

**CITY OF WILLOW PARK, TEXAS**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2010**

## CITY OF WILLOW PARK, TEXAS

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## INDEPENDENT AUDITORS' REPORT

To the City Council  
City of Willow Park, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities and the discretely presented component unit of the City of Willow Park, Texas (the "City"), as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and the discretely presented component unit of the City of Willow Park, Texas, as of September 30, 2010 and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The City of Willow Park, Texas has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

*KSW CPA*

KSW CPA, P.C.  
Arlington, Texas  
May 14, 2011

**CITY OF WILLOW PARK, TEXAS**  
**GOVERNMENT-WIDE STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2010**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash	\$ 239,170	\$ 235,827	\$ 474,997
Certificates of deposits	521,618	319,177	840,795
Property taxes receivable, net of allowance for uncollectibles	-	-	-
Accounts receivable, net	14,759	537,964	552,723
Internal balances	433,925	(433,925)	-
Due from other governments	43,657	-	43,657
Restricted assets:			
Capital improvement	25,294	-	25,294
2008 series bond fund	1,834,398	-	1,834,398
Customer deposits	-	214,662	214,662
Escrow	-	20,169	20,169
2003 series bond fund	-	1,036,112	1,036,112
2003 tax and revenue certificate	-	833	833
Water improvements	-	240,621	240,621
Wastewater improvements	-	1,614	1,614
Capital assets:			
Land	449,897	180,000	629,897
Building and improvements	413,903	79,050	492,953
Machinery and equipment	128,549	40,559	169,108
Office furniture and equipment	110,420	37,770	148,190
Road improvements	3,388,438	-	3,388,438
System improvements	-	3,901,135	3,901,135
Waterworks system	-	9,261,784	9,261,784
Wastewater system	-	1,597,546	1,597,546
Vehicles	518,132	313,304	831,436
Less: accumulated depreciation	(946,086)	(3,893,016)	(4,839,102)
<b>TOTAL ASSETS</b>	<b>\$ 7,176,074</b>	<b>\$ 13,691,186</b>	<b>\$ 20,867,260</b>

The accompanying notes are an integral part of these financial statements

<u>Component Unit</u>	<u>Total</u>
<u>Willow Park</u>	<u>Reporting Entity</u>
<u>Fire and Rescue</u>	
\$ 224,593	\$ 699,590
-	840,795
-	-
-	552,723
-	-
-	43,657
-	25,294
-	1,834,398
-	214,662
-	20,169
-	1,036,112
-	833
-	240,621
-	1,614
-	629,897
128,069	621,022
613,339	782,447
-	148,190
-	3,388,438
-	3,901,135
-	9,261,784
-	1,597,546
-	831,436
(349,395)	(5,188,497)
<u>\$ 616,606</u>	<u>\$ 21,483,866</u>

**CITY OF WILLOW PARK, TEXAS**  
**GOVERNMENT-WIDE STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2010**

	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-Type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Total</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 138,169	\$ 266,197	\$ 404,366
Accrued expenses	12,235	4,814	17,049
Due to other governments	34,121	-	34,121
Payable from restricted assets:			
Accrued interest	29,863	16,840	46,703
Customer deposits	-	214,662	214,662
Noncurrent liabilities:			
Due within one year:			
Long-term debt	296,388	310,936	607,324
Accrued compensated absences	127,790	29,777	157,567
Due in more than one year:			
Long-term debt	5,135,000	8,426,376	13,561,376
<b>TOTAL LIABILITIES</b>	<b>5,773,566</b>	<b>9,269,602</b>	<b>15,043,168</b>
<b>NET ASSETS</b>			
Invested in capital assets			
net of related debt	628,427	2,780,820	3,409,247
Restricted for:			
Debt service	1,430	-	1,430
Unrestricted	772,651	1,640,764	2,413,415
<b>TOTAL NET ASSETS</b>	<b>\$ 1,402,508</b>	<b>\$ 4,421,584</b>	<b>\$ 5,824,092</b>

The accompanying notes are an integral part of these financial statements

<u>Component Unit</u>	<u>Total</u>
<u>Willow Park</u>	<u>Reporting Entity</u>
<u>Fire and Rescue</u>	

\$	-	\$	404,366
	-		17,049
	-		34,121
	-		46,703
	-		214,662

10,209	617,533
-	157,567

<u>16,101</u>	<u>13,577,477</u>
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<u>26,310</u>	<u>15,069,478</u>
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365,703	3,774,950
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-	1,430
<u>224,593</u>	<u>2,638,008</u>

<u>\$ 590,296</u>	<u>\$ 6,414,388</u>
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**CITY OF WILLOW PARK, TEXAS**  
**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

<u>Program Activities</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Fees, Fines and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
Administration	\$ 919,196	\$ 182,086	\$ -	\$ -
Police department	967,334	184,606	2,160	-
Municipal court	121,908	-	-	-
City services	695,230	188,909	2,035	-
Interest on long term debt	247,675	-	-	-
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<u>2,951,343</u>	<u>555,601</u>	<u>4,195</u>	<u>-</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Water	2,004,028	2,079,093	-	-
Wastewater	452,785	507,429	-	-
Interest on long term debt	483,366	-	-	-
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<u>2,940,179</u>	<u>2,586,522</u>	<u>-</u>	<u>-</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 5,891,522</u>	<u>\$ 3,142,123</u>	<u>\$ 4,195</u>	<u>\$ -</u>
<b>COMPONENT UNITS</b>				
Willow Park Fire and Rescue	\$ 468,307	\$ 451,062	\$ 106,855	\$ -
Interest on long term debt	1,374	-	-	-
<b>TOTAL COMPONENT UNITS</b>	<u>\$ 469,681</u>	<u>\$ 451,062</u>	<u>\$ 106,855</u>	<u>\$ -</u>
<b>GENERAL REVENUES</b>				
Taxes:				
City sales tax				
Franchise tax				
Mixed beverage tax				
Motel tax				
Property tax				
Interest				
Other				
Transfers				
<b>TOTAL GENERAL REVENUES</b>				
<b>CHANGE IN NET ASSETS</b>				
<b>NET ASSETS, BEGINNING OF YEAR</b>				
<b>NET ASSETS, END OF YEAR</b>				

The accompanying notes are an integral part of these financial statements



Net (Expense) Revenue and Changes in Net Assets			Total Reporting Entity	
Primary Government		Total	Component Unit	
Governmental Activities	Business-Type Activities		Willow Park Fire and Rescue	
\$ (737,110)	\$ -	\$ (737,110)	\$ -	\$ (737,110)
(780,568)	-	(780,568)	-	(780,568)
(121,908)	-	(121,908)	-	(121,908)
(504,286)	-	(504,286)	-	(504,286)
(247,675)	-	(247,675)	-	(247,675)
(2,391,547)	-	(2,391,547)	-	(2,391,547)
-	75,065	75,065	-	75,065
-	54,644	54,644	-	54,644
-	(483,366)	(483,366)	-	(483,366)
-	(353,657)	(353,657)	-	(353,657)
(2,391,547)	(353,657)	(2,745,204)	-	(2,745,204)
-	-	-	89,610	89,610
-	-	-	(1,374)	(1,374)
-	-	-	88,236	88,236
543,502	-	543,502	-	543,502
176,670	-	176,670	-	176,670
19,008	-	19,008	-	19,008
9,427	-	9,427	-	9,427
1,418,367	-	1,418,367	-	1,418,367
10,763	22,558	33,321	195	33,516
25,562	-	25,562	14,875	40,437
19,273	(19,273)	-	-	-
2,222,572	3,285	2,225,857	15,070	2,240,927
(168,975)	(350,372)	(519,347)	103,306	(416,041)
1,571,483	4,771,956	6,343,439	486,990	6,830,429
\$ 1,402,508	\$ 4,421,584	\$ 5,824,092	\$ 590,296	\$ 6,414,388

**CITY OF WILLOW PARK, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2010**

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash	\$ 237,740	\$ 1,430	\$ 239,170
Certificates of deposit	521,618	-	521,618
Accounts receivable, net	14,759		
Due from other funds	433,925	-	433,925
Due from other governments	43,657	-	43,657
Restricted assets:			
Capital improvement	25,294	-	25,294
2008 series bond fund	1,834,398	-	1,834,398
<b>TOTAL ASSETS</b>	<u>\$ 3,111,391</u>	<u>\$ 1,430</u>	<u>\$ 3,098,062</u>
 <b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 138,169	\$ -	\$ 138,169
Accrued expenses	12,235	-	12,235
Due to other governments	34,121	-	34,121
Payable from restricted assets:			
Accrued interest	-	29,863	29,863
<b>TOTAL LIABILITIES</b>	<u>184,525</u>	<u>29,863</u>	<u>214,388</u>
 <b>FUND BALANCES</b>			
Reserved for:			
Debt service	-	(28,433)	(28,433)
Unreserved, reported in:			
General fund	2,926,866	-	2,926,866
<b>TOTAL FUND BALANCES</b>	<u>2,926,866</u>	<u>(28,433)</u>	<u>2,898,433</u>
 <b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 3,111,391</u>	<u>\$ 1,430</u>	<u>\$ 3,112,821</u>

The accompanying notes are an integral part of these financial statements

**CITY OF WILLOW PARK, TEXAS**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2010**

<b>Total fund balance-total governmental funds</b>		<b>\$ 2,898,433</b>
Capital assets used in governmental activities are not current financial resources and therefore are not reported in governmental funds balance sheet.		4,063,253
Long term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.		
Long-term compensated absences	\$ (127,790)	
Long-term debt, due within one year	(296,388)	
Long-term debt, due in more than one year	<u>(5,135,000)</u>	
		<u>(5,559,178)</u>
<b>Net assets of governmental activities</b>		<b><u>\$ 1,402,508</u></b>

The accompanying notes are an integral part of these financial statements

**CITY OF WILLOW PARK, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	General Fund	Debt Service	Total Governmental Funds
<b>REVENUES</b>			
City sales tax	\$ 543,502	\$ -	\$ 543,502
Franchise tax	176,670	-	176,670
Mixed beverage tax	19,008	-	19,008
Motel tax	9,427	-	9,427
Property tax	1,418,367	-	1,418,367
Licenses and permits	124,489	-	124,489
Reviews and inspections	57,597	-	57,597
Fines and forfeits	184,606	-	184,606
Waste management fees	188,909	-	188,909
Interest	10,763	-	10,763
Contributions	4,195	-	4,195
Other	25,562	-	25,562
<b>TOTAL REVENUES</b>	<u>2,763,095</u>	<u>-</u>	<u>2,763,095</u>
<b>EXPENDITURES</b>			
Administration	938,181	-	938,181
Police	950,193	-	950,193
Municipal court	126,623	-	126,623
City services	1,433,075	-	1,433,075
Debt service:			
Principal retirement	-	230,000	230,000
Interest and fiscal charges	-	242,098	242,098
<b>TOTAL EXPENDITURES</b>	<u>3,448,072</u>	<u>472,098</u>	<u>3,920,170</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	<u>(684,977)</u>	<u>(472,098)</u>	<u>(1,157,075)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	473,962	473,962
Transfers out	(454,689)	-	(454,689)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(454,689)</u>	<u>473,962</u>	<u>19,273</u>
<b>NET CHANGE IN FUND BALANCES</b>	(1,139,666)	1,864	(1,137,802)
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>4,066,532</u>	<u>(30,297)</u>	<u>4,036,235</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 2,926,866</u>	<u>\$ (28,433)</u>	<u>\$ 2,898,433</u>

The accompanying notes are an integral part of these financial statements

**CITY OF WILLOW PARK, TEXAS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

**Net change in fund balances-total governmental funds** **\$ (1,137,802)**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period. 918,775

Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds. (241,802)

The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance cost, premiums, discounts and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Repayment of note payable	43,684	
Bond principal retirement	230,000	273,684

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Decrease in compensated absences liability	18,170
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<b>Change in net assets of governmental activities</b>	<b>\$ (168,975)</b>
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The accompanying notes are an integral part of these financial statements

**CITY OF WILLOW PARK, TEXAS**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<b>Budgeted Amounts</b>			<b>Variance favorable (unfavorable)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>REVENUES</b>				
City sales tax	\$ 588,187	\$ 575,980	\$ 543,502	\$ (32,478)
Franchise tax	182,500	177,500	176,670	(830)
Mixed beverage tax	21,600	21,600	19,008	(2,592)
Motel tax	17,000	17,000	9,427	(7,573)
Property tax	1,442,025	1,441,981	1,418,367	(23,614)
Licenses and permits	158,125	118,125	124,489	6,364
Reviews and inspections	6,100	47,200	57,597	10,397
Fines and forfeits	149,645	149,645	184,606	34,961
Waste management fees	180,500	180,500	188,909	8,409
Interest	51,631	51,631	10,763	(40,868)
Contributions	3,000	4,650	4,195	(455)
Other	18,700	14,950	25,562	10,612
<b>TOTAL REVENUES</b>	<b>2,819,013</b>	<b>2,800,762</b>	<b>2,763,095</b>	<b>(37,667)</b>
<b>EXPENDITURES</b>				
Administration	883,332	883,332	938,181	(54,849)
Police	994,791	995,391	950,193	45,198
Municipal court	110,881	110,881	126,623	(15,742)
City services	3,163,449	3,176,801	1,433,075	1,743,726
<b>TOTAL EXPENDITURES</b>	<b>5,152,453</b>	<b>5,166,405</b>	<b>3,448,072</b>	<b>1,718,333</b>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (2,333,440)</u>	<u>\$ (2,365,643)</u>	(684,977)	<u>\$ 1,680,666</u>
Transfers in			-	
Transfers out			(454,689)	
<b>FUND BALANCE, BEGINNING OF YEAR</b>			<u>4,066,532</u>	
<b>FUND BALANCE, END OF YEAR</b>			<u>\$ 2,926,866</u>	

The accompanying notes are an integral part of these financial statements

**CITY OF WILLOW PARK, TEXAS**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2010**

	<b>Business Type Activities-Enterprise Funds</b>		
	<b>Water</b>	<b>Wastewater</b>	<b>Total</b>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash	\$ 206,033	\$ 29,794	\$ 235,827
Certificates of deposits	319,177	-	319,177
Accounts receivable, net	383,877	154,087	537,964
<b>TOTAL CURRENT ASSETS</b>	<b>909,087</b>	<b>183,881</b>	<b>1,092,968</b>
<b>RESTRICTED ASSETS</b>			
Customer deposits	214,662	-	214,662
Escrow	20,169	-	20,169
2003 Series bond fund	1,036,112	-	1,036,112
2003 Tax and revenue and certificate	833	-	833
Water improvement account	240,621	-	240,621
Wastewater improvements	-	1,614	1,614
<b>TOTAL RESTRICTED ASSETS</b>	<b>1,512,397</b>	<b>1,614</b>	<b>1,514,011</b>
<b>CAPITAL ASSETS</b>			
Land	180,000	-	180,000
Building and improvements	79,050	-	79,050
Machinery and equipment	40,559	-	40,559
Office furniture and equipment	36,277	1,493	37,770
System improvements	3,901,135	-	3,901,135
Waterworks system	9,261,784	-	9,261,784
Wastewater system	-	1,608,277	1,608,277
Vehicles	265,130	37,443	302,573
	13,763,935	1,647,213	15,411,148
Less: Accumulated depreciation	(3,356,717)	(536,299)	(3,893,016)
<b>TOTAL CAPITAL ASSETS</b>	<b>10,407,218</b>	<b>1,110,914</b>	<b>11,518,132</b>
<b>TOTAL ASSETS</b>	<b>\$ 12,828,702</b>	<b>\$ 1,296,409</b>	<b>\$ 14,125,111</b>

The accompanying notes are an integral part of these financial statements

**CITY OF WILLOW PARK, TEXAS**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2010**

	<b>Business Type Activities-Enterprise Funds</b>		
	<b>Water</b>	<b>Wastewater</b>	<b>Total</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 263,842	\$ 2,355	\$ 266,197
Accrued expenses	4,127	687	4,814
Accrued compensated absences	25,712	4,065	29,777
Due to other funds	110,005	323,920	433,925
Notes and bonds payable-current portion	310,936	-	310,936
<b>TOTAL CURRENT LIABILITIES</b>	<b>714,622</b>	<b>331,027</b>	<b>1,045,649</b>
<b>CURRENT LIABILITIES DUE FROM RESTRICTED ASSETS</b>			
Customer deposits	214,662	-	214,662
Accrued interest	16,840	-	16,840
<b>TOTAL CURRENT LIABILITIES DUE FROM RESTRICTED ASSETS</b>	<b>231,502</b>	<b>-</b>	<b>231,502</b>
<b>NONCURRENT LIABILITIES</b>			
Revenue bonds payable, net	1,068,370	-	1,068,370
Certificate of obligation, net	1,745,000	-	1,745,000
Notes payable, net	5,613,006	-	5,613,006
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>8,426,376</b>	<b>-</b>	<b>8,426,376</b>
<b>TOTAL LIABILITIES</b>	<b>9,372,500</b>	<b>331,027</b>	<b>9,703,527</b>
<b>NET ASSETS</b>			
Unrestricted	3,456,202	965,382	4,421,584
<b>TOTAL NET ASSETS</b>	<b>\$ 3,456,202</b>	<b>\$ 965,382</b>	<b>\$ 4,421,584</b>

The accompanying notes are an integral part of these financial statements



**CITY OF WILLOW PARK, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<b>Business Type Activities-Enterprise Funds</b>		
	<b>Water</b>	<b>Wastewater</b>	<b>Total</b>
<b>OPERATING REVENUES</b>			
Water sales	\$ 1,975,527	\$ -	\$ 1,975,527
Wastewater sales	-	476,053	476,053
New account fees	12,503	-	12,503
Tap fees	11,950	8,576	20,526
Impact fees	11,667	4,667	16,334
Other fees	67,446	18,133	85,579
<b>TOTAL OPERATING REVENUES</b>	<b>2,079,093</b>	<b>507,429</b>	<b>2,586,522</b>
<b>OPERATING EXPENSES</b>			
Personnel	628,718	108,932	737,650
Supplies	245,466	72,367	317,833
Contractual services	540,217	133,518	673,735
Utilities	201,188	92,484	293,672
Depreciation	388,439	45,484	433,923
<b>TOTAL OPERATING EXPENSES</b>	<b>2,004,028</b>	<b>452,785</b>	<b>2,456,813</b>
<b>INCOME FROM OPERATIONS</b>	<b>75,065</b>	<b>54,644</b>	<b>129,709</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest revenues	21,940	618	22,558
Interest and fiscal charges	(468,763)	-	(468,763)
Revenue bond discount amortization	(14,603)	-	(14,603)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>(461,426)</b>	<b>618</b>	<b>(460,808)</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>(386,361)</b>	<b>55,262</b>	<b>(331,099)</b>
Transfers in (out)	69,881	(89,154)	(19,273)
<b>CHANGE IN NET ASSETS</b>	<b>(316,480)</b>	<b>(33,892)</b>	<b>(350,372)</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>3,772,682</b>	<b>999,274</b>	<b>4,771,956</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 3,456,202</b>	<b>\$ 965,382</b>	<b>\$ 4,421,584</b>

The accompanying notes are an integral part of these financial statements

**CITY OF WILLOW PARK, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<b>Business Type Activities-Enterprise Funds</b>		
	<b>Water</b>	<b>Wastewater</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers and other	\$ 2,050,526	\$ 493,182	\$ 2,543,708
Cash paid to suppliers and employees	(1,398,848)	(410,326)	(1,809,174)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>651,678</u>	<u>82,856</u>	<u>734,534</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers from (to) other funds	69,881	(89,154)	(19,273)
<b>NET CASH (USED) PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>69,881</u>	<u>(89,154)</u>	<u>(19,273)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Principal payments-notes and bonds	(288,419)	-	(288,419)
Interest and fiscal charges	(484,549)	-	(484,549)
<b>NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(772,968)</u>	<u>-</u>	<u>(772,968)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	21,940	618	22,558
Purchase of fixed assets	(284,206)	(10,731)	(294,937)
<b>NET CASH (USED) BY INVESTING ACTIVITIES</b>	<u>(262,266)</u>	<u>(10,113)</u>	<u>(272,379)</u>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(313,675)</u>	<u>(16,411)</u>	<u>(330,086)</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR (including \$1,534,800 in restricted assets)</b>	<u>2,351,282</u>	<u>47,819</u>	<u>2,399,101</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR, (including \$1,514,011 in restricted assets)</b>	<u>\$ 2,037,607</u>	<u>\$ 31,408</u>	<u>\$ 2,069,015</u>

The accompanying notes are an integral part of these financial statements

**CITY OF WILLOW PARK, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<b>Business Type Activities-Enterprise Funds</b>		
	<b>Water</b>	<b>Wastewater</b>	<b>Total</b>
<b>RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES</b>			
<b>INCOME FROM OPERATIONS</b>	\$ 75,065	\$ 54,644	\$ 129,709
<b>ADJUSTMENTS TO RECONCILE INCOME FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES</b>			
Depreciation	388,439	45,484	433,923
Decrease (increase) in accounts receivable	(30,967)	(14,247)	(45,214)
Increase (decrease) in accounts payable	210,998	(3,396)	207,602
Increase in accrued expenses	1,115	74	1,189
Increase in accrued compensated absences	4,628	297	4,925
Increase in customer deposits	2,400	-	2,400
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 651,678</u>	<u>\$ 82,856</u>	<u>\$ 734,534</u>

The accompanying notes are an integral part of these financial statements

**CITY OF WILLOW PARK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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: general administration, police department, water and wastewater, municipal court, and city services.

The financial statements of the City have been prepared to conform to accounting principles generally accepted in the United States of America ("GAAP") as applicable to state and local governments. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. As allowed in Section P80 of GASB's "*Codification of Governmental Accounting and Financial Reporting Standards*", the City has elected not to apply Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989. The more significant accounting and reporting policies and practices used by the City are described below.

*A. Financial Statement Presentation*

The basic financial statements are prepared in conformity with GAAP which requires the government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund. Significantly, the City's statement of net assets includes both non-current assets and non-current liabilities of the City. In addition, the government-wide statement of activities reflects depreciation expense on the City's capital assets, including infrastructure.

In addition to the government-wide financial statements, the City has prepared fund financial statements, which continue to use the modified accrual basis of accounting and the current financial resources measurement focus for governmental funds. Accordingly, the accounting and financial reporting of the City's governmental funds is similar to that previously presented in the City's financial statements, although the format of financial statements has been modified by GASB Statement No. 34, "*Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*." The accrual basis of accounting and the economic resources measurement focus is utilized by the pension trust fund. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

GAAP also requires supplementary information presented as Management's Discussion and Analysis. Management has elected to exclude this information. In addition, a budgetary comparison statement is presented that compares the general fund budget with actual results.

**CITY OF WILLOW PARK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Reporting Entity**

The City's basic financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City's reporting, as set forth in Section 2100 of GASB's "*Codification of Governmental Accounting and Financial Reporting Standards*," include whether:

- The organization is legally separate (can sue and be sued in their own name)
- The City holds the corporate powers of the organization
- The City appoints a voting majority of the organization's board
- The City is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the City
- There is fiscal dependency by the organization on the City

Based on these criteria, the Willow Park Fire and Rescue Department is a component unit.

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

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the activities of the City. 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.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (general and administrative, police, etc.) 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, 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. All franchise fees are based on gross receipts and are included in general revenues. The net cost is normally covered by general revenue (property and sales taxes, franchise fees, interest income, etc).

The City segregates transactions related to certain functions or activities into separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities.

**CITY OF WILLOW PARK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The governmental funds of the City are the General Fund and Debt Service Fund.

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included in the Statement of Net Assets. The only proprietary fund of the City is the Water and Wastewater Fund. It is used to account for the provision of water and wastewater services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water and wastewater system and billing and collection activities. The fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with ongoing operations. Operating expenses include the cost of personal and contractual services, supplies and depreciation on capital assets. All other revenues and expenses are reported as non-operating revenues and expenses.

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

**D. Measurement Focus and Basis of Accounting**

The government-wide statements and financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. 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. However, the City has established an allowance for delinquent taxes equivalent to 100% of uncollected property taxes. As of September 30, 2010 there was \$59,473 in levied delinquent property taxes that were fully reserved. Gross receipts of taxes, licenses, and charges for services, fines and other revenues are recorded as revenue when received as they are generally not measurable until received.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using 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 collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting.

**CITY OF WILLOW PARK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Budgetary Data**

Budgets are adopted on a basis consistent with GAAP. Annual appropriated budgets are adopted for the general fund. All annual unencumbered appropriations lapse at fiscal year end.

The Statement of Revenues, Expenditures and Changes in Fund Balances -- Budget and Actual -- General Fund presents a comparison of budgetary data to actual results. The General Fund utilizes the same basis of accounting for both budgetary purposes and actual results.

**F. Capital Assets**

Capital assets include property, plant, equipment and infrastructure assets and are defined by the City as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of one year. Capital assets are reported in the governmental activities column in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. There is no capitalized interest included as part of this capitalized value.

The City has elected to account for infrastructure assets on a prospective basis beginning October 1, 2003. Depreciation has been calculated on each class of depreciable property using the straight-line method. Property, plant and equipment of the primary government, as well as the component unit, are depreciated using the straight line method over the following estimated useful lives:

<u>Capital Asset Classification</u>	<u>Useful Life in Years</u>
Buildings/improvements	20 to 40
Machinery/equipment including water and wastewater	5 to 10
Furniture/equipment	5 to 10
Road improvements	20
Vehicles	5

**CITY OF WILLOW PARK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Capital asset activity for the year ended September 30, 2010, was as follows:

**Governmental Activities:**

	<u>Balance 10/1/2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 9/30/2010</u>
<b>Capital Assets:</b>				
Land	\$ 413,897	\$ 36,000	\$ -	\$ 449,897
Buildings/improvements	413,903		-	413,903
Machinery/equipment	128,549		-	128,549
Furniture/equipment	110,420		-	110,420
Road improvements	2,505,663	882,775	-	3,388,438
Vehicles	518,132		-	518,132
	<u>\$ 4,090,564</u>	<u>\$ 918,775</u>	<u>\$ -</u>	<u>\$ 5,009,339</u>
	<u>Balance 10/1/2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 9/30/2010</u>
<b>Depreciation:</b>				
Buildings/improvements	\$ 76,073	\$ 11,270	\$ -	\$ 87,343
Machinery/equipment	62,408	15,189	-	77,597
Furniture/equipment	80,996	8,685	-	89,681
Road improvements	157,447	59,307	-	216,754
Vehicles	327,360	147,351	-	474,711
	<u>\$ 704,284</u>	<u>\$ 241,802</u>	<u>\$ -</u>	<u>\$ 946,086</u>
<b>Governmental Activities</b>				
<b>Net Capital Assets</b>	<u>\$ 3,386,280</u>	<u>\$ 676,973</u>	<u>\$ -</u>	<u>\$ 4,063,253</u>



**CITY OF WILLOW PARK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Business-Type Activities (Water and Wastewater Fund):**

	<u>Balance</u> <u>10/1/2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/2010</u>
<b>Capital Assets:</b>				
Land	\$ 180,000	\$ -	\$ -	\$ 180,000
Buildings/improvements	79,050	-	-	79,050
Machinery/equipment	40,559	-	-	40,559
Furniture/equipment	37,770	-	-	37,770
System improvements	3,631,833	269,302	-	3,901,135
Waterworks system	9,261,784	-	-	9,261,784
Wastewater system	1,597,546	-	-	1,597,546
Vehicles	287,669	25,635	-	313,304
	<u>\$ 15,116,211</u>	<u>\$ 294,937</u>	<u>\$ -</u>	<u>\$ 15,411,148</u>
<b>Depreciation:</b>				
Buildings/improvements	\$ 9,742	\$ 238,194	\$ -	\$ 247,936
Machinery/equipment	7,918	40,360	-	48,278
Furniture/equipment	15,242	1,976	-	17,218
System improvements	426,486	94,164	-	520,650
Waterworks system	2,369,715	5,419	-	2,375,134
Wastewater system	473,073	8,112	-	481,185
Vehicles	156,917	45,698	-	202,615
	<u>\$ 3,459,093</u>	<u>\$ 433,923</u>	<u>\$ -</u>	<u>\$ 3,893,016</u>
	<u>Balance</u> <u>10/1/2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/2010</u>
<b>Business-Type Activities</b>				
Net Capital Assets	<u>\$ 11,657,118</u>	<u>\$ (138,986)</u>	<u>\$ -</u>	<u>\$ 11,518,132</u>

**CITY OF WILLOW PARK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Component Unit (Willow Park Fire and Rescue):**

	<u>Balance</u> <u>10/1/2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/2010</u>
<b>Capital Assets:</b>				
Buildings/improvements	\$ 122,071	\$ 5,998	\$ -	\$ 128,069
Machinery/equipment	613,339	-	-	613,339
	<u>\$ 735,410</u>	<u>\$ 5,998</u>	<u>\$ -</u>	<u>\$ 741,408</u>
<b>Depreciation:</b>				
Buildings/improvements	\$ 223,638	\$ 3,089	\$ -	\$ 226,727
Machinery/equipment	61,334	61,334	-	122,668
	<u>\$ 284,972</u>	<u>\$ 64,423</u>	<u>\$ -</u>	<u>\$ 349,395</u>
<b>Component Unit</b>				
<b>Net Capital Assets</b>	<u>\$ 450,438</u>	<u>\$ (58,425)</u>	<u>\$ -</u>	<u>\$ 392,013</u>

Depreciation expense was charged as direct expense to programs as follows:

**Governmental Activities:**

Administration	\$ 15,315
Police department	59,107
Municipal court	-
City services	167,380
	<u>\$ 241,802</u>

**Business-Type Activities**

Water	\$ 388,439
Wastewater	45,484
Total	<u>\$ 433,923</u>

**Component Unit**

Willow Park fire and rescue	<u>\$ 64,423</u>
	<u>\$ 64,423</u>

**G. Fund Balance**

In the fund financial statements, unreserved fund balance indicates the portion of fund equity which is available for budgeting in future periods. Reservations of fund balance would be shown for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. However, the City has no reserved fund balances. Designations of

**CITY OF WILLOW PARK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

fund balance represent tentative management plans that are subject to change. The City also does not currently hold any designated fund balances.

H. Net Assets

Net assets represent the difference between assets and liabilities. Net assets 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 assets are 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

I. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Water and Wastewater Fund considers all short-term investments (including restricted assets) with a maturity of three months or less at the date of acquisition to be cash equivalents.

J. Restricted Assets

Restricted assets in the Water and Wastewater Fund include customer security deposits and funds designated for improvements to the water and wastewater system. Restricted assets in the General Fund include amounts received to be used for capital improvements.

K. Compensated Absences

The City's employees earn vacation leave for each month of work performed. The accrual rate increases with years of service up to a maximum of 15 days per year for 4 years of service and over. Hourly employees earn comp time to the extent they work overtime. This can be carried over up to 120 hours.

Accrued vacation leave and comp time is accrued when incurred in the government-wide and proprietary fund financial statements.

A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The General Fund is typically used to liquidate the liability for governmental activities' compensated absences.

**CITY OF WILLOW PARK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**L. 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 statement of net assets. Bond premiums/discounts and issuance costs, are deferred and amortized over the life of the bonds using the effective interest method and straight line method, respectively. 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, as other financing sources or uses or expenditures at the time of the debt issuance. 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**2. CASH AND CASH EQUIVALENTS**

At year-end the carrying amount of the City's cash deposits was \$4,414,088. \$500,000 of this amount was covered by federal depository insurance and the remaining \$4,414,088 was covered by collateral held in the pledging financial institution's trust department in the government's name.

**3. PROPERTY TAXES**

Property taxes are levied on October 1 on the assessed value listed as of the prior January 1 and are due and payable at that time. All unpaid taxes attach as a lien on property as of January 1 and become enforceable February 1. Penalty and interest is charged at 7 percent on delinquent taxes beginning February 1 and increases each month to 18 percent on July 1.

Appraised values are established by the Parker County Appraisal District at 100 percent of estimated market value and certified by the Appraisal Review Board. The assessed value for the tax roll of January 1, 2009, upon which the original FY10 levy was based, was \$329,915,860.

In Texas, county-wide central appraisal districts are required to assess all property within the appraisal district on the basis of 100 percent of its appraised value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every three years. The City may challenge appraised values established by the appraisal district through various appeals, and, if necessary, legal action. Under this system, the City sets tax rates on City property. However, if the effective tax rate, excluding tax rates for bonds and other contractual obligations, adjusted for new improvements, exceeds the rate for the previous

**CITY OF WILLOW PARK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

**3. PROPERTY TAXES (CONTINUED)**

year by more than 8 percent, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8 percent above the tax rate of the previous year.

Property tax revenues are recognized when levied to the extent that they result in current receivable available for financing current operations. The City has established an allowance for delinquent taxes equal to 100% of uncollected ad valorem taxes. Current tax collections for the period ended September 30, 2010 were 98.15% of tax levy.

**4. LONG-TERM DEBT**

The following is a summary of long-term debt of the City's primary government for the year ended September 30, 2010:

	<u>Balance</u> <u>10/1/2009</u>	<u>Additions/</u> <u>Amortization</u>	<u>Reductions</u>	<u>Balance</u> <u>9/30/2010</u>
<b>Governmental Activities:</b>				
Cert. of Obligation	\$ 655,000	\$ -	\$ 40,000	\$ 615,000
Cert. of Obligation	4,960,000	-	190,000	4,770,000
Govt. Capital Corp	90,072	-	43,684	46,388
	<u>\$ 5,705,072</u>	<u>\$ -</u>	<u>\$ 273,684</u>	<u>\$ 5,431,388</u>
<b>Business-Type Activities:</b>				
Cert. of Obligation	\$ 620,000	\$ -	\$ 55,000	\$ 565,000
Refunding Bonds 1998	790,000	-	75,000	715,000
Cert. of Obligation	835,000	-	50,000	785,000
Cert. of Obligation	1,245,000	-	70,000	1,175,000
Note-Deer Creek	4,325,176	-	41,551	4,283,625
Note-Deer Creek	475,036	-	3,843	471,193
Note-Dyegard Water	921,751	-	7,628	914,123
Bond Discount	(186,232)	14,603	-	(171,629)
	<u>\$ 9,025,731</u>	<u>\$ 14,603</u>	<u>\$ 303,022</u>	<u>\$ 8,737,312</u>

The above discount is amortized over the term of the bonds using the bonds outstanding method.

**CITY OF WILLOW PARK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

**4. LONG-TERM DEBT (CONTINUED)**

Long-term debt at September 30, 2010 is comprised of the following:

	<u>Governmental</u>	<u>Business-Type</u>
\$1,310,000 Certificate of Obligation due in annual installments of \$40,000 to \$95,000 through March 1, 2020; interest at 5.00%	\$ -	\$ 565,000
\$1,390,000 1998 Refunding Bond due in annual installments of \$35,000 to \$101,050 through March 1, 2020; interest at 3.85% to 5.00%	-	715,000
\$2,000,000 Certificate of Obligation due in annual installments of \$60,000 to \$165,000 through August, 2021; interest at 4.65% to 6.15%	615,000	785,000
\$1,600,000 Certificate of Obligation due in annual installments of \$55,000 to \$115,000 through February 23, 2023; interest at 4.25% to 4.70%	-	1,175,000
\$5,125,000 2008 Certificate of Obligation due in annual installments of \$165,000 to \$570,000 through February 15, 2023; interest at 4.35%	4,770,000	-
\$4,411,163 Note Payable due Deer Creek Waterworks, Inc., payable in monthly installments of \$24,502 including interest at 6.00% through December 2045	-	4,283,625
\$488,300 Note Payable due Deer Creek Waterworks, Inc., payable in monthly installments of \$2,687 including interest at 6.00% through September 2045	-	471,193
\$950,000 Note Payable due Dyegard Water Company Inc., payable in monthly installments of \$5,227 including interest at 6.00% through May 2045	-	914,123
\$138,665 Note Payable due Government Capital Corp. payable in annual installments of \$49,261 including interest at 6.20% through December 15, 2010	46,388	-
	<u>\$ 5,431,388</u>	<u>\$ 8,908,941</u>

**CITY OF WILLOW PARK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

**4. LONG-TERM DEBT (CONTINUED)**

The annual aggregate maturities for the years subsequent to September 30, 2010 are as follows:

Year Ending 9/30	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2011	\$ 296,388	\$ 236,255	\$ 310,936	\$ 456,879	\$ 1,300,458
2012	270,000	221,891	324,011	441,442	1,257,344
2013	295,000	209,378	347,258	425,075	1,276,711
2014	320,000	195,715	355,682	407,870	1,279,267
2015	350,000	180,806	375,181	389,124	1,295,111
Thereafter	3,900,000	739,387	7,195,873	5,802,639	17,637,899
	<u>\$ 5,431,388</u>	<u>\$ 1,783,432</u>	<u>\$ 8,908,941</u>	<u>\$ 7,923,029</u>	<u>\$ 24,046,790</u>

There are a number of limitations and restrictions contained in the bond indentures. The City is in compliance with all significant limitations and restrictions. The major provisions of the revenue bond ordinances are as follows:

**A. Rates**

The City will charge and collect rates sufficient to pay all operation, maintenance, depreciation and betterment charges and expenses of the system and to establish and fully maintain the Interest and Sinking Fund, and Reserve Fund. No free service shall be allowed.

**B. Revenue Account – Water & Wastewater Operating Account**

All revenues and income of every nature derived from the operation of the system shall be deposited in this account. All necessary and reasonable expenses of operating and maintaining the system shall be paid from this account.

The following is a summary of long-term debt of the City's component unit for the year ended September 30, 2010:

	Balance 10/1/2009	Additions/ Amortization	Reductions	Balance 9/30/2010
<b>Willow Park Fire and Rescue:</b>				
Lease Government Capital	\$ 16,456	\$ -	\$ 8,045	\$ 8,411
Note TCFP	19,653	-	1,754	17,899
	<u>\$ 36,109</u>	<u>\$ -</u>	<u>\$ 9,799</u>	<u>\$ 26,310</u>

**CITY OF WILLOW PARK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

**4. LONG-TERM DEBT (CONTINUED)**

Notes payable at September 30, 2010 are comprised of the following individual issues:

\$75,000 Note Payable due to Government Capital Corp due in annual installments of \$8,930 including interest at 6.00% through September 15, 2011	\$	8,411
\$35,000 Note Payable due to the Texas Commission on Fire Protection due in annual installments of \$2,245 including interest at 2.5% through September 1, 2019		17,899
	\$	<u>26,310</u>

The annual aggregate maturities for the years subsequent to September 30, 2010 are as follows:

<u>Year Ending 9/30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 10,209	\$ 966	\$ 11,175
2012	1,842	403	2,245
2013	1,889	356	2,245
2014	1,936	309	2,245
2015	1,984	261	2,245
Thereafter	8,450	530	8,980
	\$ <u>26,310</u>	\$ <u>2,825</u>	\$ <u>29,135</u>

**5. INTERFUND RECEIVABLES AND PAYABLES**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. The receivables and payables if any are classified as "due to/from other funds" on the appropriate balance sheet.



**CITY OF WILLOW PARK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

**5. INTERFUND RECEIVABLES AND PAYABLES (CONTINUED)**

Interfund balances at September 30, 2010 consisted of the following individual fund receivables and payables:

	<u>Receivable</u>	<u>Payable</u>
General:		
Water	\$ 110,005	\$ -
Wastewater	323,920	-
Water:		
General	-	110,005
Wastewater:		
General		323,920
	<u>\$ 433,925</u>	<u>\$ 433,925</u>

**6. DISCRETELY PRESENTED COMPONENT UNITS**

The financial data of the City's component unit that meets the criteria of GASB Statement No. 39 for inclusion in the government-wide financial statements is reported in a separate column to emphasize that it is legally separate from the City.

The Willow Park Fire and Rescue Department is a non-profit organization responsible for providing fire and rescue services in the City. The Department functions independently of the City, but is financially dependent on the City to provide revenue. The City provides payroll and bookkeeping services for the Department.

The City paid the Willow Park Fire and Rescue Department \$410,251 during the year ended September 30, 2010. This amount is included in revenue on the Willow Park Fire and Rescue Department statement of activities and as an expense on the City's statement of activities.

The Willow Park Fire and Rescue Department does not issue separate financial statements.

**7. EMPLOYEE RETIREMENT PLAN AND SUPPLEMENTAL DEATH BENEFITS PLAN**

**A. Pension Plan Description**

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System ("TMRS"), one of 833 administered by TMRS, an agent, multiple-employer public employee retirement system. Each of the municipalities has an annual individual actuarial

**CITY OF WILLOW PARK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

**7. EMPLOYEE RETIREMENT PLAN AND SUPPLEMENTAL DEATH  
BENEFITS PLAN (CONTINUED)**

valuation performed. All assumptions for the December 31, 2009 valuations are contained in the 2009 TMRS Comprehensive Annual Financial Report ("CAFR"), a copy of which may be obtained by writing to P.O. Box 149153, Austin, Texas 78714-9153 or accessing the CAFR online at [www.tmrs.org](http://www.tmrs.org).

Benefits depend upon the sum of the employee's contributions to the Plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are 100 percent of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

Members can retire at age 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after 5 years. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. The contribution rate for the employees is 5%, and the City matching ratio is currently 1 to 1, both as adopted by the governing body of the City.

**B. Pension Funding Policy**

Under the state law governing TMRS, the actuary annually determines the City's contribution rate on a calendar-year basis. The City discloses the annual pension costs (which equal the required contributions) based on the calculated rates for the City's fiscal year. The rate is 3.4% of covered payroll for the months in calendar year 2008, 2009, and 2010. This rate consists of the normal cost contribution rate and the prior service contribution rate. The normal cost contribution rate finances the currently accruing monetary credits due to City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation for the City to each employee at the time his or her retirement becomes effective. The prior service contribution rate amortizes the unfunded actuarial liability. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the

**CITY OF WILLOW PARK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

**7. EMPLOYEE RETIREMENT PLAN AND SUPPLEMENTAL DEATH BENEFITS PLAN (CONTINUED)**

calendar year when the rate goes into effect (i.e. the January 1, 2010 contribution rate is based on the December 31, 2008 valuation results). If a change in plan provisions is elected by the City, this rate can change.

C. Pension Plan Provisions

		<b>Valuation Date</b>	
		<b>2009</b>	<b>2008</b>
1.	Total number of participating entities	837	833
City specific data:			
2.	Employee deposit rate	5.0%	5.0%
3.	Matching ratio (City to employee)	1 to 1	1 to 1
4.	Years required for vesting	5	5
5.	Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
6.	Updated service credit	0%	0%
7.	Annuity increase to retirees	0%	0%
8.	Supplemental death benefit:		
	For active employees	Y	Y
	For retirees	Y	Y

D. Pension Actuarial Information

		<b>Valuation Date</b>	
		<b>2009</b>	<b>2008</b>
1.	Actuarial cost method	Projected Unit Credit	Projected Unit Credit
2.	Amortization method	Level % of Payroll	Level % of Payroll
3.	Remaining amortization period	23 years; closed period	24 years; closed period
4.	Asset valuation method	10-year smoothed market	Amortized cost
5.	Assumptions:		
	Investment return	7.0%	7.5%
	Projected salary increases	Varies by age and service	Varies by age and service
	Inflation	3.0%	3.0%
	Cost-of-living adjustments	3.0%	0.0%

**CITY OF WILLOW PARK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

**7. EMPLOYEE RETIREMENT PLAN AND SUPPLEMENTAL DEATH BENEFITS PLAN (CONTINUED)**

*E. Pension Funding Information*

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability ("AAL") (b)	Unfunded AAL ("UAAL") (b-a)	Percentage Funded (a/b)	Annual Covered Payroll (c)
2009	\$ 169,526	\$ 366,505	\$ 196,979	46.3%	\$ 1,717,603
2008	34,138	240,496	206,358	14.2%	1,602,599

  

Actuarial Valuation Date	UAAL as a % of Covered Payroll (b-a)/(c)	Net Pension Obligation ("NPO") at the beginning of the period	Annual Required Contri- bution	Contri- bution Made	NPO at the end of the period
2009	11.47%	\$ -	\$ 58,083	\$ 58,083	\$ -
2008	12.90%	-	59,457	59,457	-

Since its inception, TMRS has used the Unit Credit actuarial funding method. This method accounts for the liability accrued as of the valuation date, but does not project the potential future liability of provisions adopted by the City. Two-thirds of the cities participating in TMRS have adopted Updated Service Credit and Annuity Increases provisions on an annually repeating basis. For the December 31, 2007 valuation, the TMRS Board determined that the Projected Unit Credit ("PUC") funding method should be used, which facilitates advance funding for future updated service credits and annuity increases that are adopted on an annually repeating basis. In addition, the Board also adopted a change in the amortization period from a 25-year "open" to a 25-year "closed" period. TMRS Board of Trustees rules provide that, whenever a change in actuarial assumptions or methods results in a contribution rate increase in an amount greater than 0.5%, the amortization period will be increased to 30 years, unless a City requests that the period remain at 25 years. For cities with repeating features, these changes would likely result in higher required contributions and lower funded ratios; however, the funded ratio should show steady improvement over time. To assist in this transition to higher rates, the Board also approved an eight-year phase-in period, which will allow cities the opportunity to increase their contributions gradually (approximately 12.5% each year) to their full rate (or their required contribution rate).

**CITY OF WILLOW PARK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

**7. EMPLOYEE RETIREMENT PLAN AND SUPPLEMENTAL DEATH BENEFITS PLAN (CONTINUED)**

*F. Supplemental Death Benefits Fund*

The City as an employer participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the TMRS known as the Supplemental Death Benefits Fund ("SDBF"). The City elected to provide group-term life insurance coverage to both current and retired employees. 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). The death benefit for retirees is considered a postemployment benefit other than pension benefit ("OPEB" or other post-employment benefit) and is a fixed amount of \$7,500.

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 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 employee's entire careers. As an employer, the City contribution to the SDBF for the year ended September 30, 2010 and 2009 was \$3,094 and \$4,167 which equaled 100% of the required contribution for the year.

*G. Supplemental Death Benefits Plan Provisions*

	<b>2009</b>	<b>2008</b>
1. Total number of participating entities	720	714
City specific data:		
2. Supplemental death benefit		
For active employees	Y	Y
For retirees	Y	Y

**CITY OF WILLOW PARK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

**7. EMPLOYEE RETIREMENT PLAN AND SUPPLEMENTAL DEATH BENEFITS PLAN (CONTINUED)**

*H. Supplemental Death Benefits Actuarial Information*

	<b>2009</b>	<b>2008</b>
1. Valuation date	12/31/09	12/31/08
2. Actuarial cost method	Projected unit credit	Projected unit credit
3. Amortization method	Level percent of payroll	Level percent of payroll
4. Amortization period	25 years – open period	25 years – open period
5. Asset valuation method	Fund value	Fund value
6. Assumptions:		
Investment return	4.25%	4.25%
Inflation	3.0%	3.0%
Cost-of-living adjustments	None	None

**8. CONTINGENCIES**

On May 13, 2011, the City received a demand letter from an engineering contractor claiming they are owed unpaid fees and stating an intention to file a lawsuit if the amount is not paid. While the City believes it has meritorious defenses against the demand letter and possible lawsuit, the ultimate resolution of the matter, which is expected to occur within one year, could result in a loss of up to approximately \$205,000.

**9. SUBSEQUENT EVENTS**

The City has evaluated subsequent events from the balance sheet date through May 6, 2011, the date through which the financial statements were available to be issued. Management has determined there are no events to disclose except as noted below.

On October 1, 2010 the City of Willow Park sold three water and sewer systems that it owned and operated: Deer Creek Water, Deer Creek Wastewater, and DyeGard Water. The DyeGard Water system was sold to the City of Hudson Oaks for a gross purchase price of \$2,800,000. As a result \$1,046,002 in gross fixed assets were relieved with accumulated depreciation of \$129,137. After selling expenses of \$26,441 a gain of \$1,856,694 was recorded and the associated notes payable balance of \$914,123 due to Dyegard Water Company Inc. was paid in full. The Deer Creek Water and Wastewater systems were sold to the City of Annetta for a gross purchase price of \$6,100,000. As a result, \$5,427,925 in gross fixed assets was relieved with accumulated depreciation of \$660,744. After selling expenses of \$132,452, a gain of \$1,200,367 was recorded and the associated notes payable balances of \$4,283,625 and \$471,193, both due to Deer Creek Waterworks, Inc. were paid in full.

**CITY OF WILLOW PARK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

**9. SUBSEQUENT EVENTS (CONTINUED)**

On November 9, 2010 the City refinanced the following long-term debt:

\$1,310,000 Certificate of Obligation  
\$1,390,000 Certificate of Obligation  
\$2,000,000 Certificate of Obligation

The new General Obligation Refunding Bonds, Series 2010 of \$2,665,000 are due in annual installments ranging from \$145,000 to \$290,000 through September 2021 with interest ranging from 2% to 4%.