

CITY OF WILLOW PARK, TEXAS
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2011

CITY OF WILLOW PARK, TEXAS

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INDEPENDENT AUDITORS' REPORT

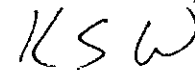
To the City Council
City of Willow Park, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Willow Park, Texas (the "City"), as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on the respective financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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, the discretely presented component unit, and each major fund of the City of Willow Park, Texas, as of September 30, 2011 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.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.


KSW CPA, P.C.
Arlington, Texas
November 3, 2011

CITY OF WILLOW PARK, TEXAS
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
AS OF SEPTEMBER 30, 2011

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash	\$ 508,144	\$ 3,025,889	\$ 3,534,033
Certificates of deposits	524,441	347,331	871,772
Property taxes receivable, net of allowance for uncollectibles	-	-	-
Accounts receivable, net	41,350	351,118	392,468
Internal balances	124,858	(124,858)	-
Due from other governments	61,995	-	61,995
Restricted assets:			
Capital improvement	25,294	-	25,294
2008 series bond fund	10,159	-	10,159
Customer deposits	-	104,417	104,417
Escrow	-	19,039	19,039
2003 series bond fund	-	1,053,566	1,053,566
2003 tax and revenue certificate	-	833	833
Water improvements	-	243,178	243,178
Wastewater improvements	-	1,614	1,614
Capital assets:			
Land	449,897	-	449,897
Building and improvements	413,903	79,050	492,953
Machinery and equipment	128,549	-	128,549
Office furniture and equipment	110,420	37,770	148,190
Road improvements	5,217,423	-	5,217,423
System improvements	-	3,459,823	3,459,823
Waterworks system	-	3,592,320	3,592,320
Wastewater system	-	1,494,371	1,494,371
Vehicles	518,132	307,573	825,705
Less: accumulated depreciation	(1,243,089)	(3,372,044)	(4,615,133)
TOTAL ASSETS	<u>\$ 6,891,476</u>	<u>\$ 10,620,990</u>	<u>\$ 17,512,466</u>

See notes to financial statements.

<u>Component Unit</u>	<u>Total</u>
<u>Willow Park</u>	<u>Reporting Entity</u>
<u>Fire and Rescue</u>	
\$ 156,334	\$ 3,690,367
-	871,772
-	-
-	392,468
-	-
-	61,995
-	25,294
-	10,159
-	104,417
-	19,039
-	1,053,566
-	833
-	243,178
-	1,614
-	449,897
128,069	621,022
739,672	868,221
-	148,190
-	5,217,423
-	3,459,823
-	3,592,320
-	1,494,371
-	825,705
(406,781)	(5,021,914)
<u>\$ 617,294</u>	<u>\$ 18,129,760</u>

CITY OF WILLOW PARK, TEXAS
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
AS OF SEPTEMBER 30, 2011

	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
LIABILITIES			
Accounts payable	\$ 26,964	\$ 22,720	\$ 49,684
Accrued expenses	4,135	16,157	20,292
Due to other governments	38,333	-	38,333
Payable from restricted assets:			
Accrued interest	27,139	13,342	40,481
Customer deposits	-	88,057	88,057
Noncurrent liabilities:			
Due within one year:			
Long-term debt	275,000	285,000	560,000
Accrued compensated absences	145,537	35,206	180,743
Due in more than one year:			
Long-term debt	4,840,000	2,598,570	7,438,570
TOTAL LIABILITIES	<u>5,357,108</u>	<u>3,059,052</u>	<u>8,416,160</u>
NET ASSETS			
Invested in capital assets			
net of related debt	1,045,393	2,715,293	3,760,686
Restricted for:			
Debt service	17,462	-	17,462
Unrestricted	471,513	4,846,645	5,318,158
TOTAL NET ASSETS	<u>\$ 1,534,368</u>	<u>\$ 7,561,938</u>	<u>\$ 9,096,306</u>

See notes to financial statements.

<u>Component Unit</u>	<u>Total Reporting Entity</u>
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<u>Willow Park Fire and Rescue</u>	
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\$ 9,959	\$ 59,643
-	20,292
-	38,333

-	40,481
-	88,057

-	560,000
-	180,743

-	7,438,570
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<u>9,959</u>	<u>8,426,119</u>
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460,960	4,221,646
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-	17,462
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<u>146,375</u>	<u>5,464,533</u>
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<u>\$ 607,335</u>	<u>\$ 9,703,641</u>
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CITY OF WILLOW PARK, TEXAS
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

		Program Revenues		
Program Activities	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
Administration	\$ 1,006,761	\$ 160,008	\$ -	\$ -
Police department	946,683	167,652	3,737	-
Municipal court	79,548	-	-	-
City services	499,193	200,795	3,092	-
Interest on long term debt	214,492	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	2,746,677	528,455	6,829	-
BUSINESS-TYPE ACTIVITIES				
Water	1,285,491	1,606,773	-	-
Wastewater	287,986	272,412	-	-
Interest on long term debt	247,677	-	-	-
TOTAL BUSINESS-TYPE ACTIVITIES	1,821,154	1,879,185	-	-
TOTAL PRIMARY GOVERNMENT	\$ 4,567,831	\$ 2,407,640	\$ 6,829	\$ -
COMPONENT UNITS				
Willow Park Fire and Rescue	\$ 549,160	\$ 444,430	\$ 94,940	\$ -
Interest on long term debt	509	-	-	-
TOTAL COMPONENT UNITS	\$ 549,669	\$ 444,430	\$ 94,940	\$ -

GENERAL REVENUES

Taxes:

City sales tax

Franchise tax

Mixed beverage tax

Motel tax

Property tax

Interest

Other

Gain on disposal of assets

TOTAL GENERAL REVENUES

CHANGE IN NET ASSETS

NET ASSETS, OCTOBER 1, 2010

NET ASSETS, SEPTEMBER 30, 2011

See notes to 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	
\$ (846,753)	\$ -	\$ (846,753)	\$ -	\$ (846,753)
(775,294)	-	(775,294)	-	(775,294)
(79,548)	-	(79,548)	-	(79,548)
(295,306)	-	(295,306)	-	(295,306)
(214,492)	-	(214,492)	-	(214,492)
(2,211,393)	-	(2,211,393)	-	(2,211,393)
-	321,282	321,282	-	321,282
-	(15,574)	(15,574)	-	(15,574)
-	(247,677)	(247,677)	-	(247,677)
-	58,031	58,031	-	58,031
(2,211,393)	58,031	(2,153,362)	-	(2,153,362)
-	-	-	(9,790)	(9,790)
-	-	-	(509)	(509)
-	-	-	(10,299)	(10,299)
566,660	-	566,660	-	566,660
214,531	-	214,531	-	214,531
18,116	-	18,116	-	18,116
11,874	-	11,874	-	11,874
1,446,012	-	1,446,012	-	1,446,012
3,823	25,262	29,085	140	29,225
82,237	-	82,237	27,198	109,435
-	3,057,061	3,057,061	-	3,057,061
2,343,253	3,082,323	5,425,576	27,338	5,452,914
131,860	3,140,354	3,272,214	17,039	3,289,253
1,402,508	4,421,584	5,824,092	590,296	6,414,388
\$ 1,534,368	\$ 7,561,938	\$ 9,096,306	\$ 607,335	\$ 9,703,641

**CITY OF WILLOW PARK, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF SEPTEMBER 30, 2011**

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash	\$ 490,682	\$ 17,462	\$ 508,144
Certificates of deposit	524,441	-	524,441
Accounts receivable, net	41,350	-	41,350
Due from other funds	124,858	-	124,858
Due from other governments	61,995	-	61,995
Restricted assets:			
Capital improvement	25,294	-	25,294
2008 series bond fund	10,159	-	10,159
TOTAL ASSETS	<u>\$ 1,278,779</u>	<u>\$ 17,462</u>	<u>\$ 1,296,241</u>
 LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 26,964	\$ -	\$ 26,964
Accrued expenses	4,135	-	4,135
Due to other governments	38,333	-	38,333
Payable from restricted assets:			
Accrued interest	-	27,139	27,139
TOTAL LIABILITIES	<u>69,432</u>	<u>27,139</u>	<u>96,571</u>
FUND BALANCES			
Reserved for:			
Debt service	-	(9,677)	(9,677)
Unreserved, reported in:			
General fund	1,209,347	-	1,209,347
TOTAL FUND BALANCES	<u>1,209,347</u>	<u>(9,677)</u>	<u>1,199,670</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,278,779</u>	<u>\$ 17,462</u>	<u>\$ 1,296,241</u>

See notes to financial statements.

CITY OF WILLOW PARK, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
AS OF SEPTEMBER 30, 2011

Total fund balance-total governmental funds	\$ 1,199,670
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Capital assets used in governmental activities are not current financial resources and therefore are not reported in governmental funds balance sheet.	5,595,235
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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	\$ (145,537)	
Long-term debt, due within one year	(275,000)	
Long-term debt, due in more than one year	<u>(4,840,000)</u>	
		<u>(5,260,537)</u>

Total net assets of governmental activities	<u>\$ 1,534,368</u>
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See notes to financial statements.

CITY OF WILLOW PARK, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	General Fund	Debt Service	Total Governmental Funds
REVENUES			
City sales tax	\$ 566,660	\$ -	\$ 566,660
Franchise tax	214,531	-	214,531
Mixed beverage tax	18,116	-	18,116
Motel tax	11,874	-	11,874
Property tax	1,446,012	-	1,446,012
Licenses and permits	110,141	-	110,141
Reviews and inspections	49,867	-	49,867
Fines and forfeits	167,652	-	167,652
Waste management fees	200,795	-	200,795
Interest	3,823	-	3,823
Contributions	6,829	-	6,829
Other	82,237	-	82,237
TOTAL REVENUES	<u>2,878,537</u>	<u>-</u>	<u>2,878,537</u>
EXPENDITURES			
Administration	984,593	-	984,593
Police	940,359	-	940,359
Municipal court	85,127	-	85,127
City services	2,085,830	-	2,085,830
Debt service:			
Principal retirement	-	270,000	270,000
Interest and fiscal charges	-	211,391	211,391
TOTAL EXPENDITURES	<u>4,095,909</u>	<u>481,391</u>	<u>4,577,300</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(1,217,372)</u>	<u>(481,391)</u>	<u>(1,698,763)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	500,147	500,147
Transfers out	(500,147)	-	(500,147)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(500,147)</u>	<u>500,147</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(1,717,519)	18,756	(1,698,763)
FUND BALANCE, OCTOBER 1, 2010	<u>2,926,866</u>	<u>(28,433)</u>	<u>2,898,433</u>
FUND BALANCE, SEPTEMBER 30, 2011	<u>\$ 1,209,347</u>	<u>\$ (9,677)</u>	<u>\$ 1,199,670</u>

See notes to 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, 2011

Net change in fund balances-total governmental funds \$ (1,698,763)

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

Governmental funds report capital outlays as expenditures. However,
in the government-wide statement of activities, the cost of those assets
is allocated over their estimated useful lives and reported as
depreciation expense. This is the amount of capital assets recorded
in the current period. 1,828,985

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. (297,003)

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	46,388	
Bond principal retirement	270,000	316,388

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.

Increase in compensated absences liability	(17,747)
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Change in net assets of governmental activities	\$ 131,860
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See notes to 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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
City sales tax	\$ 510,000	\$ 510,000	\$ 566,660	\$ 56,660
Franchise tax	184,024	184,024	214,531	30,507
Mixed beverage tax	20,000	20,000	18,116	(1,884)
Motel tax	9,300	9,300	11,874	2,574
Property tax	1,311,699	1,311,699	1,446,012	134,313
Licenses and permits	137,609	137,609	110,141	(27,468)
Reviews and inspections	43,732	43,732	49,867	6,135
Fines and forfeits	157,700	157,700	167,652	9,952
Waste management fees	188,445	188,445	200,795	12,350
Interest	10,000	10,000	3,823	(6,177)
Contributions	3,781	3,781	6,829	3,048
Other	72,035	72,035	82,237	10,202
TOTAL REVENUES	<u>2,648,325</u>	<u>2,648,325</u>	<u>2,878,537</u>	<u>230,212</u>
EXPENDITURES				
Administration	849,493	866,413	984,593	(118,180)
Police	910,863	912,102	940,359	(28,257)
Municipal court	78,792	77,420	85,127	(7,707)
City services	2,133,860	2,309,599	2,085,830	223,769
TOTAL EXPENDITURES	<u>3,973,008</u>	<u>4,165,534</u>	<u>4,095,909</u>	<u>69,625</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,324,683)</u>	<u>\$ (1,517,209)</u>	(1,217,372)	<u>\$ 299,837</u>
Transfers in			-	
Transfers out			(500,147)	
FUND BALANCE, OCTOBER 1, 2010			<u>2,926,866</u>	
FUND BALANCE, SEPTEMBER 30, 2011			<u>\$ 1,209,347</u>	

See notes to financial statements.

CITY OF WILLOW PARK, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
AS OF SEPTEMBER 30, 2011

	Business Type Activities-Enterprise Funds		
	Water	Wastewater	Total
ASSETS			
CURRENT ASSETS			
Cash	\$ 3,016,074	\$ 9,815	\$ 3,025,889
Certificates of deposits	320,301	27,030	347,331
Accounts receivable, net	295,051	56,067	351,118
TOTAL CURRENT ASSETS	<u>3,631,426</u>	<u>92,912</u>	<u>3,724,338</u>
RESTRICTED ASSETS			
Customer deposits	104,417	-	104,417
Escrow	19,039	-	19,039
2003 Series bond fund	1,053,566	-	1,053,566
2003 Tax and revenue and certificate	833	-	833
Water improvement account	243,178	-	243,178
Wastewater improvements	-	1,614	1,614
TOTAL RESTRICTED ASSETS	<u>1,421,033</u>	<u>1,614</u>	<u>1,422,647</u>
CAPITAL ASSETS			
Building and improvements	79,050	-	79,050
Office furniture and equipment	36,277	1,493	37,770
System improvements	3,459,823	-	3,459,823
Waterworks system	3,592,320	-	3,592,320
Wastewater system	-	1,494,371	1,494,371
Vehicles	285,130	22,443	307,573
	<u>7,452,600</u>	<u>1,518,307</u>	<u>8,970,907</u>
Less: Accumulated depreciation	(2,807,997)	(564,047)	(3,372,044)
TOTAL CAPITAL ASSETS	<u>4,644,603</u>	<u>954,260</u>	<u>5,598,863</u>
TOTAL ASSETS	<u>\$ 9,697,062</u>	<u>\$ 1,048,786</u>	<u>\$ 10,745,848</u>

See notes to financial statements.

CITY OF WILLOW PARK, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
AS OF SEPTEMBER 30, 2011

	Business Type Activities-Enterprise Funds		
	Water	Wastewater	Total
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	\$ 13,541	\$ 9,179	\$ 22,720
Accrued expenses	16,157	-	16,157
Accrued compensated absences	31,163	4,043	35,206
Due to other funds	110,005	14,853	124,858
Notes and bonds payable-current portion	285,000	-	285,000
TOTAL CURRENT LIABILITIES	<u>455,866</u>	<u>28,075</u>	<u>483,941</u>
CURRENT LIABILITIES DUE FROM RESTRICTED ASSETS			
Customer deposits	88,057	-	88,057
Accrued interest	13,342	-	13,342
TOTAL CURRENT LIABILITIES DUE FROM RESTRICTED ASSETS	<u>101,399</u>	<u>-</u>	<u>101,399</u>
NONCURRENT LIABILITIES			
Revenue bonds payable, net	1,568,570	-	1,568,570
Certificate of obligation, net	1,030,000	-	1,030,000
TOTAL NONCURRENT LIABILITIES	<u>2,598,570</u>	<u>-</u>	<u>2,598,570</u>
TOTAL LIABILITIES	<u>3,155,835</u>	<u>28,075</u>	<u>3,183,910</u>
NET ASSETS			
Unrestricted	<u>6,541,227</u>	<u>1,020,711</u>	<u>7,561,938</u>
TOTAL NET ASSETS	<u>\$ 6,541,227</u>	<u>\$ 1,020,711</u>	<u>\$ 7,561,938</u>

See notes to 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, 2011

	Business Type Activities-Enterprise Funds		
	Water	Wastewater	Total
OPERATING REVENUES			
Water sales	\$ 1,496,536	\$ -	\$ 1,496,536
Wastewater sales	-	256,078	256,078
New account fees	20,437	-	20,437
Tap fees	13,300	6,925	20,225
Impact fees	6,533	-	6,533
Other fees	69,967	9,409	79,376
TOTAL OPERATING REVENUES	1,606,773	272,412	1,879,185
OPERATING EXPENSES			
Personnel	437,107	99,203	536,310
Supplies	190,781	31,498	222,279
Contractual services	284,849	86,939	371,788
Utilities	143,505	30,687	174,192
Depreciation	229,249	39,659	268,908
TOTAL OPERATING EXPENSES	1,285,491	287,986	1,573,477
INCOME (LOSS) FROM OPERATIONS	321,282	(15,574)	305,708
NON-OPERATING REVENUES (EXPENSES)			
Interest revenues	24,996	266	25,262
Gain (loss) on disposal of assets	3,224,834	(167,773)	3,057,061
Interest and fiscal charges	(117,477)	-	(117,477)
Revenue bond discount amortization	(130,200)	-	(130,200)
TOTAL NON-OPERATING REVENUES (EXPENSES)	3,002,153	(167,507)	2,834,646
INCOME (LOSS) BEFORE TRANSFERS	3,323,435	(183,081)	3,140,354
Transfers in (out)	(238,410)	238,410	-
CHANGE IN NET ASSETS	3,085,025	55,329	3,140,354
NET ASSETS, OCTOBER 1, 2010	3,456,202	965,382	4,421,584
NET ASSETS, SEPTEMBER 30, 2011	\$ 6,541,227	\$ 1,020,711	\$ 7,561,938

See notes to financial statements.

CITY OF WILLOW PARK, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Business Type Activities-Enterprise Funds		
	Water	Wastewater	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers and other	\$ 1,568,994	\$ 370,432	\$ 1,939,426
Cash paid to suppliers and employees	(1,289,062)	(242,212)	(1,531,274)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>279,932</u>	<u>128,220</u>	<u>408,152</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from (to) other funds	(238,410)	238,410	-
NET CASH (USED) PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>(238,410)</u>	<u>238,410</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal payments-notes and bonds	(5,853,742)	-	(5,853,742)
Payment to general fund	-	(309,067)	(309,067)
Interest and fiscal charges	(251,175)	-	(251,175)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(6,104,917)</u>	<u>(309,067)</u>	<u>(6,413,984)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	24,996	266	25,262
Proceeds from sale of assets	8,791,886	-	8,791,886
Purchase of fixed assets	(33,686)	(50,778)	(84,464)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>8,783,196</u>	<u>(50,512)</u>	<u>8,732,684</u>
INCREASE IN CASH AND CASH EQUIVALENTS	<u>2,719,801</u>	<u>7,051</u>	<u>2,726,852</u>
CASH AND CASH EQUIVALENTS, OCTOBER 1, 2010 (including \$1,514,011 in restricted assets)	<u>2,037,607</u>	<u>31,408</u>	<u>2,069,015</u>
CASH AND CASH EQUIVALENTS, SEPTEMBER 30, 2011, (including \$1,422,647 in restricted assets)	<u>\$ 4,757,408</u>	<u>\$ 38,459</u>	<u>\$ 4,795,867</u>

See notes to financial statements.

CITY OF WILLOW PARK, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Business Type Activities-Enterprise Funds		
	Water	Wastewater	Total
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES			
INCOME (LOSS) FROM OPERATIONS	\$ 321,282	\$ (15,574)	\$ 305,708
ADJUSTMENTS TO RECONCILE INCOME FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES			
Depreciation	229,249	39,659	268,908
Decrease in accounts receivable	88,826	98,020	186,846
Increase (decrease) in accounts payable	(250,301)	6,824	(243,477)
Increase (decrease) in accrued expenses	12,030	(687)	11,343
Increase (decrease) in accrued compensated absences	5,451	(22)	5,429
Decrease in customer deposits	(126,605)	-	(126,605)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 279,932	\$ 128,220	\$ 408,152

See notes to financial statements.

**CITY OF WILLOW PARK
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

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
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

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
FOR THE YEAR ENDED SEPTEMBER 30, 2011

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, 2011 there was \$44,564 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
FOR THE YEAR ENDED SEPTEMBER 30, 2011

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
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital asset activity for the year ended September 30, 2011, was as follows:

Governmental Activities:

	<u>Balance 10/1/2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 9/30/2011</u>
Capital Assets:				
Land	\$ 449,897	\$ -	\$ -	\$ 449,897
Buildings/improvements	413,903	-	-	413,903
Machinery/equipment	128,549	-	-	128,549
Furniture/equipment	110,420	-	-	110,420
Road improvements	3,388,438	1,828,985	-	5,217,423
Vehicles	518,132	-	-	518,132
	<u>\$ 5,009,339</u>	<u>\$ 1,828,985</u>	<u>\$ -</u>	<u>\$ 6,838,324</u>
	<u>Balance 10/1/2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 9/30/2011</u>
Depreciation:				
Buildings/improvements	\$ 87,343	\$ 11,270	\$ -	\$ 98,613
Machinery/equipment	77,597	13,856	-	91,453
Furniture/equipment	89,681	8,332	-	98,013
Road improvements	386,667	48,399	-	435,066
Vehicles	304,798	215,146	-	519,944
	<u>\$ 946,086</u>	<u>\$ 297,003</u>	<u>\$ -</u>	<u>\$ 1,243,089</u>
Governmental Activities				
Net Capital Assets	<u>\$ 4,063,253</u>	<u>\$ 1,531,982</u>	<u>\$ -</u>	<u>\$ 5,595,235</u>

CITY OF WILLOW PARK
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business-Type Activities (Water and Wastewater Fund):

	Balance 10/1/2010	Additions	Deletions	Balance 9/30/2011
Capital Assets:				
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	3,901,135	13,686	(454,998)	3,459,823
Waterworks system	9,261,784	-	(5,669,464)	3,592,320
Waste water system	1,597,546	50,778	(153,953)	1,494,371
Vehicles	313,304	20,000	(25,731)	307,573
	<u>\$ 15,411,148</u>	<u>\$ 84,464</u>	<u>\$ (6,524,705)</u>	<u>\$ 8,970,907</u>
Depreciation:				
Buildings/improvements	\$ 247,936	\$ 1,976	\$ -	\$ 249,912
Machinery/equipment	48,278	-	(16,030)	32,248
Furniture/equipment	17,218	5,419	-	22,637
System improvements	520,650	86,468	(34,194)	572,924
Waterworks system	2,375,134	95,678	(727,745)	1,743,067
Wastewater system	481,185	37,360	(6,086)	512,459
Vehicles	202,615	42,007	(5,825)	238,797
	<u>\$ 3,893,016</u>	<u>\$ 268,908</u>	<u>\$ (789,880)</u>	<u>\$ 3,372,044</u>
	Balance 10/1/2010	Additions	Deletions	Balance 9/30/2011
Business-Type Activities				
Net Capital Assets	<u>\$ 11,518,132</u>	<u>\$ (184,444)</u>	<u>\$ (5,734,825)</u>	<u>\$ 5,598,863</u>

See footnote 8 for further information regarding the sale of water and sewer systems during the year ended September 30, 2011 and the related disposals of capital assets.

**CITY OF WILLOW PARK
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Component Unit (Willow Park Fire and Rescue):

	Balance 10/1/2010	Additions	Deletions	Balance 9/30/2011
Capital Assets:				
Buildings/improvements	\$ 128,069	\$ -	\$ -	\$ 128,069
Machinery/equipment	613,339	126,333	-	739,672
	<u>\$ 741,408</u>	<u>\$ 126,333</u>	<u>\$ -</u>	<u>\$ 867,741</u>
Depreciation:				
Buildings/improvements	\$ 4,870	\$ 3,202	\$ -	\$ 8,072
Machinery/equipment	344,525	54,184	-	398,709
	<u>\$ 349,395</u>	<u>\$ 57,386</u>	<u>\$ -</u>	<u>\$ 406,781</u>
Component Unit				
Net Capital Assets	<u>\$ 392,013</u>	<u>\$ 68,947</u>	<u>\$ -</u>	<u>\$ 460,960</u>

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

Governmental Activities:

Administration	\$ 14,962
Police department	48,199
Municipal court	-
City services	233,842
	<u>\$ 297,003</u>

Business-Type Activities

Water	\$ 229,249
Wastewater	39,659
Total	<u>\$ 268,908</u>

Component Unit

Willow Park fire and rescue	\$ 57,386
	<u>\$ 57,386</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
FOR THE YEAR ENDED SEPTEMBER 30, 2011

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
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

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 September 30, 2011 the carrying amount of the City's cash deposits was \$6,020,239. \$500,000 of this amount was covered by federal depository insurance and the remaining \$5,020,239 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, 2010, upon which the original FY11 levy was based, was \$329,214,480.

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
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

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 year ended September 30, 2011 were 97.95% 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, 2011:

	Balance 10/1/2010	Additions/ Amortization	Reductions	Balance 9/30/2011
Governmental Activities:				
Cert of Obligation	\$ 615,000	\$ -	\$ (615,000)	\$ -
Cert of Obligation	4,770,000	-	(210,000)	4,560,000
Refunding Bonds 2010	-	615,000	(60,000)	555,000
Govt. Capital Corp	46,388	-	(46,388)	-
	<u>\$ 5,431,388</u>	<u>\$ 615,000</u>	<u>\$ (931,388)</u>	<u>\$ 5,115,000</u>
Business-Type Activities:				
Cert of Obligation	\$ 565,000	\$ -	\$ (565,000)	\$ -
Refunding Bonds 1998	715,000	-	(715,000)	-
Cert of Obligation	785,000	-	(785,000)	-
Cert of Obligation	1,175,000	-	(70,000)	1,105,000
Note-Deer Creek	4,283,625	-	(4,283,625)	-
Note-Deer Creek	471,193	-	(471,193)	-
Note-Dyegard Water	914,123	-	(914,123)	-
Refunding Bonds 2010	-	2,065,000	(245,000)	1,820,000
Bond Discount	(171,630)	130,200	-	(41,430)
	<u>\$ 8,737,311</u>	<u>\$ 2,195,200</u>	<u>\$ (8,048,941)</u>	<u>\$ 2,883,570</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
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

4. LONG-TERM DEBT (CONTINUED)

Long-term debt at September 30, 2011 is comprised of the following:

	<u>Governmental</u>	<u>Business-Type</u>
\$2,665,000 2010 Refunding Bond due in annual installments of \$145,000 to \$290,000 through September 2021; interest at 2.00% to 4.00%	\$ 555,000	\$ 1,820,000
\$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%	-	1,105,000
\$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%	4,560,000	-
	<u>\$ 5,115,000</u>	<u>\$ 2,925,000</u>

The annual aggregate maturities for the years subsequent to September 30, 2011 are as follows:

Year Ending 9/30	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2012	\$ 275,000	\$ 212,256	\$ 285,000	\$ 102,948	\$ 875,204
2013	295,000	200,435	295,000	95,273	885,708
2014	320,000	187,925	295,000	86,521	889,446
2015	350,000	174,028	305,000	76,640	905,668
2016	380,000	158,859	320,000	66,273	925,132
Thereafter	3,495,000	561,278	1,425,000	170,460	5,651,738
	<u>\$ 5,115,000</u>	<u>\$ 1,494,781</u>	<u>\$ 2,925,000</u>	<u>\$ 598,115</u>	<u>\$ 10,132,896</u>

See footnote 8 for further information regarding the sale of water and sewer systems during the year ended September 30, 2011 and the related debt reductions.

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:

CITY OF WILLOW PARK
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

4. LONG-TERM DEBT (CONTINUED)

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, 2011:

	<u>Balance</u> <u>10/1/2010</u>	<u>Additions/</u> <u>Amortization</u>	<u>Reductions</u>	<u>Balance</u> <u>9/30/2011</u>
Willow Park Fire and Rescue:				
Lease Government Capital	\$ 8,411	\$ 8,411	\$ -	\$ -
Note TCFP	17,899	17,899	-	-
	<u>\$ 26,310</u>	<u>\$ 26,310</u>	<u>\$ -</u>	<u>\$ -</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.

Interfund balances at September 30, 2011 consisted of the following individual fund receivables and payables:

	<u>Receivable</u>	<u>Payable</u>
General:		
Water	\$ 110,005	\$ -
Wastewater	14,853	-
Water:		
General	-	110,005
Wastewater:		
General		14,853
	<u>\$ 124,858</u>	<u>\$ 124,858</u>

**CITY OF WILLOW PARK
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

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 \$410,269 during the year ended September 30, 2011. 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 842 administered by TMRS, an agent, multiple-employer public employee retirement system. Each of the municipalities has an annual individual actuarial valuation performed. All assumptions for the December 31, 2010 valuations are contained in the 2010 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.

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.

**CITY OF WILLOW PARK
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

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

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 3.3% of covered payroll for the months in calendar year 2010 and 2011. 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 calendar year when the rate goes into effect (i.e. the January 1, 2011 contribution rate is based on the December 31, 2009 valuation results). If a change in plan provisions is elected by the City, this rate can change.

**CITY OF WILLOW PARK
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

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

C. Pension Plan Provisions

	Valuation Date		
	2010	2009	2008
1. Total number of participating entities	842	837	833
City specific data:			
2. Employee deposit rate	5.0%	5.0%	5.0%
3. Matching ratio (City to employee)	1 to 1	1 to 1	1 to 1
4. Years required for vesting	5	5	5
5. Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20	60/5, 0/20
6. Updated service credit	0%	0%	0%
7. Annuity increase to retirees	0%	0%	0%
8. Supplemental death benefit:			
For active employees	Y	Y	Y
For retirees	Y	Y	Y

D. Pension Actuarial Information

	Valuation Date		
	2010	2009	2008
1. Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
2. Amortization method	Level % of Payroll	Level % of Payroll	Level % of Payroll
3. Remaining amortization period	22 years; closed period	23 years; closed period	24 years; closed period
4. Asset valuation method	10-year smoothed market	10-year smoothed market	Amortized cost
5. Assumptions:			
Investment return	7.0%	7.5%	7.5%
Projected salary increases	Varies by age and service	Varies by age and service	Varies by age and service
Inflation	3.0%	3.0%	3.0%
Cost-of-living adjustments	0.0%	0.0%	0.0%

CITY OF WILLOW PARK
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

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)
2010	\$ 298,044	\$ 535,390	\$ 237,346	55.7%	\$ 1,519,673
2009	169,526	366,505	196,979	46.3%	1,640,753
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
2010	13.6%	\$ -	\$ 42,209	\$ 42,209	\$ -
2009	11.5%	-	58,083	58,083	-
2008	12.9%	-	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
FOR THE YEAR ENDED SEPTEMBER 30, 2011

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 years ended September 30, 2011, 2010 and 2009 was \$1,971, \$3,094 and \$4,167, respectively, which equaled 100% of the required contribution for the year.

G. Supplemental Death Benefits Plan Provisions

	<u>2010</u>	<u>2009</u>	<u>2008</u>
1. Total number of participating entities	722	720	714
City specific data:			
2. Supplemental death benefit			
For active employees	Y	Y	Y
For retirees	Y	Y	Y

**CITY OF WILLOW PARK
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

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

H. Supplemental Death Benefits Actuarial Information

	2010	2009	2008
1. Valuation date	12/31/10	12/31/09	12/31/08
2. Actuarial cost method	Projected unit credit	Projected unit credit	Projected unit credit
3. Amortization method	Level percent of payroll	Level percent of payroll	Level percent of payroll
4. Amortization period	25 years – open period	25 years – open period	25 years – open period
5. Asset valuation method	Fund value	Fund value	Fund value
6. Assumptions:			
Investment return	4.25%	4.25%	4.25%
Inflation	3.0%	3.0%	3.0%
Cost-of-living adjustments	None	None	None

8. SALE OF WATER AND SEWER SYSTEMS

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, \$5,478,703 in gross fixed assets was relieved with accumulated depreciation of \$660,744. After selling expenses of \$81,674, 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.

9. CONTINGENCIES

On July 15, 2011 a lawsuit was filed against the City by an engineering contractor claiming they are owed unpaid fees. While the City believes it has meritorious defenses, the ultimate resolution of the matter could result in a loss of up to approximately \$205,000.

**CITY OF WILLOW PARK
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

10. SUBSEQUENT EVENTS

The City has evaluated subsequent events from the balance sheet date through November 3, 2011, the date through which the financial statements were available to be issued. Management has determined there are no events to disclose.