will have on its financial reporting.

GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* replaces the requirements of Statements No. 45 and No. 57 for accounting and financial reporting for postemployment benefits other than pensions. This Statement is effective for fiscal years beginning after June 15, 2017.

GASB Statement No. 77 Tax Abatement Disclosures will improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial users. This Statement is effective for fiscal years beginning after December 15, 2015.



## **REQUIRED SUPPLEMENTARY INFORMATION**

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**CITY OF WILLOW PARK, TEXAS**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**General Fund**  
**For the Year Ended September 30, 2016**

	Budget		Actual	Variance with
	Original	Final	Amounts GAAP Basis	Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes:				
Property	\$ 1,214,397	\$ 1,214,397	\$ 1,156,281	\$ (58,116)
Sales and use	842,352	842,352	834,871	(7,481)
Franchise	347,805	347,805	380,810	33,005
Court fines and fees	209,254	209,254	213,950	4,696
Licenses and permits	244,450	244,450	307,126	62,676
Investment Earnings	452	452	2,616	2,164
Contributions	15,000	15,000	22,095	7,095
Other revenue	22,075	22,075	30,050	7,975
Total revenues	<u>2,895,785</u>	<u>2,895,785</u>	<u>2,947,799</u>	<u>52,014</u>
<b>EXPENDITURES</b>				
Current				
Administration	339,052	339,052	402,327	(63,275)
Development services	207,225	207,225	229,920	(22,695)
Legislative	176,177	176,177	119,760	56,417
Municipal court	129,303	129,303	137,754	(8,451)
Police	1,066,306	1,066,306	1,020,280	46,026
Fire and rescue	672,223	672,223	701,752	(29,529)
Public works parks & roads	335,478	335,478	404,007	(68,529)
Capital outlay	-	-	743,220	(743,220)
Debt service:				
Principal	-	-	36,747	(36,747)
Interest and fiscal charges	-	-	8,719	(8,719)
Debt issuance costs	-	-	29,195	(29,195)
Total expenditures	<u>2,925,764</u>	<u>2,925,764</u>	<u>3,833,681</u>	<u>(907,917)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>\$ (29,979)</u>	<u>\$ (29,979)</u>	<u>\$ (885,882)</u>	<u>\$ (855,903)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	29,979	29,979	60,388	30,409
Transfers out	-	-	(168,650)	(168,650)
Proceeds from sale of capital assets	-	-	11,030	11,030
Certificates of Obligation issued	-	-	866,438	866,438
Total other financing sources (uses)	<u>29,979</u>	<u>29,979</u>	<u>769,206</u>	<u>739,227</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>-</u>	<u>-</u>	<u>(116,676)</u>	<u>(116,676)</u>
<b>FUND BALANCE, OCTOBER 1, 2015</b>	<u>1,230,216</u>	<u>1,230,216</u>	<u>1,230,216</u>	<u>-</u>
<b>FUND BALANCE, SEPTEMBER 30, 2016</b>	<u>\$ 1,230,216</u>	<u>\$ 1,230,216</u>	<u>\$ 1,113,540</u>	<u>\$ (116,676)</u>

The notes to the required supplementary information are an integral part of this schedule.



**CITY OF WILLOW PARK, TEXAS**  
**Schedule of Changes in Net Pension Liability**  
**and Related Ratios**  
**For the Year Ended September 30, 2016**

	2014	2015
<b>Total Pension Liability</b>		
Service Cost	\$ 88,122	\$ 240,748
Interest (on the Total Pension Liability)	60,307	68,080
Changes of benefit terms	122,676	-
Differences between expected and actual experience	(71,540)	(4,518)
Change of assumptions	-	43,222
Benefit payments, including refunds of employee contributions	(41,148)	(43,186)
Net Change in Total Pension Liability	158,417	304,346
Total Pension Liability-Beginning	715,372	873,789
Total Pension Liability-Ending (a)	<u>\$ 873,789</u>	<u>\$ 1,178,135</u>
<b>Plan Fiduciary Net Position</b>		
Contributions-Employer	30,615	136,696
Contributions-Employee	75,037	139,169
Net Investment Income	35,393	1,060
Benefit payments, including refunds of employee contributions	(41,148)	(43,186)
Administrative Expense	(369)	(645)
Other	(30)	(32)
Net Change in Plan Fiduciary Net Position	99,498	233,062
Plan Fiduciary Net Position-Beginning	618,481	717,979
Plan Fiduciary Net Position-Ending (b)	<u>\$ 717,979</u>	<u>\$ 951,041</u>
<b>Net Pension Liability-Ending</b>	<u>\$ 155,810</u>	<u>\$ 227,094</u>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	82.17%	80.72%
<b>Covered Employee Payroll</b>	\$ 1,500,744	\$ 1,876,446
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	10.38%	12.10%

The Schedule of Changes in the City's Net Pension Liability and Related Ratios shows the changes in Total Pension Liability less the changes in Fiduciary Net Position, resulting in the net pension liability calculation for the city. Note that this is a 10-year schedule, to be created by the city prospectively, over the next 10-year period.

The notes to the required supplementary information are an integral part of this schedule.

**CITY OF WILLOW PARK, TEXAS**  
Schedule of Employer Contributions  
and Related Ratios  
For the Year Ended September 30, 2015

	2014	2015	2016
Actuarially Determined Contribution	\$ 27,362	\$ 106,037	\$ 134,745
Contributions in relation to the actuarially determined contribution	<u>\$ 27,362</u>	<u>\$ 106,037</u>	<u>\$ 134,745</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered employee payroll	\$ 1,381,557	\$ 1,749,548	\$ 1,988,189
Contributions as a percentage of covered employee payroll	1.98%	6.06%	6.78%

The Schedule of Employer Contributions shows the city's required annual contributions from the actuarial valuation, compared with the actual contributions remitted. This schedule is based on the city's respective fiscal year-end, and will be built over the next 10-year period.

The notes to the required supplementary information are an integral part of this schedule.

**CITY OF WILLOW PARK, TEXAS**  
**Notes to Required Supplementary Information**  
**September 30, 2016**

**1. Stewardship and Accountability**

**A. Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. The City Council follows these procedures in establishing budgetary data reflected in the financial statements. Prior to the beginning of the fiscal year, the City Manager submits to the City Council proposed operating budgets. The operating budgets include proposed expenditures and the means of financing them. Public hearings are conducted to obtain taxpayer comments. Prior to October 1, the budget is legally enacted through passage of an ordinance. Encumbrances lapse at year-end.

**B. Excess of Expenditures Over Appropriations**

The expenditures of the general fund were more than appropriations by \$907,917. The following department expenditures exceeded appropriations:

<u>Department</u>	<u>Line Item</u>	<u>Amount</u>
General Fund		
Administration	Salaries, consultants and software and equipment upgrades	\$ 63,275
Development services	Consultants, engineering and inspectors	22,695
Municipal court	Software and IT support	8,451
Fire and rescue	Salaries, repairs and consultants	29,529
Public works	City Hall remodel	68,529
Capital outlay	Capital assets purchased with Certificates of Obligation	743,220
Debt service	Capital lease principal and interest and debt issuance costs	74,661



**CITY OF WILLOW PARK, TEXAS**  
**Notes to Required Supplementary Information**  
**September 30, 2016**

**2. Defined Benefit Pension Plans**

**Notes to Schedule of Contributions**

**Valuation Date:**

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

**Other Information:**

Notes There were no benefit changes during the year.

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**COMBINING NONMAJOR  
GOVERNMENTAL FUND STATEMENTS**



**CITY OF WILLOW PARK, TEXAS**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**September 30, 2016**

	Special Revenue Funds				
	Court Security	Court Technology	Seizure Fund	Tourism Fund	Total Special Revenue
Assets:					
Cash and cash equivalents	\$ 18,447	\$ 32,687	\$ 34,940	\$ 26,784	\$ 112,858
Receivables (Net of allowances for uncollectibles)					
Miscellaneous	-	24	-	3,961	3,985
Due from other funds	375	-	-	-	375
Total assets	<u>\$ 18,822</u>	<u>\$ 32,711</u>	<u>\$ 34,940</u>	<u>\$ 30,745</u>	<u>\$ 117,218</u>
Liabilities and fund balance:					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ 13	\$ 13
Due to other funds	-	-	-	1,376	1,376
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,389</u>	<u>1,389</u>
Fund balance:					
Restricted	18,822	32,711	34,940	29,356	115,829
Committed	-	-	-	-	-
Total fund balance	<u>18,822</u>	<u>32,711</u>	<u>34,940</u>	<u>29,356</u>	<u>115,829</u>
Total liabilities and fund balance	<u>\$ 18,822</u>	<u>\$ 32,711</u>	<u>\$ 34,940</u>	<u>\$ 30,745</u>	<u>\$ 117,218</u>

Exhibit F-1

Capital Projects			
TexStar Equipment Replacement	Equipment Replacement	Total Capital Projects	Total Nonmajor Funds
\$ 42,441	\$ 35,009	\$ 77,450	\$ 190,308
-	-	-	3,985
-	-	-	375
<u>\$ 42,441</u>	<u>\$ 35,009</u>	<u>\$ 77,450</u>	<u>\$ 194,668</u>
\$ -	\$ -	\$ -	\$ 13
-	-	-	1,376
-	-	-	1,389
-	-	-	115,829
42,441	35,009	77,450	77,450
42,441	35,009	77,450	193,279
<u>\$ 42,441</u>	<u>\$ 35,009</u>	<u>\$ 77,450</u>	<u>\$ 194,668</u>

## CITY OF WILLOW PARK, TEXAS

## Nonmajor Governmental Funds

## Combining Statement of Revenues, Expenditures and Changes in Fund Balance

For the Year Ended September 30, 2016

	Special Revenue Funds				Total Special Revenue	TexStar Equipment Replacement
	Court Security	Court Technology	Seizure Fund	Tourism Fund		
Revenues:						
Hotel occupancy tax	\$ -	\$ -	\$ -	\$ 14,901	\$ 14,901	\$ -
Court fines and fees	8,119	10,201	-	-	18,320	-
Investment earnings	4	9	11	29	53	133
Contributions	-	-	-	340	340	-
Other	-	1,053	-	1,003	2,056	-
Total revenues	8,123	11,263	11	16,273	35,670	133
Expenditures:						
Current:						
Municipal court	-	286	-	-	286	-
Tourism	-	-	-	9,646	9,646	-
Total expenditures	-	286	-	9,646	9,932	-
Excess (deficiency) of revenues over (under) expenditures	8,123	10,977	11	6,627	25,738	133
Other financing sources (uses):						
Transfers in	-	-	-	100	100	-
Transfers out	(3,198)	(6,583)	-	-	(9,781)	-
Proceeds from sale of capital asset	-	-	-	-	-	-
Total other financing sources (uses):	(3,198)	(6,583)	-	100	(9,681)	-
Net change in fund balances	4,925	4,394	11	6,727	16,057	133
Fund Balance, October 1, 2015	13,897	28,317	34,929	22,629	99,772	42,308
Fund Balance, September 30, 2016	\$ 18,822	\$ 32,711	\$ 34,940	\$ 29,356	\$ 115,829	\$ 42,441



Exhibit F-2

Capital Projects

Equipment Replacement	Total Capital Projects	Total Nonmajor Funds
\$ -	\$ -	\$ 14,901
-	-	18,320
9	142	195
-	-	340
-	-	2,056
9	142	35,812
-	-	286
-	-	9,646
-	-	9,932
9	142	25,880
-	-	100
-	-	(9,781)
35,000	35,000	35,000
35,000	35,000	25,319
35,009	35,142	51,199
-	42,308	142,080
\$ 35,009	\$ 77,450	\$ 193,279

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**OVERALL COMPLIANCE AND INTERNAL CONTROL  
SECTION**



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**INDEPENDENT AUDITOR'S 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***

To the Honorable Mayor and City Council  
City of Willow Park, Texas

We have audited, 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, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Willow Park Texas (the "City") as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 3, 2017.

**Internal Control over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses or significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider deficiencies 2016-1 and 2016-2 described

in the accompanying schedule of findings and responses to be material weaknesses.

### **Compliance and Other Matters**


As part of obtaining reasonable assurance about whether the City of Willow Park'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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2016-2.

### **City of Willow Park's Response to Findings**

The City of Willow Park's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

  
George, Morgan & Sneed, P.C.  
Weatherford, Texas  
May 3, 2017



**CITY OF WILLOW PARK**  
**Schedule of Findings and Responses**  
**For the Year Ended September 30, 2016**

Financial Statement Findings

2016-1. Audit Adjustments

**Criteria:** The City should have procedures to prevent the financial statements from containing material audit adjustments.

**Condition:** During the audit we proposed 43 audit adjustments to correct errors and adjust the books for accrual entries.

**Recommendation:** We recommend that the City perform monthly reviews and reconciliations. Specific reconciliations include utility accounts receivable and deposits and payroll and other liability accounts.

We understand the City is changing accounting programs and recommend that the accounting staff receive the appropriate training for the new software.

2016-2. Bidding Procedures

**Criteria:** The State of Texas local government code requires the City to follow competitive bidding procedures on purchases exceeding \$50,000. The City's purchasing policy also requires request for qualifications or request for proposal for purchases exceeding \$50,000. Bidding procedures are not required if the City makes the purchases through a cooperative purchasing contract where another entity performs the bidding procedures.

**Condition:** During the year the City purchased equipment with proceeds of certificate of obligation bonds. The City purchased vehicles and equipment costing more than \$50,000 and did not use sealed bids for the purchases. The City could not provide documentation that all of the assets were purchases through a buy-board contract.

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We have been informed that the City has initiated a further investigation into the matter.

**Recommendation:**

We recommend that City use competitive sealed bids or cooperative purchasing contracts for purchases exceeding \$50,000. The City should have documentation to support that its purchases comply with the local government code and purchasing policy requirements.

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