

**CITY OF WILLOW PARK, TEXAS**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**



**GMS**

CERTIFIED PUBLIC  
ACCOUNTANTS

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**CITY OF WILLOW PARK, TEXAS**  
**Annual Financial Report**  
**For the Year Ended September 30, 2013**

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## **FINANCIAL SECTION**

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## **INDEPENDENT AUDITOR'S REPORT**

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

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Willow Park, Texas, (the "City") as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

1849 Wall Street | Weatherford, TX 76086-6298 | Phone 817.594.2704 | Fax 817.599.7389

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4-11 and budgetary comparison information and Texas Municipal Retirement System Schedule of Funding Progress on pages 45-47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

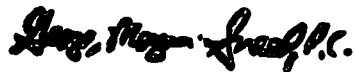
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. The combining nonmajor governmental funds financial statements are presented for purposes of additional analysis and are not a required part of the basic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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2014, on our consideration of the City Willow Park, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



George, Morgan & Sneed, P.C.  
Weatherford, Texas  
April 22, 2014



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of The City of Willow Park, Texas, we offer readers of The City of Willow Park's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2013. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

### FINANCIAL HIGHLIGHTS

- The assets of the City of Willow Park exceeded its liabilities at the close of the most recent fiscal year by \$9,549,372 (*net position*). Of this amount, \$3,747,089 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$585,081. The City's governmental activities net position increased by \$176,082 and the business-type activities net position increased \$408,999.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,225,165, or 45% of total general fund expenditures.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-44 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. Required supplementary information can be found on pages 45-47 of this report.

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

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

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$9,549,372 as of September 30, 2013.

The largest portion of the City's net position (55%) reflects its investment in capital assets (e.g. land, buildings and improvements, furniture and equipment, vehicles, infrastructure and construction in progress); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

\$582,180 represents resources that are subject to external restrictions on how they may be used. The 3,747,089 balance of unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.

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

The following is a summary of the City's Statement of Net Position. 2012 has been restated for accounting changes implemented in 2013.

#### Statement of Net Assets

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 1,652,126	\$ 1,325,571	\$ 4,600,246	\$ 4,554,716	\$ 6,252,372	\$ 5,880,287
Capital assets	4,918,917	5,495,232	6,439,045	5,801,578	11,357,962	11,296,810
Total Assets	<u>6,571,043</u>	<u>6,820,803</u>	<u>11,039,291</u>	<u>10,356,294</u>	<u>17,610,334</u>	<u>17,177,097</u>
Long-term liabilities	4,809,093	5,111,320	2,539,313	2,751,597	7,348,406	7,862,917
Other liabilities	126,219	41,610	515,707	166,154	641,926	207,764
Total liabilities	<u>4,935,312</u>	<u>5,152,930</u>	<u>3,055,020</u>	<u>2,917,751</u>	<u>7,990,332</u>	<u>8,070,681</u>
Deferred revenue	-	-	70,630	250,000	70,630	250,000
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>70,630</u>	<u>250,000</u>	<u>70,630</u>	<u>250,000</u>
Net Assets:						
Invested in capital assets net of related debt	178,318	1,305,232	5,041,785	3,112,054	5,220,103	4,417,286
Restricted	91,446	4,555	490,734	-	582,180	4,555
Unrestricted	1,365,967	358,086	2,381,122	4,076,489	3,747,089	4,434,575
Total Net Assets	<u>\$ 1,635,731</u>	<u>\$ 1,667,873</u>	<u>\$ 7,913,641</u>	<u>\$ 7,188,543</u>	<u>\$ 9,549,372</u>	<u>\$ 8,856,416</u>

In 2013 the City created the solid waste enterprise fund and moved the operation from the general fund. This resulted in a decrease to governmental activities charges for services and expenses and a similar increase in the business-type activities.

**Governmental Activities.** Governmental activities increased the City's net position by \$176,082 in the current year. Total governmental activities revenues increased \$212,055 (7%) primarily due to fines and fees \$73,800, licenses and permits \$149,300, sales taxes \$74,866 and property taxes \$56,035. Property taxes increased due to a \$14 million increase in the assessed value of property in the City. Total expenses increased \$169,478 primarily due to the addition of a position in administration, pay raises and \$195,500 street improvements that were not capital in nature.

**Business-type activities.** Business-type activities increased the City's net position by \$408,999. Total business-type activities revenues increased \$703,230 (42%). Water sales and wastewater charges increased approximately \$127,000 and \$58,000 due to an 8 million increase in gallons of water sold. In 2013 the City recognized a \$250,000 contribution from a developer for the construction of a water well. Expenses decreased \$79,164 primarily due to personnel costs and interest expense.

The following is a summary of the City's Statement of Activities. 2012 has been restated to be comparable with the 2013 presentation. Net position at September 30, 2012 has been restated however the 2012 information has not been restated. See note 14 to the financial statements for more information.

### Statement of Activities

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 554,439	\$ 485,841	\$ 2,104,569	\$ 1,646,373	\$ 2,659,008	\$ 2,132,214
Operating grants and contributions	5,479	5,041	-	-	5,479	5,041
Capital grants and contributions	22,000	-	250,000	-	272,000	-
<b>General revenues:</b>						
Property taxes	1,550,934	1,494,899	-	-	1,550,934	1,494,899
Sales taxes	710,618	635,752	-	-	710,618	635,752
Franchise taxes	210,474	214,243	-	-	210,474	214,243
Hotel Occupancy taxes	18,745	13,137	-	-	18,745	13,137
Investment earnings	1,766	1,830	7,083	12,049	8,849	13,879
Other revenue	43,165	54,822	-	-	43,165	54,822
<b>Total revenues</b>	<b>3,117,620</b>	<b>2,905,565</b>	<b>2,361,652</b>	<b>1,658,422</b>	<b>5,479,272</b>	<b>4,563,987</b>
<b>Expenses</b>						
Administration	455,307	376,015			455,307	376,015
Development services	249,750	280,832			249,750	280,832
Municipal court	117,187	80,702			117,187	80,702
Police	967,888	927,489			967,888	927,489
Fire and rescue	541,718	472,278			541,718	472,278
Public works parks & roads	508,294	276,624			508,294	276,624
Tourism	10,626	1,400			10,626	1,400
Interest on long-term debt	90,768	207,381			90,768	207,381
Water	-	-	1,367,138	1,630,597	1,367,138	1,630,597
Wastewater	-	-	405,890	401,220	405,890	401,220
Solid Waste	-	149,339	179,625	-	179,625	149,339
<b>Total expenses</b>	<b>2,941,538</b>	<b>2,772,060</b>	<b>1,952,653</b>	<b>2,031,817</b>	<b>4,894,191</b>	<b>4,803,877</b>
<b>Increase (decrease) in net position</b>	<b>176,082</b>	<b>133,505</b>	<b>408,999</b>	<b>(373,395)</b>	<b>585,081</b>	<b>(239,890)</b>
<b>Net Position October 1 - Restated</b>	<b>1,459,649</b>	<b>1,534,368</b>	<b>7,504,642</b>	<b>7,561,938</b>	<b>8,964,291</b>	<b>9,096,306</b>
<b>Net Position September 30</b>	<b>\$ 1,635,731</b>	<b>\$ 1,667,873</b>	<b>\$ 7,913,641</b>	<b>\$ 7,188,543</b>	<b>\$ 9,549,372</b>	<b>\$ 8,856,416</b>

### Financial Analysis of the City's Funds

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

**Governmental funds.** The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as

a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,225,165. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unassigned fund balance represents 45% of the total general fund expenditures. Fund balance of the general fund increased \$109,963.

The debt service fund has a total fund balance of \$9,514, all of which is restricted for the payment of debt service.

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

The City's water fund, wastewater fund and solid waste fund are enterprise funds that comprise the City's proprietary funds. Unrestricted net assets of the water fund, wastewater fund and solid waste fund at the end of the year amounted to \$6,808,732, \$1,049,189 and \$55,730 respectively. The total change in net assets for the three funds was \$429,365, (\$43,813) and \$23,457 respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

### **General Fund Budgetary Highlights**

The general fund budget was amended one time during the year. The most significant changes were removing the solid waste operations from the general fund and moving expenses to the public works parks and roads department. Budgeted revenue was decreased \$198,021 and budgeted expenditures were decreased \$141,535.

During the year, actual revenues were \$47,421 greater than budgeted and actual expenditures were \$21,077 greater than budgeted. The police department actual expenditures exceeded the budget by \$153,797 however this was because the City purchased police vehicles with a capital lease.

### **Capital Assets**

The City's investment in capital assets for its governmental and business type activities as of September 30, 2013, amounts to \$11,357,962 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture and equipment, vehicles, infrastructure and water and wastewater systems.

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

#### **Governmental Activities:**

- (5) 2013 Dodge Charger police vehicles for \$153,052.

Business-type activities:

- 2012 Ford F-150 for \$21,986.
- Completed 3 trinity water wells for \$477,615.

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

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 126,024	\$ 509,921	\$ 383,897	\$ -	\$ 509,921	\$ 509,921
Construction in progress	-	-	16,385	-	16,385	-
Buildings and improvements	295,649	304,020	61,404	63,380	357,053	367,400
Furniture and equipment	26,255	32,735	9,081	6,271	35,336	39,006
Vehicles	163,889	(11,299)	57,215	71,361	221,104	60,062
Infrastructure	4,307,100	4,659,855	-	-	4,307,100	4,659,855
Water system	-	-	5,032,793	4,748,261	5,032,793	4,748,261
Wastewater system	-	-	878,270	912,305	878,270	912,305
Total	<u>\$ 4,918,917</u>	<u>\$ 5,495,232</u>	<u>\$ 6,439,045</u>	<u>\$ 5,801,578</u>	<u>\$ 11,357,962</u>	<u>\$ 11,296,810</u>

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

**Long-Term Debt**

At year-end the City had \$6,700,000 in general obligation bonds that are backed by the full faith and credit of the City and \$103,317 in capital leases outstanding.

**City of Willow Park's Outstanding Debt**

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Capital leases	\$ 103,317	\$ -	\$ -	\$ -	\$ 103,317	\$ -
General Obligation Bonds	4,375,000	4,695,000	2,325,000	2,555,000	6,700,000	7,250,000
Certificates of Obligation	-	-	-	75,000	-	75,000
Total	<u>\$ 4,478,317</u>	<u>\$ 4,695,000</u>	<u>\$ 2,325,000</u>	<u>\$ 2,630,000</u>	<u>\$ 6,803,317</u>	<u>\$ 7,325,000</u>

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

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

*FY 2013-2014*

For FY 2013-14, the City adopted an annual budget of \$5.2 million dollars. The City Council opted to lower the cumulative tax rate to \$0.4605; with \$0.3053 for Maintenance & Operations and \$0.1552 for Interest & Sinking. For FY 2013-14, the city experienced a very small decrease



in the average property values, but experienced an overall net gain to the property tax base primarily due to the partial completion of a new apartment complex in the city. The budget expenditures for the city's major funds are as follows:

	General Fund	Water Fund	Wastewater Fund
	FY 13-14	FY 13-14	FY 13-14
Budget Expenditures			
Personnel	1,621,771	437,513	168,914
Supplies & Maintenance	185,743	172,291	31,858
Operations	77,827	57,686	28,326
Utilities	59,705	130,915	38,500
Contractual Services	299,980	124,972	58,464
Capital Outlay	217,609	82,000	0
Debt Services & Transfers	481,546	573,214	15,215
 M&O Budget	 2,245,026	 923,377	 326,062
Total Fund Budget	2,944,181	1,578,591	341,277

#### *FY 2014-2015*

For FY 2014-15 the city anticipates increased ad valorem revenues and sales tax revenues. The completion of the apartment complex and several other small commercial buildings should increase the city's overall property tax base. The city has also seen a steady trend in increasing sales tax collections. The city has also implemented stricter financial controls and taken a more active approach towards the city's investments which should strengthen the city's cash flow position. The city will also implement a new water, wastewater, and solid waste rate schedule which should generate additional revenue for the various utility funds.

In FY 2014-15, the city will be implementing a capital replacement program which will help offset and smooth out the cost of maintaining and updating the city's vehicle fleet. In FY 2014-15 the city will also be incorporating the Fire Department as a General Fund department instead of a component unit of government funded by a series of transfers.

#### **Request for Information**

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

## **BASIC FINANCIAL STATEMENTS**

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**CITY OF WILLOW PARK, TEXAS**  
**Statement of Net Position**  
**September 30, 2013**

	Primary Government			Component Unit
	Governmental	Business-type		Willow Park
	Activities	Activities	Total	Fire and Rescue
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 739,330	\$ 2,562,254	\$ 3,301,584	\$ 147,716
Certificates of deposit	528,012	592,605	1,120,617	-
Receivables (Net of allowances for uncollectibles)				
Property taxes	16,259	-	16,259	-
Sales taxes	132,113	-	132,113	-
Franchise taxes	124,298	-	124,298	-
Accounts	-	283,528	283,528	-
Miscellaneous	103,600	-	103,600	-
Internal balances	8,514	(8,514)	-	-
Prepaid expenses	-	-	-	13,466
Restricted assets:				
Cash and investments	-	2,884	2,884	-
Certificates of deposit	-	1,167,489	1,167,489	-
Capital assets:				
Nondepreciable	126,024	400,282	526,306	-
Depreciable, net of accumulated depreciation	4,792,893	6,038,763	10,831,656	564,193
<b>Total Assets</b>	<b>6,571,043</b>	<b>11,039,291</b>	<b>17,610,334</b>	<b>725,375</b>
<b>LIABILITIES:</b>				
Accounts payable	42,121	394,335	436,456	1,631
Payroll liabilities	23,875	9,515	33,390	8,951
Court costs and bonds payable	42,760	-	42,760	-
Current Liabilities Payable from Restricted Assets:				
Interest payable	17,463	9,056	26,519	7,893
Customer deposits	-	102,801	102,801	-
Noncurrent liabilities:				
Due Within One Year	454,193	350,158	804,351	24,060
Due in More Than One Year	4,354,900	2,189,155	6,544,055	195,553
<b>Total Liabilities</b>	<b>4,935,312</b>	<b>3,055,020</b>	<b>7,990,332</b>	<b>238,088</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Deferred Inflows	-	70,630	70,630	-
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>70,630</b>	<b>70,630</b>	<b>-</b>
<b>NET POSITION:</b>				
Investments in Capital Assets, Net of Debt	178,318	5,041,785	5,220,103	344,580
Restricted Net Assets (Expendable)				
Debt service	9,514	-	9,514	-
Municipal court	27,466	-	27,466	-
Police	49,586	-	49,586	-
Tourism	4,880	-	4,880	-
Impact fees	-	490,734	490,734	-
Unrestricted Net Position	1,365,967	2,381,122	3,747,089	142,707
<b>Total Net Position</b>	<b>\$ 1,635,731</b>	<b>\$ 7,913,641</b>	<b>\$ 9,549,372</b>	<b>\$ 487,287</b>

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

**CITY OF WILLOW PARK, TEXAS**  
**Statement of Activities**  
**For the Year Ended September 30, 2013**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental activities:				
Administration	\$ 455,307	\$ -	\$ -	-
Development services	249,750	312,244	-	-
Municipal court	117,187	27,753	-	-
Police	967,888	214,442	672	-
Fire and rescue	541,718	-	2,255	-
Public works parks & roads	508,294	-	2,552	22,000
Tourism	10,626	-	-	-
Interest on long-term debt	90,768	-	-	-
Total governmental activities	<u>2,941,538</u>	<u>554,439</u>	<u>5,479</u>	<u>22,000</u>
Business-type activities:				
Water	1,367,138	1,539,558	-	250,000
Wastewater	405,890	361,929	-	-
Solid Waste	179,625	203,082	-	-
Total business-type activities	<u>1,952,653</u>	<u>2,104,569</u>	<u>-</u>	<u>250,000</u>
Total primary government	<u>\$ 4,894,191</u>	<u>\$ 2,659,008</u>	<u>\$ 5,479</u>	<u>\$ 272,000</u>
<b>Component Unit</b>				
Fire and Rescue	<u>699,619</u>	<u>-</u>	<u>618,076</u>	<u>-</u>
	<u>699,619</u>	<u>-</u>	<u>618,076</u>	

**General Revenues:**

**Taxes:**

Property taxes, levied for general purposes

Property taxes, levied for debt service

Sales and use

Franchise

Hotel occupancy tax

Investment Earnings

Other revenue

**Total General Revenues**

**Change in Net Assets**

**Net Position - Beginning - Restated**

**Net Position - Ending**

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

Exhibit B-1

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Willow Park Fire and Rescue
\$ (455,307)	\$	(455,307)	\$
62,494		62,494	
(89,434)		(89,434)	
(752,774)		(752,774)	
(539,463)		(539,463)	
(483,742)		(483,742)	
(10,626)		(10,626)	
(90,768)		(90,768)	
<u>(2,359,620)</u>	<u>-</u>	<u>(2,359,620)</u>	<u>-</u>
	422,420	422,420	
	(43,961)	(43,961)	
	23,457	23,457	
<u>-</u>	<u>401,916</u>	<u>401,916</u>	<u>-</u>
\$ <u>(2,359,620)</u>	\$ <u>401,916</u>	\$ <u>(1,957,704)</u>	\$ <u>-</u>
			(81,543)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(81,543)</u>
\$ 1,112,367	\$ -	\$ 1,112,367	\$ -
438,567	-	438,567	-
710,618	-	710,618	-
210,474	-	210,474	-
18,745	-	18,745	-
1,766	7,083	8,849	54
43,165	-	43,165	13,283
<u>2,535,702</u>	<u>7,083</u>	<u>2,542,785</u>	<u>13,337</u>
176,082	408,999	585,081	(68,206)
<u>1,459,649</u>	<u>7,504,642</u>	<u>8,964,291</u>	<u>555,493</u>
\$ <u>1,635,731</u>	\$ <u>7,913,641</u>	\$ <u>9,549,372</u>	\$ <u>487,287</u>

## CITY OF WILLOW PARK, TEXAS

## Balance Sheet

## Governmental Funds

September 30, 2013

	General	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Assets:				
Cash and cash equivalents	\$ 656,755	\$ 1,000	\$ 81,575	\$ 739,330
Certificates of deposit	528,012			528,012
Receivables (Net of allowances for uncollectibles)				
Property taxes	16,259	-	-	16,259
Sales taxes	132,113			132,113
Franchise taxes	124,298	-	-	124,298
Miscellaneous	103,600	-	-	103,600
Due from other funds	-	8,514	357	8,871
Total assets	<u>\$ 1,561,037</u>	<u>\$ 9,514</u>	<u>\$ 81,932</u>	<u>\$ 1,652,483</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 42,121	\$ -	\$ -	\$ 42,121
Payroll liabilities	23,875	-	-	23,875
Court costs and bonds payable	42,760			42,760
Due to other funds	357	-	-	357
Total liabilities	<u>109,113</u>	<u>-</u>	<u>-</u>	<u>109,113</u>
Deferred inflows of resources				
Deferred revenue	226,759	-	-	226,759
Total deferred inflows of resources	<u>226,759</u>	<u>-</u>	<u>-</u>	<u>226,759</u>
Fund Balances:				
Restricted		9,514	81,932	91,446
Unassigned	1,225,165	-		1,225,165
Total fund balances	<u>1,225,165</u>	<u>9,514</u>	<u>81,932</u>	<u>1,316,611</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,561,037</u>	<u>\$ 9,514</u>	<u>\$ 81,932</u>	<u>\$ 1,652,483</u>

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

**CITY OF WILLOW PARK, TEXAS**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**To the Statement of Net Position**  
**September 30, 2013**

Total Fund Balances - Governmental Funds		\$ 1,316,611
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Capital assets used in governmental activities are not financial resources and therefore are reported in the governmental funds. The cost of these assets was \$6,500,351 and the accumulated depreciation was \$1,581,434.		4,918,917
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Some liabilities are not due and payable in the current period and are not included in the fund financial statements, but are included in the governmental activities of the Statement of Net Position. The details of these differences are as follows:

Interest payable	(17,463)	
General obligation bonds	(4,375,000)	
Premium on general obligation bonds	(262,282)	
Capital leases	(103,317)	
Compensated absences	(68,494)	
		(4,826,556)

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

Property taxes	16,259	
Court fines	99,358	
Franchise taxes	111,142	
		226,759

Net Position of Governmental Activities		\$ 1,635,731
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**CITY OF WILLOW PARK, TEXAS**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended September 30, 2013**

	General	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes:				
Property	\$ 1,534,675	\$ -	\$ -	\$ 1,534,675
Sales and use	710,618	-	-	710,618
Franchise	207,831	-	-	207,831
Hotel occupancy tax	12,508	-	6,237	18,745
Court fines and fees	219,752	-	14,938	234,690
Licenses and permits	312,244	-	-	312,244
Investment Earnings	1,766	-	-	1,766
Contributions	27,479	-	-	27,479
Other revenue	43,210	-	-	43,210
Total revenues	<u>3,070,083</u>	<u>-</u>	<u>21,175</u>	<u>3,091,258</u>
<b>EXPENDITURES</b>				
Current				
Administration	441,136	-	-	441,136
Development services	253,992	-	-	253,992
Municipal court	104,067	-	12,346	116,413
Police	1,048,152	-	-	1,048,152
Fire and rescue	541,718	-	-	541,718
Public works parks & roads	246,184	-	-	246,184
Tourism	-	-	10,626	10,626
Debt service:				
Principal	53,570	320,000	-	373,570
Interest and fiscal charges	1,039	116,612	-	117,651
Total expenditures	<u>2,689,858</u>	<u>436,612</u>	<u>22,972</u>	<u>3,149,442</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>\$ 380,225</u>	<u>\$ (436,612)</u>	<u>\$ (1,797)</u>	<u>(58,184)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	427,149	-	427,149
Transfers out	(427,149)	-	-	(427,149)
Issuance of capital lease	156,887	-	-	156,887
Total other financing sources (uses)	<u>(270,262)</u>	<u>427,149</u>	<u>-</u>	<u>156,887</u>
<b>NET CHANGE IN FUND BALANCES</b>	109,963	(9,463)	(1,797)	98,703
<b>FUND BALANCE, OCTOBER 1, 2012 - RESTATED</b>	<u>1,115,202</u>	<u>18,977</u>	<u>83,729</u>	<u>1,217,908</u>
<b>FUND BALANCE, SEPTEMBER 30, 2013</b>	<u>\$ 1,225,165</u>	<u>\$ 9,514</u>	<u>\$ 81,932</u>	<u>\$ 1,316,611</u>

**CITY OF WILLOW PARK, TEXAS**  
**Reconciliation of Statement of Revenues,**  
**Expenditures and Changes in Fund Balances of**  
**The Governmental Funds to the Statement of Activities**  
**For the Year Ended September 30, 2013**

Total Net Change in Fund Balances - Governmental Funds	\$ 98,703
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including \$163,146 of capital outlays and \$373,570 of debt principal payments is to increase net assets.	536,716
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, disposals and transfers between activities) is to decrease net assets.	(45)
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.	(355,519)
Current year capital leases are other financing sources in the fund financial statements. The increase in long-term debt is a decrease in net position.	(156,887)
Certain liabilities are not due and payable in the current period and, therefore are not reported as liabilities in the funds. Changes in these balances are reported as expenses in the governmental activities of the Statement of Activities.	
Interest payable	(3,041)
Premium on bonds	29,924
Compensated absences	(176)
	26,707
Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the funds.	26,407
Change in Net Position of Governmental Activities	<u>\$ 176,082</u>

**CITY OF WILLOW PARK, TEXAS**

**Statement of Net Position**

**Proprietary Funds**

**September 30, 2013**

	<u>Water</u>	<u>Wastewater</u>	<u>Solid Waste</u>	<u>Totals</u>
<b>ASSETS:</b>				
Current Assets:				
Cash and cash equivalents	\$ 1,572,054	\$ 950,059	\$ 40,141	\$ 2,562,254
Certificates of deposit	565,375	27,230		592,605
Receivables (Net of allowance for uncollectibles):				
Accounts	205,866	48,300	29,362	283,528
Restricted Assets:				
Cash and cash equivalents	2,884	-	-	2,884
Certificates of deposit	1,167,489	-	-	1,167,489
Total current assets	<u>3,513,668</u>	<u>1,025,589</u>	<u>69,503</u>	<u>4,608,760</u>
Noncurrent Assets:				
Due from other funds	877,226	-	-	877,226
Capital assets, at cost:				
Non-depreciable capital assets	271,397	128,885	-	400,282
Depreciable capital assets	8,375,723	1,520,639	-	9,896,362
Less: accumulated depreciation	(3,215,229)	(642,370)	-	(3,857,599)
Capital assets, net	<u>5,431,891</u>	<u>1,007,154</u>	<u>-</u>	<u>6,439,045</u>
Total noncurrent assets	<u>6,309,117</u>	<u>1,007,154</u>	<u>-</u>	<u>7,316,271</u>
Total assets	\$ <u>9,822,785</u>	\$ <u>2,032,743</u>	\$ <u>69,503</u>	\$ <u>11,925,031</u>
<b>LIABILITIES:</b>				
Current Liabilities:				
Accounts payable	\$ 374,713	\$ 5,849	\$ 13,773	394,335
Payroll liabilities	8,200	1,315	-	9,515
Due to other funds	8,514			8,514
Compensated absences	30,143	5,339	-	35,482
Current portion of long-term liabilities	300,000	14,676	-	314,676
Current Liabilities Payable from Restricted Assets:				
Interest payable	9,056	-	-	9,056
Customer deposits payable	102,801	-	-	102,801
Total current liabilities	<u>833,427</u>	<u>27,179</u>	<u>13,773</u>	<u>874,379</u>
Noncurrent Liabilities:				
Due to other funds		877,226	-	877,226
Accrued administrative penalty	-	28,129	-	28,129
Bonds payable	2,161,026	-	-	2,161,026
Total noncurrent liabilities	<u>2,161,026</u>	<u>905,355</u>	<u>-</u>	<u>3,066,381</u>
Total liabilities	<u>2,994,453</u>	<u>932,534</u>	<u>13,773</u>	<u>3,940,760</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Unearned Revenue	19,600	51,030	-	70,630
Total deferred inflows of resources	<u>19,600</u>	<u>51,030</u>	<u>-</u>	<u>70,630</u>
<b>NET POSITION:</b>				
Investment in capital assets, net of debt	4,034,631	1,007,154	-	5,041,785
Restricted impact fees (Expendable)	401,242	89,492	-	490,734
Unrestricted	2,372,859	(47,467)	55,730	2,381,122
Total net position	\$ <u>6,808,732</u>	\$ <u>1,049,179</u>	\$ <u>55,730</u>	\$ <u>7,913,641</u>

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

**CITY OF WILLOW PARK, TEXAS**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended September 30, 2013**

	<u>Water</u>	<u>Wastewater</u>	<u>Solid Waste</u>	<u>Totals</u>
Operating revenues:				
Charges for services	\$ 1,449,486	\$ 310,386	\$ 203,082	\$ 1,962,954
Tap fees	7,122	13,930	-	21,052
Impact fees	54,407	37,613	-	92,020
Other fees	28,543	-	-	28,543
	<u>1,539,558</u>	<u>361,929</u>	<u>203,082</u>	<u>2,104,569</u>
Total operating revenue				
Operating expenses:				
Personnel	441,553	91,474	-	533,027
Supplies	176,948	22,719	-	199,667
Contractual services	281,831	184,525	154,647	621,003
Utilities	125,524	37,177	-	162,701
Bad debts	47,748	29,838	24,978	102,564
Depreciation	235,993	40,157	-	276,150
	<u>1,309,597</u>	<u>405,890</u>	<u>179,625</u>	<u>1,895,112</u>
Total operating expenses				
Operating income (loss)	<u>229,961</u>	<u>(43,961)</u>	<u>23,457</u>	<u>209,457</u>
Nonoperating revenues (expenses):				
Investment earnings	6,945	138	-	7,083
Interest expense	(57,541)	-	-	(57,541)
	<u>(50,596)</u>	<u>138</u>	<u>-</u>	<u>(50,458)</u>
Total nonoperating revenues (expenses)				
Income (loss) before contributions and transfers	179,365	(43,823)	23,457	158,999
Capital contributions and transfers:				
Capital Contributions	250,000	-	-	250,000
	<u>429,365</u>	<u>(43,823)</u>	<u>23,457</u>	<u>408,999</u>
Change in Net Position				
Net Position, October 1, 2012 - Restated	<u>6,379,367</u>	<u>1,093,002</u>	<u>32,273</u>	<u>7,504,642</u>
Net Position, September 30, 2013	\$ <u>6,808,732</u>	\$ <u>1,049,179</u>	\$ <u>55,730</u>	\$ <u>7,913,641</u>

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

**CITY OF WILLOW PARK, TEXAS**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended September 30, 2013**

	Water	Wastewater	Solid Waste	Totals
Cash flows from operating activities:				
Cash received from customers	\$ 1,462,838	\$ 344,225	\$ 189,728	\$ 1,996,791
Cash paid to suppliers	(560,643)	(199,048)	(153,873)	(913,564)
Cash paid to employees	(441,631)	(89,927)	-	(531,558)
Net cash provided by operating activities	<u>460,564</u>	<u>55,250</u>	<u>35,855</u>	<u>551,669</u>
Cash flow from noncapital financing activities:				
Repayment of interfund loans	(101,491)	(14,853)	-	(116,344)
Net cash provided (used) by noncapital financing activities	<u>(101,491)</u>	<u>(14,853)</u>	<u>-</u>	<u>(116,344)</u>
Cash flow from capital and related financing activities:				
Interfund loans	(877,226)	877,226	-	-
Deferred contributions from developers	19,600	51,030	-	70,630
Principal payments on long-term debt	(305,000)	-	-	(305,000)
Capital expenditures	(198,348)	(20,210)	-	(218,558)
Interest paid on bonds	(76,021)	-	-	(76,021)
Net cash (used) by capital and related financing activities	<u>(1,436,995)</u>	<u>908,046</u>	<u>-</u>	<u>(528,949)</u>
Cash flow from investing activities:				
Investment earnings	6,945	138	-	7,083
Reinvested in certificates of deposits	(4,803)	(136)	-	(4,939)
Net cash provided by investing activities	<u>2,142</u>	<u>2</u>	<u>-</u>	<u>2,144</u>
Net increase (decrease) in cash and cash equivalents	(1,075,780)	948,445	35,855	(91,480)
Cash and cash equivalents, beginning - restated	<u>2,650,718</u>	<u>1,614</u>	<u>4,286</u>	<u>2,656,618</u>
Cash and cash equivalents, ending	<u>\$ 1,574,938</u>	<u>\$ 950,059</u>	<u>\$ 40,141</u>	<u>\$ 2,565,138</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	\$ 229,961	\$ (43,961)	\$ 23,457	\$ 209,457
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	235,993	40,157	-	276,150
(Increase) decrease in accounts receivable	(18,595)	12,134	11,624	5,163
Increase (decrease) in accounts payable	23,660	2,568	774	27,002
Increase (decrease) in payroll liabilities	619	(86)	-	533
Increase (decrease) in customer meter deposits	(10,377)	-	-	(10,377)
Increase (decrease) in accrued administrative penalty	-	42,805	-	42,805
Increase (decrease) in compensated absences payable	(697)	1,633	-	936
Total adjustments	<u>230,603</u>	<u>99,211</u>	<u>12,398</u>	<u>342,212</u>
Net cash provided by operating activities	<u>\$ 460,564</u>	<u>\$ 55,250</u>	<u>\$ 35,855</u>	<u>\$ 551,669</u>
Noncash Investing, Capital and Financing Activities				
Land transferred from the governmental activities	<u>\$ 271,397</u>	<u>\$ 112,500</u>	<u>\$ -</u>	<u>\$ 383,897</u>

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

## CITY OF WILLOW PARK, TEXAS

### Notes to Financial Statements

September 30, 2013

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

##### A. Reporting Entity

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

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

##### Discretely Presented Component Unit

The Willow Park Fire and Rescue is a 501(c)4 non-profit organization responsible for providing fire and rescue services in the City. The organization is governed by a 5 member board of directors that is not appointed by the City Council. The organization functions independently of the City however the City provides payroll and bookkeeping services for the organization. The Willow Park Fire and Rescue is financially dependent on the City to provide revenue. During the year ended September 30, 2013 the City contributed \$539,156 to the Willow Park Fire and Rescue. Willow Park Fire and Rescue does not issue separate financial statements.

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

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

**CITY OF WILLOW PARK, TEXAS**

**Notes to Financial Statements**

**September 30, 2013**

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

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

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

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year-end. Expenditures generally are recorded when the related fund liability is incurred, however, debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized when payment is due.

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

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

The City reports the following major governmental funds:

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

**CITY OF WILLOW PARK, TEXAS**

**Notes to Financial Statements**

**September 30, 2013**

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

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

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

The City reports the following major proprietary fund:

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

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

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

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

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

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

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

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

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

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



**CITY OF WILLOW PARK, TEXAS**

**Notes to Financial Statements**

**September 30, 2013**

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

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

***2. Receivables and Payables***

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. Enterprise funds accounts receivable aged 90 days or more comprise the allowance for uncollectible accounts of \$159,519. The property tax receivable and municipal court allowances of \$16,259 and \$894,221 are equal to 50% and 90% respectively of the outstanding balances at September 30, 2013.

***3. Unbilled Service***

Utility operating revenues (water, wastewater, and solid waste) are billed on monthly cycles. The City records estimated revenues for services delivered during the fiscal year, which will be billed during the next fiscal year. Unbilled service reported in accounts receivable of the enterprise funds was \$111,601 at September 30, 2013.

***4. Prepaid Expenses***

Payments made for services that will benefit periods beyond September 30, 2013, are recorded as prepaid expenses in both the government-wide and fund financial statements.

***5. Capital Assets***

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

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

# CITY OF WILLOW PARK, TEXAS

## Notes to Financial Statements

September 30, 2013

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities and proprietary funds is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the water fund during the current fiscal year was \$57,541. Of this amount \$0 was included as part of the cost of capital assets under construction in connection with water and sewer construction projects.

Property, plant and equipment of the primary government and component unit are depreciated using the straight-line method over the following estimated useful lives:

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

#### 6. *Compensated Absences*

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

#### 7. *Long-term Obligations*

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

**CITY OF WILLOW PARK, TEXAS**

**Notes to Financial Statements**

**September 30, 2013**

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

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

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

**8. Fund Balance – Governmental Funds**

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

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

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

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

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

Unassigned – All amounts not included in other spendable classifications.

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

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Restricted:				
Debt service	\$ -	\$ 9,514	\$ -	\$ 9,514
Municipal court	-	-	27,466	27,466
Police	-	-	49,586	49,586
Tourism	-	-	4,880	4,880
Unassigned	1,225,165			1,225,165
	<u>\$ 1,225,165</u>	<u>\$ 9,514</u>	<u>\$ 81,932</u>	<u>\$ 1,316,611</u>

**CITY OF WILLOW PARK, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2013**

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

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

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

**9. *Net Position***

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

**10. *Use of Estimates***

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

**NOTE 2:     DEPOSITS AND INVESTMENTS**

**A.     Deposits**

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's funds are required to be deposited and invested under the terms of a depository contract. The City's deposits are required to be collateralized with securities held by the pledging institution's trust department or agent in the City's name. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") Insurance. At September 30, 2013, \$212 of the City's deposits were not covered by FDIC Insurance or collateralized with securities held by the bank's agent in the City's name.

**CITY OF WILLOW PARK, TEXAS**

**Notes to Financial Statements**

**September 30, 2013**

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

**B. Investments**

The City's investment policy authorizes the City to invest in obligations of the United States and its agencies and instrumentalities; direct obligations of the State of Texas and agencies thereof; other obligations, the principal and interest on which are unconditionally guaranteed by the State of Texas or United States; obligations of the states, agencies, counties, cities and other political subdivisions of any state having been rated as investment quality by a nationally recognized investment rating firm, and having received a rating of not less than "A" or its equivalent; secured certificates of deposit of state and national banks domiciled in Texas; fully collateralized direct repurchase agreements with a defined termination date secured by obligations of the United States or its agencies; and joint pools of political subdivisions in the State of Texas. Investments are stated at fair value except for short-term highly liquid investments which are stated at cost or amortized cost. During the year ended September 30, 2013, the City did not own any types of securities other than those permitted by statute.

The City invests idle funds in the Texas Short Term Asset Reserve Fund (TexSTAR). TexSTAR is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. The investment pool operates in a manner consistent with the SEC's Rule 2A7 of the Investment Act of 1940. The Pool is required to maintain a market value of its underlying investment portfolio within one half of one percent of the values of its shares.

**Credit Risk— Investments**

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

**Interest Rate Risk – Investments**

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

# CITY OF WILLOW PARK, TEXAS

## Notes to Financial Statements

September 30, 2013

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

The City's investments at September 30, 2013 included the following:

Investment	Credit Rating	Weighted Average Maturities	Percentage of Total Investments	Cost	Fair Value
TexSTAR Pool	AAAm	52 days	100.00%	\$ 1,920,419	\$ 1,920,419
				<u>\$ 1,920,419</u>	<u>\$ 1,920,419</u>

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

#### C. Restricted Assets

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

	Cash	Certificates of Deposit	Total
Enterprise Funds			
Customer deposits	\$ -	\$ 104,810	\$ 104,810
2003 bond funds	1,087	1,062,679	1,063,766
2003 tax and revenue certificates	833		833
Escrow	964		964
Total	<u>\$ 2,884</u>	<u>\$ 1,167,489</u>	<u>\$ 1,170,373</u>

### NOTE 3: PROPERTY TAX

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

**CITY OF WILLOW PARK, TEXAS**

**Notes to Financial Statements**

**September 30, 2013**

**NOTE 3: PROPERTY TAX (Continued)**

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

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

**NOTE 4: DEFERRED INFLOWS OF RESOURCES**

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

	Governmental Funds		Enterprise	
	General	Water	Wastewater	Total
Property taxes receivable	\$ 16,259	\$ -	\$ -	\$ -
Franchise tax receivable	111,142	-	-	-
Court fines and fees receivable	99,358	-	-	-
Developer contributions	-	19,600	51,030	70,630
Total deferred inflows of resources	<u>\$ 226,759</u>	<u>\$ 19,600</u>	<u>\$ 51,030</u>	<u>\$ 70,630</u>

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

The composition of interfund transfers for the City's individual major funds and nonmajor funds at September 30, 2013, is as follows:

Transfer In	Transfer Out	Amount	Purpose
Debt Service	General	427,149	Debt Service
Total Governmental Funds Transfers In		<u>\$ 427,149</u>	

**CITY OF WILLOW PARK, TEXAS**

**Notes to Financial Statements**

**September 30, 2013**

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

The composition of interfund receivables and payables for the City's individual major funds and nonmajor funds at September 30, 2013, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Debt Service	Water	\$ 8,514
Nonmajor governmental funds	General	357
Total Governmental Funds		<u>\$ 8,871</u>
Water	Wastewater	<u>\$ 877,226</u>

The debt service fund receivable is due to transfers from the water fund for debt service that were less than the water fund's share of the debt service payment. The nonmajor governmental fund receivable is court fees paid by bonds that were not transferred to the special revenue funds.

The water fund loaned the wastewater fund \$877,226 during the fiscal year for lift station improvements. The loan is to be repaid in annual installments over 20 years at 0% interest

**NOTE 6: CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>					
Non - Depreciable Assets:					
Land	\$ 509,921	\$ -	\$ -	\$ (383,897)	\$ 126,024
Total non-depreciable assets	<u>509,921</u>	<u>-</u>	<u>-</u>	<u>(383,897)</u>	<u>126,024</u>
Depreciable Assets:					
Buildings and improvements	413,903	2,999	-	-	416,902
Furniture and equipment	238,969	7,095	(65,024)	-	181,040
Vehicles	560,190	153,052	(272,471)	(21,929)	418,842
Infrastructure	5,357,543	-	-	-	5,357,543
Total capital assets being depreciated	<u>6,570,605</u>	<u>163,146</u>	<u>(337,495)</u>	<u>(21,929)</u>	<u>6,374,327</u>
Accumulated Depreciation:					
Buildings and improvements	(109,883)	(11,370)	-	-	(121,253)
Furniture and equipment	(206,234)	(13,530)	64,979	-	(154,785)
Vehicles	(571,489)	(62,742)	272,471	106,807	(254,953)
Infrastructure	(697,688)	(267,877)	-	(84,878)	(1,050,443)
Total accumulated depreciation	<u>(1,585,294)</u>	<u>(355,519)</u>	<u>337,450</u>	<u>21,929</u>	<u>(1,581,434)</u>
Governmental activities capital assets, net	<u>\$ 5,495,232</u>	<u>\$ (192,373)</u>	<u>\$ (45)</u>	<u>\$ (383,897)</u>	<u>\$ 4,918,917</u>



# CITY OF WILLOW PARK, TEXAS

## Notes to Financial Statements

September 30, 2013

### NOTE 6: CAPITAL ASSETS (Continued)

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Business-type activities:</b>					
Non - Depreciable Assets:					
Land	\$ -	\$ -	\$ -	\$ 383,897	\$ 383,897
Construction in Progress	-	16,385	-	-	16,385
Total non-depreciable assets	-	16,385	-	383,897	400,282
Depreciable Assets:					
Buildings and improvements	79,050	-	-	-	79,050
Furniture and equipment	37,770	9,910	(2,743)	86,792	131,729
Vehicles	355,199	21,984	(60,388)	(86,792)	230,003
Water system	7,479,769	477,615	-	-	7,957,384
Wastewater system	1,494,371	3,825	-	-	1,498,196
Total capital assets being depreciated	9,446,159	513,334	(63,131)	-	9,896,362
Accumulated Depreciation:					
Buildings and improvements	(15,670)	(1,976)	-	-	(17,646)
Furniture and equipment	(108,289)	(17,102)	2,743	-	(122,648)
Vehicles	(207,048)	(26,128)	60,388	-	(172,788)
Water system	(2,731,507)	(193,084)	-	-	(2,924,591)
Wastewater system	(582,066)	(37,860)	-	-	(619,926)
Total accumulated depreciation	(3,644,580)	(276,150)	63,131	-	(3,857,599)
Business-type activities capital assets, net	\$ 5,801,579	\$ 253,569	\$ -	\$ 383,897	\$ 6,439,045
<b>Component Unit:</b>					
Depreciable Assets:					
Buildings and improvements	128,069	3,000	-	-	131,069
Furniture and equipment	1,016,255	20,805	-	21,929	1,058,989
Total capital assets being depreciated	1,144,324	23,805	-	21,929	1,190,058
Accumulated Depreciation:					
Buildings and improvements	(11,274)	(3,452)	-	-	(14,726)
Furniture and equipment	(484,950)	(104,260)	-	(21,929)	(611,139)
Total accumulated depreciation	(496,224)	(107,712)	-	(21,929)	(625,865)
Component unit capital assets, net	\$ 648,100	\$ (83,907)	\$ -	\$ -	\$ 564,193

**CITY OF WILLOW PARK, TEXAS**

**Notes to Financial Statements**

**September 30, 2013**

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

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

**Governmental activities:**

Administration	\$ 10,097
Police	73,218
Public works parks & roads	272,204
Total depreciation expense - governmental activities	<u>\$ 355,519</u>

**Business-type activities:**

Water	\$ 235,993
Wastewater	40,157
Total depreciation expense - business-type activities	<u>\$ 276,150</u>

**Component Unit:**

Fire and rescue	\$ 107,712
Total depreciation expense - component unit	<u>\$ 107,712</u>

**NOTE 7: LONG-TERM LIABILITIES**

**A. Capital Leases Payable**

Governmental Activities:

In December 2012 the City entered into a \$156,887 capital lease for 5 police vehicles. The lease is considered a capital lease for accounting purposes and, accordingly, has been recorded at the present value of the future minimum lease payments as of the date of its inception. The lease is due in annual installments of \$54,609 including interest at 4.43%. The lease is secured by the police vehicles.

Total capital assets acquired through capital leases were as follows:

	<u>Governmental Activities</u>
Assets:	
Vehicles	\$ 153,052
Less: accumulated depreciation	(20,407)
Total	<u>\$ 132,645</u>

**CITY OF WILLOW PARK, TEXAS**

**Notes to Financial Statements**

**September 30, 2013**

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

**A. Capital Leases Payable (Continued)**

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2013, were as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>
2014	\$ 54,609
2015	54,610
Total debt service requirements	109,219
Less: interest portion	5,902
Obligations under capital lease	<u>\$ 103,317</u>

**B. Notes Payable**

The Willow Park Fire and Rescue component unit borrowed \$267,438 in 2011 to purchase a fire truck. The loan is due in annual installments of \$32,296 including interest at 3.75% through October 15, 2020. The annual debt service requirements to maturity as of September 30, 2013, are as follows:

<b>Notes Payable</b>	<b>Fire and rescue</b>		
<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 24,060	\$ 8,236	\$ 32,296
2015	24,962	7,334	32,296
2016	25,898	6,398	32,296
2017	26,870	5,426	32,296
2018	27,540	4,540	32,080
2019 - 2023	90,283	6,703	96,986
	<u>\$ 219,613</u>	<u>\$ 38,637</u>	<u>\$ 258,250</u>

# CITY OF WILLOW PARK, TEXAS

## Notes to Financial Statements

September 30, 2013

### C. Bonds Payable

General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds outstanding are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
\$2,665,000; 2010 Refunding Bond due in annual installments through February 15, 2021 at interest rates ranging from 2.0% to 4.0%.	\$ 460,000	\$ 1,390,000
\$5,135,000; 2012 Refunding bond due in annual installments through February 15, 2023 at interest rates ranging from 2.0% to 3.0%.	3,915,000	935,000
	<u>\$ 4,375,000</u>	<u>\$ 2,325,000</u>

The annual debt service requirements to maturity for general obligation bonds outstanding as of September 30, 2013, are as follows:

#### General Obligation Bonds Payable

Year Ending September 30,	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 335,000	\$ 114,250	\$ 449,250	\$ 300,000	\$ 68,375	\$ 368,375
2015	360,000	106,800	466,800	310,000	60,075	370,075
2016	385,000	98,825	483,825	325,000	51,425	376,425
2017	405,000	90,100	495,100	335,000	41,200	376,200
2018	425,000	80,700	505,700	350,000	29,350	379,350
2019 - 2023	2,465,000	191,650	2,656,650	705,000	50,900	755,900
	<u>\$ 4,375,000</u>	<u>\$ 682,325</u>	<u>\$ 5,057,325</u>	<u>\$ 2,325,000</u>	<u>\$ 301,325</u>	<u>\$ 2,626,325</u>

### D. Administrative Penalty

In 2013 the City was assessed a \$44,038 penalty by the Texas Commission on Environmental Quality for violations at the wastewater treatment facility. The City paid \$1,233 in September 2013 and will pay the balance in 35 monthly payments of \$1,223 with no interest.

**CITY OF WILLOW PARK, TEXAS**

**Notes to Financial Statements**

**September 30, 2013**

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

**E. Changes in Long-term Liabilities**

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
General obligation bonds	\$ 4,695,000	\$ -	\$ 320,000	\$ 4,375,000	\$ 335,000
Bond premiums	292,206	-	29,924	262,282	-
Total bonds payable	4,987,206	-	349,924	4,637,282	335,000
Capital leases	-	156,887	53,570	103,317	50,699
Compensated absences	68,318	68,494	68,318	68,494	68,494
Total Governmental Activities	<u>\$ 5,055,524</u>	<u>\$ 225,381</u>	<u>\$ 471,812</u>	<u>\$ 4,809,093</u>	<u>\$ 454,193</u>
<b>Business-type Activities:</b>					
Certificates of obligation	\$ 75,000	\$ -	\$ 75,000	\$ -	\$ -
General obligation bonds	2,555,000	-	230,000	2,325,000	300,000
Bond premiums	153,758	-	17,732	136,026	-
Total bonds payable	2,783,758	-	322,732	2,461,026	300,000
Accrued administrative penalty	-	44,038	1,233	42,805	14,676
Compensated absences	34,546	35,482	34,546	35,482	35,482
Total Business-type Activities	<u>\$ 2,818,304</u>	<u>\$ 79,520</u>	<u>\$ 358,511</u>	<u>\$ 2,539,313</u>	<u>\$ 350,158</u>
<b>Fire and Rescue</b>					
Notes payable	<u>\$ 242,803</u>	<u>\$ -</u>	<u>\$ 23,190</u>	<u>\$ 219,613</u>	<u>\$ 24,060</u>
Total Fire and Rescue	<u>\$ 242,803</u>	<u>\$ -</u>	<u>\$ 23,190</u>	<u>\$ 219,613</u>	<u>\$ 24,060</u>
<b>Total Long-term Liabilities</b>	<u>\$ 8,116,631</u>	<u>\$ 304,901</u>	<u>\$ 853,513</u>	<u>\$ 7,568,019</u>	<u>\$ 828,411</u>

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

## CITY OF WILLOW PARK, TEXAS

### Notes to Financial Statements

September 30, 2013

#### NOTE 8: RISK MANAGEMENT

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

#### NOTE 9: RETIREMENT PLAN

##### Plan Description

The City provides pension benefits for all of its eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained from TMRS's website at [www.TMRS.com](http://www.TMRS.com).

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows for both the 2012 and 2013 plan years:

Employee Deposit Rate:	5%
Matching Ratio (city to employee)	1 to 1
Years required before vesting	5 years
Service retirement eligibility (age / years of service)	60/5, 0/20
Updated Service Credit	0%
Annuity Increases (to retirees)	0% of CPI

##### Contributions

Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

# CITY OF WILLOW PARK, TEXAS

## Notes to Financial Statements

September 30, 2013

### NOTE 9: RETIREMENT PLAN (Continued)

The city contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation/(asset) are as follows:

Fiscal Year	2011	2012	2013
Annual Required Contribution (ARC)	\$ 42,209	\$ 58,083	\$ 25,173
Interest on Net Pension Obligation	-	-	-
Adjustment to ARC	-	-	-
Annual Pension Cost (APC)	42,209	58,083	25,173
Contributions Made	(42,209)	(58,083)	(25,173)
Increase (Decrease) in Net Pension Obligation	-	-	-
Net Pension Obligation/(Asset), beginning of year	-	-	-
Net Pension Obligation/(Asset), end of year	\$ -	\$ -	\$ -
Contributions as a percentage of APC	100.0%	100.0%	100.0%

The required contribution rates for fiscal year 2013 were determined as part of the December 31, 2010 and 2011 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2012, also follows:

General System-wide Actuarial Assumptions			
Actuarial Valuation Date	12/31/10	12/31/11	12/31/12
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	22.0 Years-Closed	20.9 Years-Closed	19.9 Years-Closed
Amortization Period for new Gains/Losses	25 years	25 years	25 years
Asset Valuation Method	10-year Smoothed	10-year Smoothed	10-year Smoothed
Actuarial Assumptions:			
Investment Rate of Return	7.0%	7.0%	7.0%
Projected Salary Increases	Varies by age and service	Varies by age and service	Varies by age and service
Includes Inflation At	3.0%	3.0%	3.0%
Cost of Living Adjustments	0.0%	0.0%	0.0%

**CITY OF WILLOW PARK, TEXAS**

**Notes to Financial Statements**

**September 30, 2013**

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

**Funding Status and Funding Progress**

As of December 31, 2012, the most recent actuarial valuation date, the plan was 72.2%% funded. The actuarial accrued liability was \$711,958 and the actuarial value of assets was \$513,785, resulting in an unfunded actuarial accrued liability of \$198,173. The covered payroll was \$1,354,356 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 14.6%.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

**NOTE 10. OTHER POSTEMPLOYMENT BENEFITS**

**Supplemental Death Benefits Fund**

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

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

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers. The city's contributions to the TMRS SDBF for the years ended 2013, 2012, and 2011 were equal to the required contributions each year.



**CITY OF WILLOW PARK, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2013**

**NOTE 11: CONTINGENT LIABILITIES**

Litigation

July 2011 a suit was filed against the city alleging \$204,045 was due for professional engineering services. The City's intent is to vigorously defend the suit. The suit has been petitioned for review with the Supreme Court of Texas and is pending. City management and the City's legal counsel have not formed a judgment about whether it is either probable or remote that the outcome of this claim will be unfavorable to the City. Any potential loss by the City will not be covered by the City's participation in the Texas Municipal League Intergovernmental Risk Pool (TMLIRP).

The City is a defendant in another lawsuit regarding collection of delinquent property taxes. City management and the City's legal counsel have not formed a judgment about whether it is either probable or remote that the outcome of this claim will be unfavorable to the City however City management believes an unfavorable outcome would not have a material adverse effect on the financial condition of the City.

**NOTE 12: CONTRACTS AND COMMITMENTS**

**A. Construction Commitments**

September 17, 2013, the City awarded a \$1,125,168 contract for wastewater system improvements. This project is to be funded with a loan from the water fund to the wastewater fund.

**NOTE 13: SUBSEQUENT EVENTS**

January 21, 2014 the City Council approved issuing \$685,000 Certificates of Obligation for water system improvements.

Subsequent events were evaluated through April 22, 2014, which is the date the financial statements were available to be issued.

**NOTE 14: RESTATED BEGINNING NET POSITION AND FUND BALANCE**

Beginning net position and fund balance was restated in the financial statements. The following paragraphs explain the adjustments resulting in the restatement.

1. Sales tax revenues are recognized in the government-wide and fund statements in the period when the exchange transaction on which the tax is imposed occurs. Sales tax collected for the months of August and September are paid to the City in the months of October and November. Sales tax received for the month of November was not accrued at September 30, 2012.
2. Franchise tax revenues are recognized in the government-wide statements in the period when the exchange transaction on which the tax is imposed occurs. \$121,802 franchise taxes receivable were not accrued at September 30, 2012. Franchise tax receivables that are available within 60 days of year-end are recognized in the funds. The general fund did not recognize \$13,304 franchise tax revenue at September 30, 2012.

**CITY OF WILLOW PARK, TEXAS**

**Notes to Financial Statements**

**September 30, 2013**

**NOTE 14: RESTATED BEGINNING NET POSITION AND FUND BALANCE (Continued)**

3. Court fines and fees are classified as imposed nonexchange revenues by GASB 33. Governments should recognize a receivable from imposed nonexchange revenue transactions in the period when an enforceable legal claim to the asset arises. The City did not accrue a receivable for court fines and fees at September 30, 2012.
4. The City's payroll for the period September 22, 2012 through October 5, 2012, was paid on October 11, 2012. Generally accepted accounting principles requires a liability to be accrued for the portion of this payroll related to the September 30, 2012 year.
5. The City's compensated absences policy places limits on the amount of hours that will be paid upon separation from service. Those limits were not applied in the determination of the City's liability at September 30, 2012.
6. The City implemented GASB Statement No. 65 in 2013. This new statements changes the accounting for bond issuance costs. See Note 15 for additional information.
7. The bond premiums for the General Obligation Refunding Bonds, Series 2010 were not reported at September 30, 2012.
8. The government-wide financial statements are reported using the accrual basis of accounting and expenses are recorded when a liability is incurred. \$8,726 accrued interest payable was not recognized in the fire and rescue component unit at September 30, 2012.

Expenditures of governmental funds are generally recorded when the related fund liability is incurred, however, debt service expenditures are recognized when payment is due. \$14,422 accrued interest was recognized in the debt service fund before payment was due.

9. In 2012 the solid waste operations were accounted for in the general fund. In 2013 the City created a separate solid waste enterprise fund. The beginning balances of the solid waste fund were transferred from the general fund.
10. Land of the water and wastewater funds were reported with governmental activities at September 30, 2012.
11. During 2013 the City created the court technology fund, seizure fund and tourism fund. The general fund transferred the assets that had accumulated at September 30, 2012 to these new funds.

**CITY OF WILLOW PARK, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2013**

**NOTE 14: RESTATED BEGINNING NET POSITION AND FUND BALANCE (Continued)**

The following tables summarize the restatements by opinion unit.

**Exhibit A-1**

	Governmental Activities	Business-type Activities	Total Primary Government	Fire and Rescue Component Unit
1 Sales tax receivable	\$ 66,393	\$ -	\$ 66,393	\$ -
2 Franchise taxes receivable	121,802	-	121,802	-
3 Court receivable	91,853	-	91,853	-
4 Accrued payroll	(17,223)	(8,982)	(26,205)	(6,267)
5 Compensated absences	83,945	27,527	111,472	-
6 Bond issuance costs	(110,676)	(24,382)	(135,058)	-
7 Bond premiums	(28,148)	(94,234)	(122,382)	-
8 Interest payable	-	-	-	(8,726)
9 Transfer to solid waste	(32,273)	32,273	-	-
10 Transfer land to correct activity	(383,897)	383,897	-	-
Total adjustments to beginning net position	(208,224)	316,099	107,875	(14,993)
Net position September 30, 2012 - originally reported	1,667,873	7,188,543	8,856,416	570,486
Net position September 30, 2012 - restated	\$ 1,459,649	\$ 7,504,642	\$ 8,964,291	\$ 555,493

**Exhibit C-1**

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
1 Sales tax receivable	\$ 66,393	\$ -	\$ -	\$ 66,393
2 Franchise tax receivable	13,304	-	-	13,304
4 Accrued payroll	(17,223)	-	-	(17,223)
8 Interest payable	-	14,422	-	14,422
9 Transfer to solid waste	(32,273)	-	-	(32,273)
11 Transfer to special revenue funds	(83,729)	-	83,729	-
Total adjustments to beginning fund balance	(53,528)	14,422	83,729	44,623
Fund balance September 30, 2012 - originally reported	1,168,730	4,555	-	1,173,285
Fund balance September 30, 2012 - restated	\$ 1,115,202	\$ 18,977	\$ 83,729	\$ 1,217,908

**CITY OF WILLOW PARK, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2013**

**NOTE 14: RESTATED BEGINNING NET POSITION AND FUND BALANCE (Continued)**

**Exhibit D-1**

	Water Fund	Wastewater Fund	Solid Waste Fund	Total Proprietary Funds
4 Accrued Payroll	\$ (7,581)	\$ (1,401)	\$ -	\$ (8,982)
5 Compensated absences	27,527	-	-	27,527
6 Bond issuance costs	(24,382)	-	-	(24,382)
7 2010 bond premiums	(94,234)	-	-	(94,234)
9 Transfer from general fund	-	-	32,273	32,273
10 Land transferred from governmental activities	271,397	112,500	-	383,897
Total adjustments to beginning net position	172,727	111,099	32,273	316,099
Net position September 30, 2012 - originally reported	6,206,640	981,903	-	7,188,543
Net position September 30, 2012 - restated	\$ 6,379,367	\$ 1,093,002	\$ 32,273	\$ 7,504,642

**NOTE 15: NEW ACCOUNTING PRONOUNCEMENTS**

The City of Willow Park and its component unit implemented GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and GASB Statement No. 65, Items Previously Reported as Assets and Liabilities during the year. GASB Statement No. 63 changed the name of Exhibits A-1 and D-1 to the Statement of Net Position and net assets were changed to net position. GASB Statement No. 65 changed the classification of deferred revenues in Exhibit A-1, C-1, and D-1 from liabilities to deferred inflows of resources and changed the accounting for bond issuance costs in the government-wide and proprietary fund financial statements. Bond issuance costs are no longer capitalized and amortized over the life of the bonds. As a result, the beginning net position of the governmental and business-type activities was restated; effectively decreasing net position by \$110,676 and \$24,382 respectively.

**NOTE 16: FUTURE ACCOUNTING PRONOUNCEMENTS**

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – and amendment of GASB Statement No. 27*. This Statement is to improve the accounting and financial reporting by state and local governments for pensions. This Statement will require government-wide and proprietary fund statements to recognize a liability equal to the net pension liability and that changes in the net pension liability be included in pension expense in the period of the change. The Statement is effective for fiscal years beginning after June 15, 2014. The City has not yet determined the effect this Statement will have on its financial statements.

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## **REQUIRED SUPPLEMENTARY INFORMATION**

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**CITY OF WILLOW PARK, TEXAS**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**General Fund**  
**For the Year Ended September 30, 2013**

	Budget		Actual	Variance with
	Original	Final	Amounts GAAP Basis	Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes:				
Property	\$ 1,560,909	\$ 1,560,909	\$ 1,534,675	\$ (26,234)
Sales and use	648,478	648,478	710,618	62,140
Franchise	212,813	212,813	207,831	(4,982)
Hotel occupancy tax	8,495	8,495	12,508	4,013
Court fines and fees	185,872	185,872	219,752	33,880
Licenses and permits	369,408	369,408	312,244	(57,164)
Charges for service	198,021	-	-	-
Investment Earnings	2,680	2,680	1,766	(914)
Contributions	5,192	5,192	27,479	22,287
Other revenue	28,815	28,815	43,210	14,395
Total revenues	<u>3,220,683</u>	<u>3,022,662</u>	<u>3,070,083</u>	<u>47,421</u>
<b>EXPENDITURES</b>				
Current				
Administration	458,545	458,311	441,136	17,175
Development services	631,961	290,466	253,992	36,474
Municipal court	107,421	108,961	104,067	4,894
Police	835,331	894,355	1,048,152	(153,797)
Fire and rescue	541,203	541,203	541,718	(515)
Public works parks & roads	34,450	319,200	246,184	73,016
Solid Waste	145,120	-	-	-
Debt service:				
Principal	53,570	53,570	53,570	-
Interest and fiscal charges	2,715	2,715	1,039	1,676
Total expenditures	<u>2,810,316</u>	<u>2,668,781</u>	<u>2,689,858</u>	<u>(21,077)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>\$ 410,367</u>	<u>\$ 353,881</u>	<u>\$ 380,225</u>	<u>26,344</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(436,613)	(441,613)	(427,149)	14,464
Issuance of capital lease	-	-	156,887	156,887
Total other financing sources (uses)	<u>(436,613)</u>	<u>(441,613)</u>	<u>(270,262)</u>	<u>171,351</u>
<b>NET CHANGE IN FUND BALANCES</b>	(26,246)	(87,732)	109,963	197,695
<b>FUND BALANCE, OCTOBER 1, 2012 - RESTATED</b>	<u>1,115,202</u>	<u>1,115,202</u>	<u>1,115,202</u>	<u>-</u>
<b>FUND BALANCE, SEPTEMBER 30, 2013</b>	<u>\$ 1,088,956</u>	<u>\$ 1,027,470</u>	<u>\$ 1,225,165</u>	<u>\$ 197,695</u>

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



**CITY OF WILLOW PARK, TEXAS**  
**Texas Municipal Retirement System**  
**Schedule of Funding Progress**

**Exhibit E-2**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (ALL)</u>	<u>Funded Ratio</u>	<u>Unfunded AAL (UAAL)</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/2010	298,044	535,390	55.7%	237,346	1,519,673	15.6%
12/31/2011	409,822	621,023	66.0%	211,201	1,300,300	16.2%
12/31/2012	513,785	711,958	72.2%	198,173	1,354,356	14.6%

**CITY OF WILLOW PARK, TEXAS**  
**Notes to Required Supplementary Information**  
**September 30, 2013**

**1. Summary of Significant Accounting Policies**

**A. Budgetary Information**

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

**B. Excess of Expenditures Over Appropriations**

The expenditures of the general fund were more than appropriations by \$21,077 however police vehicles funded with a \$156,887 capital lease were not included in the budget and account for the over expenditure.

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**COMBINING NONMAJOR  
GOVERNMENTAL FUND STATEMENTS**

**CITY OF WILLOW PARK, TEXAS**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**September 30, 2013**

	Special Revenue Funds					Total Nonmajor Funds
	Court Security	Court Technology	Seizure Fund	Tourism Fund	Total Special Revenue	
Assets:						
Cash and investments	\$ 2,212	\$ 24,897	\$ 49,586	\$ 4,880	\$ 81,575	\$ 81,575
Due from other funds	357	-	-	-	357	357
Total assets	<u>\$ 2,569</u>	<u>\$ 24,897</u>	<u>\$ 49,586</u>	<u>\$ 4,880</u>	<u>\$ 81,932</u>	<u>\$ 81,932</u>
Liabilities and fund balance:						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance:						
Restricted	<u>2,569</u>	<u>24,897</u>	<u>49,586</u>	<u>4,880</u>	<u>81,932</u>	<u>81,932</u>
Total fund balances	<u>2,569</u>	<u>24,897</u>	<u>49,586</u>	<u>4,880</u>	<u>81,932</u>	<u>81,932</u>
Total liabilities and fund balances	<u>\$ 2,569</u>	<u>\$ 24,897</u>	<u>\$ 49,586</u>	<u>\$ 4,880</u>	<u>\$ 81,932</u>	<u>\$ 81,932</u>

**CITY OF WILLOW PARK, TEXAS**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the Year Ended September 30, 2013**

	Special Revenue Funds				Total Special Revenue	Total Nonmajor Funds
	Court Security	Court Technology	Seizure Fund	Tourism Fund		
Revenues:						
Hotel occupancy tax	\$ -	\$ -	\$ -	\$ 6,237	\$ 6,237	\$ 6,237
Court fines and fees	6,400	8,538	-	-	14,938	14,938
Total revenue	6,400	8,538	-	6,237	21,175	21,175
Expenditures:						
Current:						
Municipal court	3,831	8,515	-	-	12,346	12,346
Tourism	-	-	-	10,626	10,626	10,626
Total expenditures	3,831	8,515	-	10,626	22,972	22,972
Net change in fund balances	2,569	23	-	(4,389)	(1,797)	(1,797)
Fund Balance, October 1, 2012	-	24,874	49,586	9,269	83,729	83,729
Fund Balance, September 30, 2013	\$ 2,569	\$ 24,897	\$ 49,586	\$ 4,880	\$ 81,932	\$ 81,932

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**OVERALL COMPLIANCE AND INTERNAL CONTROL  
SECTION**



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**GMS**CERTIFIED PUBLIC  
ACCOUNTANTS

GEORGE | MORGAN | SNEED

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Willow Park (the "City") as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 22, 2014.

**Internal Control over Financial Reporting**

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider deficiencies 2013-1 and 2013-2 described in the accompanying schedule of findings and responses to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider deficiency 2013-3 described in the accompany schedule of findings and responses to be a significant deficiency.

### **Compliance and Other Matters**

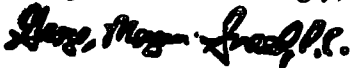
As part of obtaining reasonable assurance about whether the City of Willow Park's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2013-3.

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

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

### **Purpose of this Report**

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



George, Morgan & Sneed, P.C.  
Weatherford, Texas  
April 22, 2014

**CITY OF WILLOW PARK**  
**Schedule of Findings and Responses**  
**For the Year Ended September 30, 2014**

Financial Statement Findings

2013-1. Utility Billing Adjustments

**Criteria:** Utility billing adjustments should be reflected in the City's accounts receivable and revenue accounts.

**Condition:** The City's uses utility billing software from AVR and QuickBooks accounting software. The two programs are not integrated. The City does not make journal entries in QuickBooks for utility billing adjustments made in AVR. In June 2013 there was a utility billing error to a customer's account that was in excess of \$100,000. The adjustment to correct the customer's account was not reflected in QuickBooks.

**Recommendation:** We recommend the City make journal entries in QuickBooks at least monthly to reflect the utility billing adjustments made in AVR. We also recommend that the accounts receivable report in AVR be reconciled to QuickBooks monthly.

**Views of responsible officials and planned corrective action:** The City has implemented a new requirement that all utility billing adjustments including account finalizations be made on a bill modification form that is signed by the utility billing clerk and an authorized supervisor. Staff has also implemented the auditor's recommendation of making monthly journal entries in QuickBooks that reflect adjustments made in the utility billing software.

2013-2. Audit Adjustments

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

**Condition:** During the audit we proposed 49 audit adjustments. Approximately 25 of these adjustments were necessary to correct errors. The other adjustments were in the nature of accrual entries. Included in the correcting entries were adjustments to restate the City's beginning net position and fund balance.

Approximately 10 of these entries were necessary to balance the funds of the City. The City uses QuickBooks accounting software and transactions that are not posted to the correct class will result in funds that do not balance.

**Recommendation:** We recommend that the City perform monthly reviews and reconciliations. We also recommend the City consider changing its accounting software to

one more suited to a City.

**Views of responsible officials and planned corrective action:** The City will implement a new process reviewing the monthly reconciliations. Monthly reconciliations will be prepared by the Finance Department and then reviewed by the City Administrator, with the City Secretary serving as the alternate reviewer. The City Administrator will also maintain the city's Cash Flow Analysis Database inputting the data directly off of the city's monthly financial statements, with the City Secretary serving as the alternative reviewer. The City will update its version of QuickBooks to the most recent version and begin working on updating its utility billing software to STW.

### 2013-3. Competitive Bidding Requirements

**Criteria:** The State of Texas local government code requires municipalities to follow competitive bidding procedures for purchases of more than \$50,000. This includes the use of competitive sealed bids.

**Condition:** During the year the City contracted for road improvements. From October 23, 2012 to November 1, 2012, one contractor was paid \$185,700. The City did not obtain bids and did not document its process for selecting the contractor for the road improvements.

**Recommendation:** We recommend the City use competitive sealed bids for purchased of more than \$50,000 and document its process for awarding contracts.

**Views of responsible officials and planned corrective action:** The City will update its financial policies including its purchasing and bidding policies. The City will adopt its new financial policies by City Council Resolution requiring all capital projects over \$50,000 to be engineered and accepted through a Request for Proposals process for competitive sealed bids. The City Secretary's office will be responsible to receiving and time stamping all bids. A draft of the update financial policies will be presented to the City Council on May 20, 2014 the same night this audit is sent to the City Council for final acceptance.