

April 22, 2014

Honorable Mayor and City Council Members  
City of Willow Park

Ladies and Gentlemen:

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Willow Park, Texas for the year ended September 30, 2013, and have issued our report thereon dated April 22, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and Government Auditing Standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated November 22, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Willow Park, Texas are described in Note 1 to the financial statements. As described in Note 15 to the financial statements, the City changed accounting policies by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 63, *Financing 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* in 2013. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The financial statement disclosures are neutral, consistent, and clear.

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

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

### *Difficulties Encountered in Performing the Audit*

We encountered no difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Attached is a list of misstatements detected as a result of audit procedures that were corrected by management.

### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction that could be significant to the City's financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated April 22, 2014.

### *Management Consultation with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City of Willow Park's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

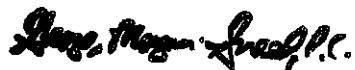
Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Should you desire further information concerning these matters, Mr. Peter Morgan will be happy to meet with you at your convenience.

This information is intended solely for the use of the City Council and management of the City of Willow Park, Texas, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, appearing to read "George Morgan & Sneed, P.C.", written in a cursive style.

GEORGE, MORGAN & SNEED, P.C.

**CITY OF WILLOW PARK, TEXAS**

**ANNUAL FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2014**



**GMS**

CERTIFIED PUBLIC  
ACCOUNTANTS

GEORGE | MORGAN | SNEED



**CITY OF WILLOW PARK, TEXAS**  
Annual Financial Report  
For the Year Ended September 30, 2014

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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, 2014, 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.**

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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, 2014, 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 44-46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2015, 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

May 5, 2015

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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, 2014. 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 \$9,859,626 (*net position*). Of this amount, \$3,382,174 (*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 \$310,254. The City's governmental activities net position increased by \$458,128 and the business-type activities net position decreased \$147,874.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,504,794, or 63% 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 22-43 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 44-46 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 \$9,859,626 as of September 30, 2014.

The largest portion of the City's net position (61%) 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.

\$512,003 represents resources that are subject to external restrictions on how they may be used. The \$3,382,174 balance of unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.

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

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

#### Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 1,983,809	\$ 1,652,126	\$ 4,184,309	\$ 4,600,246	\$ 6,168,118	\$ 6,252,372
Capital assets	4,664,858	4,918,917	7,263,943	6,439,045	11,928,801	11,357,962
Total Assets	<u>6,648,667</u>	<u>6,571,043</u>	<u>11,448,252</u>	<u>11,039,291</u>	<u>18,096,919</u>	<u>17,610,334</u>
Long-term liabilities	4,401,821	4,809,093	2,885,694	2,539,313	7,287,515	7,348,406
Other liabilities	152,987	126,219	726,161	515,707	879,148	641,926
Total liabilities	<u>4,554,808</u>	<u>4,935,312</u>	<u>3,611,855</u>	<u>3,055,020</u>	<u>8,166,663</u>	<u>7,990,332</u>
Deferred revenue	-	-	70,630	70,630	70,630	70,630
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>70,630</u>	<u>70,630</u>	<u>70,630</u>	<u>70,630</u>
Net Position:						
Invested in capital assets						
net of related debt	339,882	178,318	5,625,567	5,041,785	5,965,449	5,220,103
Restricted	110,761	91,446	401,242	490,734	512,003	582,180
Unrestricted	<u>1,643,216</u>	<u>1,365,967</u>	<u>1,738,958</u>	<u>2,381,122</u>	<u>3,382,174</u>	<u>3,747,089</u>
Total Net Position	<u>\$ 2,093,859</u>	<u>\$ 1,635,731</u>	<u>\$ 7,765,767</u>	<u>\$ 7,913,641</u>	<u>\$ 9,859,626</u>	<u>\$ 9,549,372</u>

**Governmental Activities.** Governmental activities increased the City's net position by \$458,128 in the current year. Total governmental activities revenues decreased \$65,419 (2%) primarily due to a decrease in fines and fees of \$50,374, a decrease in licenses and permits of \$116,464, and an increase in sales taxes of \$139,069. Total expenses decreased \$235,563 primarily due to \$195,500 street improvements that were not capital in nature in the prior year.

**Business-type activities.** Business-type activities decreased the City's net position by \$147,874. Total business-type activities revenues decreased \$318,984 (14%) primarily due to a \$250,000 contribution from a developer for the construction of a water well in the prior year and not receiving any impact fees in the current year. Expenses decreased \$94,013 primarily due to personnel costs and attorney fees. During 2014 the City accrued a payable of \$220,000 for the settlement of a lawsuit in the wastewater fund.

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

### Statement of Activities

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 383,885	\$ 554,439	\$ 2,037,347	\$ 2,104,569	\$ 2,421,232	\$ 2,659,008
Operating grants and contributions	5,703	5,479	-	-	5,703	5,479
Capital grants and contributions	-	22,000	1,239	250,000	1,239	272,000
General revenues:						
Property taxes	1,525,133	1,550,934	-	-	1,525,133	1,550,934
Sales taxes	849,687	710,618	-	-	849,687	710,618
Franchise taxes	231,847	210,474	-	-	231,847	210,474
Hotel Occupancy taxes	14,617	18,745	-	-	14,617	18,745
Investment earnings	1,241	1,766	4,082	7,083	5,323	8,849
Other revenue	40,088	43,165	-	-	40,088	43,165
Total revenues	<u>3,052,201</u>	<u>3,117,620</u>	<u>2,042,668</u>	<u>2,361,652</u>	<u>5,094,869</u>	<u>5,479,272</u>
Expenses						
Administration	310,097	455,307	-	-	310,097	455,307
Development services	196,748	249,750	-	-	196,748	249,750
Legislative	67,967	-	-	-	67,967	-
Municipal court	94,808	117,187	-	-	94,808	117,187
Police	1,016,330	967,888	-	-	1,016,330	967,888
Fire and rescue	569,624	541,718	-	-	569,624	541,718
Public works parks & roads	358,147	508,294	-	-	358,147	508,294
Tourism	5,457	10,626	-	-	5,457	10,626
Interest on long-term debt	86,797	90,768	-	-	86,797	90,768
Water	-	-	1,317,024	1,367,138	1,317,024	1,367,138
Wastewater	-	-	362,353	405,890	362,353	405,890
Solid Waste	-	-	179,263	179,625	179,263	179,625
Total expenses	<u>2,705,975</u>	<u>2,941,538</u>	<u>1,858,640</u>	<u>1,952,653</u>	<u>4,564,615</u>	<u>4,894,191</u>
Increase (decrease) in net position before transfers and special items	346,226	176,082	184,028	408,999	530,254	585,081
Transfers	111,902	-	(111,902)	-	-	-
Lawsuit settlement	-	-	(220,000)	-	(220,000)	-
Increase (decrease) in net position	458,128	176,082	(147,874)	408,999	310,254	585,081
Net Position October 1	1,635,731	1,459,649	7,913,641	7,504,642	9,549,372	8,964,291
Net Position September 30	<u>\$ 2,093,859</u>	<u>\$ 1,635,731</u>	<u>\$ 7,765,767</u>	<u>\$ 7,913,641</u>	<u>\$ 9,859,626</u>	<u>\$ 9,549,372</u>

### Financial Analysis of the City's Funds

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

**Governmental funds.** The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in

assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,504,974. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 63% of the total general fund expenditures. Fund balance of the general fund increased \$300,909.

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 position of the water fund, wastewater fund and solid waste fund at the end of the year amounted to \$2,767,526, (\$1,110,724) and \$82,156 respectively. The total change in net position for the three funds was \$57,506, (\$231,806) and \$26,426 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 increases the sales tax revenue and increasing public works and fire department expenditures for road improvements and refinancing the fire engine from VFD to City ownership. Budgeted revenue was increased \$80,698 and budgeted expenditures were increased \$579,902.

During the year, actual revenues were \$42,544 greater than budgeted and actual expenditures were \$732,689 less than budgeted. The administration department actual expenditures exceeded the budget by \$64,830 because the City budgeted the City Administrator and the Budget and Financial Analyst's salaries to be split between the general, water and wastewater funds, but they were not split.

### **Capital Assets**

The City's investment in capital assets for its governmental and business type activities as of September 30, 2014, amounts to \$11,928,801 (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:

- (29) Computers for \$44,324.

Business-type activities:

- Water system improvements for \$47,466.
- Engineering and construction as of September 30, 2014 on 3 lift stations in the amount of \$949,027.
- Engineering during 2014 on water line rehabilitation in the amount of \$74,419.

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

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 126,024	\$ 126,024	\$ 383,897	\$ 383,897	\$ 509,921	\$ 509,921
Construction in progress	21,650	-	1,039,831	16,385	1,061,481	16,385
Buildings and improvements	284,079	295,649	59,428	61,404	343,507	357,053
Furniture and equipment	75,023	26,255	30,237	9,081	105,260	35,336
Vehicles	118,859	163,889	36,240	57,215	155,099	221,104
Infrastructure	4,039,223	4,307,100	-	-	4,039,223	4,307,100
Water system	-	-	4,873,946	5,032,793	4,873,946	5,032,793
Wastewater system	-	-	840,364	878,270	840,364	878,270
Total	<u>\$ 4,664,858</u>	<u>\$ 4,918,917</u>	<u>\$ 7,263,943</u>	<u>\$ 6,439,045</u>	<u>\$ 11,928,801</u>	<u>\$ 11,357,962</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 \$6,802,618 in bonds and leases outstanding, a decrease of \$699 from the prior year. \$6,065,000 are general obligation bonds that are backed by the full faith and credit of the City. \$685,000 are certificates of obligation secured by surplus revenues of the water and wastewater fund and ad valorem taxes. The City also had \$52,618 in capital leases outstanding.

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

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Capital leases	\$ 52,618	\$ 103,317	\$ -	\$ -	\$ 52,618	\$ 103,317
General Obligation Bonds	4,040,000	4,375,000	2,025,000	2,325,000	6,065,000	6,700,000
Certificates of Obligation	-	-	685,000	-	685,000	-
Total	<u>\$ 4,092,618</u>	<u>\$ 4,478,317</u>	<u>\$ 2,710,000</u>	<u>\$ 2,325,000</u>	<u>\$ 6,802,618</u>	<u>\$ 6,803,317</u>

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

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

For 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.

For FY 2015-16, the city anticipates increased ad valorem revenues and sales tax revenues. The city does anticipate the high growth rates of its sales tax receipts to level off to moderate growth rates. The rate study conducted for the water, wastewater, and solid waste funds has been completed. The new rates were implemented this fiscal year and the new revenues will ensure the funds cover their expenses.

In FY 2015-16 the city will improve upon the FY 2014-15 capital replacement program with a capital improvement plan. This will help the city plan and budget future capital needs such as fleet replacement, infrastructure improvements, facilities, and technology improvements.

## **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, 2014**

	Primary Government			Component Unit
	Governmental	Business-type		Willow Park
	Activities	Activities	Total	Fire and Rescue
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 1,266,600	\$ 2,580,693	\$ 3,847,293	\$ 180,013
Certificates of deposit	294,930	27,366	322,296	-
Receivables (Net of allowances for uncollectibles)				
Property taxes	9,318	-	9,318	-
Sales taxes	142,919	-	142,919	-
Franchise taxes	132,018	-	132,018	-
Accounts	-	310,012	310,012	-
Miscellaneous	108,505	-	108,505	-
Internal balances	29,519	(29,519)	-	-
Restricted assets:				
Cash and investments	-	611,683	611,683	-
Certificates of deposit	-	684,074	684,074	-
Capital assets:				
Nondepreciable	147,674	1,423,728	1,571,402	-
Depreciable, net of accumulated depreciation	4,517,184	5,840,215	10,357,399	512,098
<b>Total Assets</b>	<b>6,648,667</b>	<b>11,448,252</b>	<b>18,096,919</b>	<b>692,111</b>
<b>LIABILITIES:</b>				
Accounts payable	88,802	369,952	458,754	6,046
Payroll liabilities	32,614	16,216	48,830	17,010
Court costs and bonds payable	16,348	-	16,348	-
Lawsuit settlement payable	-	220,000	220,000	-
Current Liabilities Payable from Restricted Assets:				
Interest payable	15,223	9,386	24,609	7,027
Customer deposits	-	110,607	110,607	-
Noncurrent liabilities:				
Due Within One Year	489,463	351,500	840,963	24,963
Due in More Than One Year	3,912,358	2,534,194	6,446,552	170,575
<b>Total Liabilities</b>	<b>4,554,808</b>	<b>3,611,855</b>	<b>8,166,663</b>	<b>225,621</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	339,882	5,625,567	5,965,449	316,560
Restricted Net Assets (Expendable)				
Debt service	9,514	-	9,514	-
Municipal court	26,896	-	26,896	-
Police	37,634	-	37,634	-
Tourism	15,437	-	15,437	-
Impact fees	-	401,242	401,242	-
Public educational governmental fees	21,280	-	21,280	-
Unrestricted Net Position	1,643,216	1,738,958	3,382,174	149,930
<b>Total Net Position</b>	<b>\$ 2,093,859</b>	<b>\$ 7,765,767</b>	<b>\$ 9,859,626</b>	<b>\$ 466,490</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, 2014**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental activities:				
Administration	\$ 310,097	\$ -	\$ -	\$ -
Development services	196,748	195,780	-	-
Legislative	67,967	-	-	-
Municipal court	94,808	13,290	-	-
Police	1,016,330	174,815	670	-
Fire and rescue	569,624	-	1,666	-
Public works parks & roads	358,147	-	3,367	-
Tourism	5,457	-	-	-
Interest on long-term debt	86,797	-	-	-
Total governmental activities	<u>2,705,975</u>	<u>383,885</u>	<u>5,703</u>	<u>-</u>
Business-type activities:				
Water	1,317,024	1,466,277	-	1,239
Wastewater	362,353	365,398	-	-
Solid Waste	179,263	205,672	-	-
Total business-type activities	<u>1,858,640</u>	<u>2,037,347</u>	<u>-</u>	<u>1,239</u>
Total primary government	<u>\$ 4,564,615</u>	<u>\$ 2,421,232</u>	<u>\$ 5,703</u>	<u>\$ 1,239</u>
<b>Component Unit</b>				
Fire and Rescue	\$ 663,098	\$ -	\$ 624,955	\$ -
	<u>\$ 663,098</u>	<u>\$ -</u>	<u>\$ 624,955</u>	<u>\$ -</u>

General Revenues:

Taxes:

Property taxes, levied for general purposes

Property taxes, levied for debt service

Sales and use

Franchise

Hotel occupancy tax

Investment Earnings

Gain (loss) on sale of capital assets

Other revenue

Transfers

Special item

Lawsuit settlement

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

Net Position - Ending

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

Exhibit B-1

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Willow Park Fire and Rescue
\$ (310,097)	\$ -	\$ (310,097)	\$ -
(968)	-	(968)	-
(67,967)	-	(67,967)	-
(81,518)	-	(81,518)	-
(840,845)	-	(840,845)	-
(567,958)	-	(567,958)	-
(354,780)	-	(354,780)	-
(5,457)	-	(5,457)	-
(86,797)	-	(86,797)	-
<u>(2,316,387)</u>	<u>-</u>	<u>(2,316,387)</u>	<u>-</u>
-	150,492	150,492	-
-	3,045	3,045	-
-	26,409	26,409	-
<u>-</u>	<u>179,946</u>	<u>179,946</u>	<u>-</u>
<u>\$ (2,316,387)</u>	<u>\$ 179,946</u>	<u>\$ (2,136,441)</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ (38,143)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (38,143)</u>
\$ 1,019,614	\$ -	\$ 1,019,614	\$ -
505,519	-	505,519	-
849,687	-	849,687	-
231,847	-	231,847	-
14,617	-	14,617	-
1,241	4,082	5,323	47
-	-	-	7,500
40,088	-	40,088	9,799
111,902	(111,902)	-	-
-	(220,000)	(220,000)	-
<u>2,774,515</u>	<u>(327,820)</u>	<u>2,446,695</u>	<u>17,346</u>
458,128	(147,874)	310,254	(20,797)
<u>1,635,731</u>	<u>7,913,641</u>	<u>9,549,372</u>	<u>487,287</u>
<u>\$ 2,093,859</u>	<u>\$ 7,765,767</u>	<u>\$ 9,859,626</u>	<u>\$ 466,490</u>

## CITY OF WILLOW PARK, TEXAS

Balance Sheet  
Governmental Funds  
September 30, 2014

	General	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Assets:				
Cash and cash equivalents	\$ 1,179,294	\$ 1,000	\$ 86,306	\$ 1,266,600
Certificates of deposit	294,930	-	-	294,930
Receivables (Net of allowances for uncollectibles)				
Property taxes	9,318	-	-	9,318
Sales taxes	142,919	-	-	142,919
Franchise taxes	132,018	-	-	132,018
Miscellaneous	105,287	-	3,218	108,505
Due from other funds	21,005	8,514	-	29,519
Total assets	<u>\$ 1,884,771</u>	<u>\$ 9,514</u>	<u>\$ 89,524</u>	<u>\$ 1,983,809</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 79,245	\$ -	\$ 9,557	\$ 88,802
Payroll liabilities	32,614	-	-	32,614
Court costs and bonds payable	16,348	-	-	16,348
Total liabilities	<u>128,207</u>	<u>-</u>	<u>9,557</u>	<u>137,764</u>
Deferred inflows of resources:				
Deferred revenue	230,490	-	-	230,490
Total deferred inflows of resources	<u>230,490</u>	<u>-</u>	<u>-</u>	<u>230,490</u>
Fund balances:				
Restricted	21,280	9,514	79,967	110,761
Unassigned	1,504,794	-	-	1,504,794
Total fund balances	<u>1,526,074</u>	<u>9,514</u>	<u>79,967</u>	<u>1,615,555</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,884,771</u>	<u>\$ 9,514</u>	<u>\$ 89,524</u>	<u>\$ 1,983,809</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, 2014**

Total Fund Balances - Governmental Funds	\$ 1,615,555
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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 \$6,555,583 and the accumulated depreciation was \$1,890,725.	4,664,858
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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	(15,223)	
General obligation bonds	(4,040,000)	
Premium on general obligation bonds	(232,358)	
Capital leases	(52,618)	
Compensated absences	(76,845)	
		(4,417,044)

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	9,318	
Court fines	105,260	
Franchise taxes	115,912	
		230,490

Net Position of Governmental Activities	\$ 2,093,859
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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, 2014**

	General	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes:				
Property	\$ 1,532,074	\$ -	\$ -	\$ 1,532,074
Sales and use	849,687	-	-	849,687
Franchise	227,077	-	-	227,077
Hotel occupancy tax	-	-	14,617	14,617
Court fines and fees	169,377	-	12,826	182,203
Licenses and permits	195,780	-	-	195,780
Investment Earnings	1,236	-	5	1,241
Contributions	3,548	-	2,155	5,703
Other revenue	40,088	-	-	40,088
Total revenues	<u>3,018,867</u>	<u>-</u>	<u>29,603</u>	<u>3,048,470</u>
<b>EXPENDITURES</b>				
Current				
Administration	308,822	-	-	308,822
Development services	201,157	-	-	201,157
Legislative	69,291	-	-	69,291
Municipal court	90,430	-	13,401	103,831
Police	960,412	-	11,952	972,364
Fire and rescue	574,454	-	-	574,454
Public works parks & roads	121,392	-	-	121,392
Tourism	-	-	5,457	5,457
Debt service:				
Principal	50,699	335,000	-	385,699
Interest and fiscal charges	4,711	114,250	-	118,961
Total expenditures	<u>2,381,368</u>	<u>449,250</u>	<u>30,810</u>	<u>2,861,428</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>\$ 637,499</u>	<u>\$ (449,250)</u>	<u>\$ (1,207)</u>	<u>\$ 187,042</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	112,660	449,250	-	561,910
Transfers out	(449,250)	-	(758)	(450,008)
Total other financing sources (uses)	<u>(336,590)</u>	<u>449,250</u>	<u>(758)</u>	<u>111,902</u>
<b>NET CHANGE IN FUND BALANCES</b>	300,909	-	(1,965)	298,944
<b>FUND BALANCE, OCTOBER 1, 2013</b>	<u>1,225,165</u>	<u>9,514</u>	<u>81,932</u>	<u>1,316,611</u>
<b>FUND BALANCE, SEPTEMBER 30, 2014</b>	<u>\$ 1,526,074</u>	<u>\$ 9,514</u>	<u>\$ 79,967</u>	<u>\$ 1,615,555</u>

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

**CITY OF WILLOW PARK, TEXAS**  
**Reconciliation of Statement of Revenues,**  
**Expenditures and Changes in Fund Balances of**  
**The Governmental Funds to the Statement of Activities**  
**For the Year Ended September 30, 2014**

Total Net Change in Fund Balances - Governmental Funds	\$ 298,944
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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 \$79,434 of capital outlays and \$385,699 of debt principal payments is to increase net assets.	465,133
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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.	(333,493)
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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	2,240	
Premium on bonds	29,924	
Compensated absences	(8,351)	
		23,813

Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the funds.	3,731
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Change in Net Position of Governmental Activities	\$ 458,128
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## CITY OF WILLOW PARK, TEXAS

## Statement of Net Position

## Proprietary Funds

September 30, 2014

	Water	Wastewater	Solid Waste	Totals
<b>ASSETS:</b>				
Current Assets:				
Cash and cash equivalents	\$ 2,303,131	\$ 194,669	\$ 82,893	\$ 2,580,693
Certificates of deposit	-	27,366	-	27,366
Receivables (Net of allowance for uncollectibles):				
Accounts	227,568	52,476	29,968	310,012
Restricted Assets:				
Cash and cash equivalents	611,683	-	-	611,683
Certificates of deposit	684,074	-	-	684,074
Total current assets	<u>3,826,456</u>	<u>274,511</u>	<u>112,861</u>	<u>4,213,828</u>
Noncurrent Assets:				
Due from other funds	877,226	-	-	877,226
Capital assets, at cost:				
Non-depreciable capital assets	345,816	1,077,912	-	1,423,728
Depreciable capital assets	8,437,428	1,530,607	-	9,968,035
Less: accumulated depreciation	<u>(3,447,398)</u>	<u>(680,422)</u>	<u>-</u>	<u>(4,127,820)</u>
Capital assets, net	<u>5,335,846</u>	<u>1,928,097</u>	<u>-</u>	<u>7,263,943</u>
Total noncurrent assets	<u>6,213,072</u>	<u>1,928,097</u>	<u>-</u>	<u>8,141,169</u>
Total assets	<u>\$ 10,039,528</u>	<u>\$ 2,202,608</u>	<u>\$ 112,861</u>	<u>\$ 12,354,997</u>
<b>LIABILITIES:</b>				
Current Liabilities:				
Accounts payable	\$ 142,924	\$ 196,323	\$ 30,705	\$ 369,952
Payroll liabilities	12,456	3,760	-	16,216
Due to other funds	29,519	-	-	29,519
Compensated absences	20,503	6,321	-	26,824
Lawsuit settlement payable	-	220,000	-	220,000
Current portion of long-term liabilities	310,000	14,676	-	324,676
Current Liabilities Payable from Restricted Assets:				
Interest payable	9,386	-	-	9,386
Customer deposits payable	110,607	-	-	110,607
Total current liabilities	<u>635,395</u>	<u>441,080</u>	<u>30,705</u>	<u>1,107,180</u>
Noncurrent Liabilities:				
Due to other funds	-	877,226	-	877,226
Accrued administrative penalty	-	15,899	-	15,899
Bonds payable	2,518,295	-	-	2,518,295
Total noncurrent liabilities	<u>2,518,295</u>	<u>893,125</u>	<u>-</u>	<u>3,411,420</u>
Total liabilities	<u>3,153,690</u>	<u>1,334,205</u>	<u>30,705</u>	<u>4,518,600</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	3,697,470	1,928,097	-	5,625,567
Restricted impact fees (Expendable)	401,242	-	-	401,242
Unrestricted	2,767,526	(1,110,724)	82,156	1,738,958
Total net position	<u>\$ 6,866,238</u>	<u>\$ 817,373</u>	<u>\$ 82,156</u>	<u>\$ 7,765,767</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, 2014**

	Water	Wastewater	Solid Waste	Totals
Operating revenues:				
Charges for services	\$ 1,415,430	\$ 361,515	\$ 205,672	\$ 1,982,617
Tap fees	5,560	3,883	-	9,443
Other fees	45,287	-	-	45,287
	<u>1,466,277</u>	<u>365,398</u>	<u>205,672</u>	<u>2,037,347</u>
Total operating revenue				
Operating expenses:				
Personnel	370,519	123,384	15,594	509,497
Supplies	152,408	34,577	-	186,985
Contractual services	319,534	124,819	162,900	607,253
Utilities	127,751	40,694	-	168,445
Bad debts	13,251	827	769	14,847
Depreciation	232,169	38,052	-	270,221
	<u>1,215,632</u>	<u>362,353</u>	<u>179,263</u>	<u>1,757,248</u>
Total operating expenses				
Operating income (loss)	<u>250,645</u>	<u>3,045</u>	<u>26,409</u>	<u>280,099</u>
Nonoperating revenues (expenses):				
Investment earnings	3,701	364	17	4,082
Interest expense	(54,424)	-	-	(54,424)
Debt issuance costs	(46,968)	-	-	(46,968)
	<u>(97,691)</u>	<u>364</u>	<u>17</u>	<u>(97,310)</u>
Total nonoperating revenues (expenses)				
Income (loss) before contributions and transfers	152,954	3,409	26,426	182,789
Capital contributions and transfers:				
Capital Contributions	1,239	-	-	1,239
Transfers out	(96,687)	(15,215)	-	(111,902)
Total capital contributions and transfers	<u>(95,448)</u>	<u>(15,215)</u>	<u>-</u>	<u>(110,663)</u>
Special item				
Lawsuit settlement	<u>-</u>	<u>(220,000)</u>	<u>-</u>	<u>(220,000)</u>
Change in Net Position	57,506	(231,806)	26,426	(147,874)
Net Position, October 1, 2013	6,808,732	1,049,179	55,730	7,913,641
Net Position, September 30, 2014	<u>\$ 6,866,238</u>	<u>\$ 817,373</u>	<u>\$ 82,156</u>	<u>\$ 7,765,767</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, 2014**

	Water	Wastewater	Solid Waste	Totals
Cash flows from operating activities:				
Cash received from customers	\$ 1,439,130	\$ 360,395	\$ 204,297	\$ 2,003,822
Cash paid to suppliers	(831,482)	(21,846)	(161,562)	(1,014,890)
Cash paid to employees	(375,903)	(119,957)	-	(495,860)
Net cash provided by operating activities	<u>231,745</u>	<u>218,592</u>	<u>42,735</u>	<u>493,072</u>
Cash flow from noncapital financing activities:				
Transfers out	(96,687)	(15,215)	-	(111,902)
Net cash provided (used) by noncapital financing activities	<u>(96,687)</u>	<u>(15,215)</u>	<u>-</u>	<u>(111,902)</u>
Cash flow from capital and related financing activities:				
Interfund loans	21,005	-	-	21,005
Proceeds from issuance of bonds	685,000	-	-	685,000
Principal payments on long-term debt	(300,000)	-	-	(300,000)
Capital grants and contributions	1,239	-	-	1,239
Capital expenditures	(136,124)	(958,995)	-	(1,095,119)
Bond issuance costs	(46,968)	-	-	(46,968)
Interest paid on bonds	(71,825)	-	-	(71,825)
Net cash (used) by capital and related financing activities	<u>152,327</u>	<u>(958,995)</u>	<u>-</u>	<u>(806,668)</u>
Cash flow from investing activities:				
Investment earnings	3,701	364	17	4,082
Reinvested in certificates of deposits	(2,642)	(136)	-	(2,778)
Proceeds from maturities of certificates of deposits	1,051,432	-	-	1,051,432
Net cash provided by investing activities	<u>1,052,491</u>	<u>228</u>	<u>17</u>	<u>1,052,736</u>
Net increase (decrease) in cash and cash equivalents	1,339,876	(755,390)	42,752	627,238
Cash and cash equivalents, beginning	<u>1,574,938</u>	<u>950,059</u>	<u>40,141</u>	<u>2,565,138</u>
Cash and cash equivalents, ending	<u>\$ 2,914,814</u>	<u>\$ 194,669</u>	<u>\$ 82,893</u>	<u>\$ 3,192,376</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	\$ 250,645	\$ 3,045	\$ 26,409	\$ 280,099
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	232,169	38,052	-	270,221
(Increase) decrease in accounts receivable	(21,702)	(4,176)	(606)	(26,484)
Increase (decrease) in accounts payable	(231,789)	190,474	16,932	(24,383)
Increase (decrease) in payroll liabilities	4,256	2,445	-	6,701
Increase (decrease) in customer meter deposits	7,806	-	-	7,806
Increase (decrease) in accrued administrative penalty	-	(12,230)	-	(12,230)
Increase (decrease) in compensated absences payable	(9,640)	982	-	(8,658)
Total adjustments	<u>(18,900)</u>	<u>215,547</u>	<u>16,326</u>	<u>212,973</u>
Net cash provided by operating activities	<u>\$ 231,745</u>	<u>\$ 218,592</u>	<u>\$ 42,735</u>	<u>\$ 493,072</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, 2014

#### 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, 2014 the City contributed \$560,783 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, 2014

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, 2014**

**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, 2014**

**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 \$174,364. The property tax receivable and municipal court allowances of \$9,318 and \$947,341 are equal to 50% and 90% respectively of the outstanding balances at September 30, 2014.

***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 \$120,234 at September 30, 2014.

***4. Prepaid Expenses***

Payments made for services that will benefit periods beyond September 30, 2014, 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, 2014**

**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 \$54,424. 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, 2014**

**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	-	-	26,896	26,896
Police	-	-	37,634	37,634
Tourism	-	-	15,437	15,437
Public educational governmental fees	21,280	-	-	21,280
Unassigned	1,504,794	-	-	1,504,794
	<u>\$ 1,526,074</u>	<u>\$ 9,514</u>	<u>\$ 79,967</u>	<u>\$ 1,615,555</u>

**CITY OF WILLOW PARK, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2014**

**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.

The City Council adopted a minimum fund balance policy for the general fund. The policy requires the City to strive to maintain an unassigned fund balance in the general fund of 75 days of annual budgeted expenditures. At the end of the year, the unassigned fund balance of \$1,504,794 was \$856,032 above the minimum fund balance requirement of \$648,762.

**9. *Net Position***

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

**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, 2014, the City's deposits were 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, 2014**

**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, 2014, 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, 2014**

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

The City's investments at September 30, 2014 included the following:

<u>Investment</u>	<u>Credit Rating</u>	<u>Weighted Average Maturities</u>	<u>Percentage of Total Investments</u>	<u>Cost</u>	<u>Fair Value</u>
TexSTAR Pool	AAAm	83 days	100.00%	\$ 1,495,791	\$ 1,495,791
				<u>\$ 1,495,791</u>	<u>\$ 1,495,791</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:

	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Total</u>
Enterprise Funds			
Customer deposits	\$ -	\$ 104,810	\$ 104,810
2003 bond funds	1,087	579,264	580,351
2003 tax and revenue certificates	833		833
2014 bonds	609,763		609,763
Total	<u>\$ 611,683</u>	<u>\$ 684,074</u>	<u>\$ 1,295,757</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.

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.

**CITY OF WILLOW PARK, TEXAS**

**Notes to Financial Statements**

**September 30, 2014**

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

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 Funds		
	General	Water	Wastewater	Total
Property taxes receivable	\$ 9,318	\$ -	\$ -	\$ -
Franchise tax receivable	115,912	-	-	-
Court fines and fees receivable	105,260	-	-	-
Developer contributions	-	19,600	51,030	70,630
Total deferred inflows of resources	<u>\$ 230,490</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, 2014, is as follows:

Transfer In	Transfer Out	Amount	Purpose
Debt Service	General	449,250	Debt Service
General	Tourism	758	Tourism
General	Water	96,687	Capital Improvements
General	Wastewater	15,215	Capital Improvements
Total Governmental Funds Transfers In		<u>\$ 561,910</u>	

**CITY OF WILLOW PARK, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2014**

**NOTE 5: INTERFUND RECEIVABLE, PAYABLES AND TRANSFERS** (Continued)

The composition of interfund receivables and payables for the City's individual major funds and nonmajor funds at September 30, 2014, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Water	\$ 21,005
Debt Service	Water	8,514
Total Governmental Funds		<u>\$ 29,519</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 general fund receivable is due to 2014 bond issuance costs paid by the general fund for the water fund.

The water fund loaned the wastewater fund \$877,226 during the prior 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, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Non - Depreciable Assets:				
Land	\$ 126,024	\$ -	\$ -	\$ 126,024
Construction in progress	-	21,650	-	21,650
Total non-depreciable assets	<u>126,024</u>	<u>21,650</u>	<u>-</u>	<u>147,674</u>
Depreciable Assets:				
Buildings and improvements	416,902	-	-	416,902
Furniture and equipment	181,040	57,784	-	238,824
Vehicles	418,842	-	(24,202)	394,640
Infrastructure	5,357,543	-	-	5,357,543
Total capital assets being depreciated	<u>6,374,327</u>	<u>57,784</u>	<u>(24,202)</u>	<u>6,407,909</u>
Accumulated Depreciation:				
Buildings and improvements	(121,253)	(11,570)	-	(132,823)
Furniture and equipment	(154,785)	(9,016)	-	(163,801)
Vehicles	(254,953)	(45,030)	24,202	(275,781)
Infrastructure	(1,050,443)	(267,877)	-	(1,318,320)
Total accumulated depreciation	<u>(1,581,434)</u>	<u>(333,493)</u>	<u>24,202</u>	<u>(1,890,725)</u>
Governmental activities capital assets, net	<u>\$ 4,918,917</u>	<u>\$ (254,059)</u>	<u>\$ -</u>	<u>\$ 4,664,858</u>

**CITY OF WILLOW PARK, TEXAS**

**Notes to Financial Statements**

**September 30, 2014**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>				
Non - Depreciable Assets:				
Land	\$ 383,897	\$ -	\$ -	\$ 383,897
Construction in Progress	16,385	1,023,446	-	1,039,831
Total non-depreciable assets	<u>400,282</u>	<u>1,023,446</u>	<u>-</u>	<u>1,423,728</u>
Depreciable Assets:				
Buildings and improvements	79,050	-	-	79,050
Furniture and equipment	131,729	24,207	-	155,936
Vehicles	230,003	-	-	230,003
Water system	7,957,384	47,466	-	8,004,850
Wastewater system	1,498,196	-	-	1,498,196
Total capital assets being depreciated	<u>9,896,362</u>	<u>71,673</u>	<u>-</u>	<u>9,968,035</u>
Accumulated Depreciation:				
Buildings and improvements	(17,646)	(1,976)	-	(19,622)
Furniture and equipment	(122,648)	(3,051)	-	(125,699)
Vehicles	(172,788)	(20,975)	-	(193,763)
Water system	(2,924,591)	(206,313)	-	(3,130,904)
Wastewater system	(619,926)	(37,906)	-	(657,832)
Total accumulated depreciation	<u>(3,857,599)</u>	<u>(270,221)</u>	<u>-</u>	<u>(4,127,820)</u>
Business-type activities capital assets, net	<u>\$ 6,439,045</u>	<u>\$ 824,898</u>	<u>\$ -</u>	<u>\$ 7,263,943</u>
<b>Component Unit:</b>				
Depreciable Assets:				
Buildings and improvements	\$ 131,069	\$ -	\$ -	\$ 131,069
Furniture and equipment	1,058,989	28,523	(21,929)	1,065,583
Total capital assets being depreciated	<u>1,190,058</u>	<u>28,523</u>	<u>(21,929)</u>	<u>1,196,652</u>
Accumulated Depreciation:				
Buildings and improvements	(14,726)	(3,630)	-	(18,356)
Furniture and equipment	(611,139)	(76,988)	21,929	(666,198)
Total accumulated depreciation	<u>(625,865)</u>	<u>(80,618)</u>	<u>21,929</u>	<u>(684,554)</u>
Component unit capital assets, net	<u>\$ 564,193</u>	<u>\$ (52,095)</u>	<u>\$ -</u>	<u>\$ 512,098</u>

**CITY OF WILLOW PARK, TEXAS**

**Notes to Financial Statements**

**September 30, 2014**

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

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

**Governmental activities:**

Administration	\$ 10,213
Development services	245
Police	51,806
Public works parks & roads	271,229
Total depreciation expense - governmental activities	<u>\$ 333,493</u>

**Business-type activities:**

Water	\$ 232,169
Wastewater	38,052
Total depreciation expense - business-type activities	<u>\$ 270,221</u>

**Component Unit:**

Fire and rescue	\$ 80,618
Total depreciation expense - component unit	<u>\$ 80,618</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	(51,017)
Total	<u>\$ 102,035</u>

**CITY OF WILLOW PARK, TEXAS**

**Notes to Financial Statements**

**September 30, 2014**

**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, 2014, were as follows:

Year Ending September 30,	Governmental Activities
<u>2015</u>	<u>\$ 54,610</u>
Less: interest portion	1,992
Obligations under capital lease	<u><u>\$ 52,618</u></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, 2014, are as follows:

Year Ending September 30,	Fire and rescue		
	Principal	Interest	Total
2015	\$ 24,963	\$ 7,333	\$ 32,296
2016	25,899	6,397	32,296
2017	26,870	5,425	32,295
2018	27,878	4,418	32,296
2019	28,923	3,372	32,295
2020 - 2024	61,005	3,450	64,455
	<u><u>\$ 195,538</u></u>	<u><u>\$ 30,395</u></u>	<u><u>\$ 225,933</u></u>

**CITY OF WILLOW PARK, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2014**

**C. Bonds Payable**

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
\$2,665,000; 2010 Refunding bond due in annual installments through February 15, 2021 at interest rates ranging from 2.0% to 4.0%.	\$ 410,000	\$ 1,175,000
\$5,135,000; 2012 Refunding bond due in annual installments through February 15, 2023 at interest rates ranging from 2.0% to 3.0%.	3,630,000	850,000
\$685,000; 2014 Combination tax and revenue certificates of obligation due in annual installments through February 15, 2035 at interest rates ranging from 0.00% to 2.59%.	-	685,000
	<u>\$ 4,040,000</u>	<u>\$ 2,710,000</u>

The annual debt service requirements to maturity for bonds outstanding as of September 30, 2014, are as follows:

**Bonds Payable**

Year Ending September 30,	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 360,000	\$ 106,800	\$ 466,800	\$ 310,000	\$ 70,863	\$ 380,863
2016	385,000	98,825	483,825	355,000	62,213	417,213
2017	405,000	90,100	495,100	365,000	51,988	416,988
2018	425,000	80,700	505,700	380,000	40,138	420,138
2019	455,000	68,775	523,775	190,000	31,338	221,338
2020 - 2024	2,010,000	122,875	2,132,875	700,000	81,065	781,065
2025 - 2029	-	-	-	175,000	37,516	212,516
2030 - 2034	-	-	-	195,000	17,456	212,456
2035 - 2039	-	-	-	40,000	518	40,518
	<u>\$ 4,040,000</u>	<u>\$ 568,075</u>	<u>\$ 4,608,075</u>	<u>\$ 2,710,000</u>	<u>\$ 393,095</u>	<u>\$ 3,103,095</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 has made eleven payments of \$1,223 and will continue to pay the balance in 25 monthly payments of \$1,223 with no interest.

**CITY OF WILLOW PARK, TEXAS**

**Notes to Financial Statements**

**September 30, 2014**

**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	\$ 4,375,000	\$ -	\$ 335,000	\$ 4,040,000	\$ 360,000
Bond premiums	262,282	-	29,924	232,358	-
Total bonds payable	4,637,282	-	364,924	4,272,358	360,000
Capital leases	103,317	-	50,699	52,618	52,618
Compensated absences	68,494	76,845	68,494	76,845	76,845
Total Governmental Activities	<u>\$ 4,809,093</u>	<u>\$ 76,845</u>	<u>\$ 484,117</u>	<u>\$ 4,401,821</u>	<u>\$ 489,463</u>
<b>Business-type Activities:</b>					
Certificates of obligation	\$ -	\$ 685,000	\$ -	\$ 685,000	\$ -
General obligation bonds	2,325,000	-	300,000	2,025,000	310,000
Bond premiums	136,026	-	17,731	118,295	-
Total bonds payable	2,461,026	685,000	317,731	2,828,295	310,000
Accrued administrative penalty	42,805	-	12,230	30,575	14,676
Compensated absences	35,482	26,824	35,482	26,824	26,824
Total Business-type Activities	<u>\$ 2,539,313</u>	<u>\$ 711,824</u>	<u>\$ 365,443</u>	<u>\$ 2,885,694</u>	<u>\$ 351,500</u>
<b>Fire and Rescue</b>					
Notes payable	\$ 219,613	\$ -	\$ 24,075	\$ 195,538	\$ 24,963
Total Fire and Rescue	<u>\$ 219,613</u>	<u>\$ -</u>	<u>\$ 24,075</u>	<u>\$ 195,538</u>	<u>\$ 24,963</u>
<b>Total Long-term Liabilities</b>	<u>\$ 7,568,019</u>	<u>\$ 788,669</u>	<u>\$ 873,635</u>	<u>\$ 7,483,053</u>	<u>\$ 865,926</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, 2014

### 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 2013 and 2014 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

**CITY OF WILLOW PARK, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2014**

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

Contributions

Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Entry Age Normal (EAN) cost method (EAN was first used in the December 31, 2013 valuation; previously, the Projected Unit Credit actuarial cost method had been used). 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 for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The salary-weighted average of the individual rates is the total normal cost rate. 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 annual repeating benefits, such as Updated Service Credits and Annuity Increases.

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	2012	2013	2014
Annual Required Contribution (ARC)	\$ 58,083	\$ 25,173	\$ 29,020
Interest on Net Pension Obligation	-	-	-
Adjustment to ARC	-	-	-
Annual Pension Cost (APC)	58,083	25,173	29,020
Contributions Made	(58,083)	(25,173)	(29,020)
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%

**CITY OF WILLOW PARK, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2014**

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

The required contribution rates for fiscal year 2014 were determined as part of the December 31, 2011 and 2012 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2013, also follows:

<b>General System-wide Actuarial Assumptions</b>			
Actuarial Valuation Date	12/31/11	12/31/12	12/31/13
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
Amortization Method	Level Percent of Payoll	Level Percent of Payoll	Level Percent of Payoll
GASB 25 Equivalent Single Amortization Period	20.9 Years-Closed	19.9 Years-Closed	25.0 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%

**Funding Status and Funding Progress**

In October 2013, TMRS Board approved actuarial changes in (a) the funding method from Projected Unit Credit to Entry Age Normal, (b) the post-retirement mortality assumptions used in calculating liabilities and contribution rates and in the development of the Annuity Purchase Rate factors, and (c) the amortization policy. These actuarial changes were effective with the December 31, 2013 actuarial valuation. For a complete description of the new actuarial cost method and assumptions, please see the December 31, 2013 TMRS Comprehensive Annual Financial Report (CAFR).

The funded status as of December 31, 2013, the most recent actuarial valuation date, is presented as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (ALL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2013	\$ 588,069	\$ 715,372	82.2%	\$ 127,303	\$ 1,391,744	9.1%

**CITY OF WILLOW PARK, TEXAS**

**Notes to Financial Statements**

**September 30, 2014**

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

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 2014, 2013, and 2012 were equal to the required contributions each year.

**CITY OF WILLOW PARK, TEXAS**

**Notes to Financial Statements**

**September 30, 2014**

**NOTE 11: CONTINGENT LIABILITIES**

Litigation

July 2011 a suit was filed against the city alleging payment was due for professional engineering services. The suit went to trial in March 2015. A jury awarded the plaintiff \$183,280 plus interest. In April 2015 the City paid \$220,000 in final settlement of the lawsuit. \$220,000 has been accrued as a liability in the wastewater fund.

The City is a defendant in another lawsuit filed by a former employee. 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 was funded with a loan from the water fund to the wastewater fund. \$871,374 of the project was completed at September 30, 2014.

July 8, 2014, the City awarded a \$445,670 contract for street improvements. Construction had not started at September 30, 2014. The project will be funded by the general fund.

September 9, 2014, the City awarded a \$806,297 contract for water line rehabilitation. Construction had not started at September 30, 2014. The project will be funded with the 2014 combination tax and revenue certificates of obligation.

**NOTE 13: SUBSEQUENT EVENTS**

Effective October 1, 2015, the City incorporated the component unit, Willow Park Fire and Rescue, as a department of the City. The assets have been conveyed to the City and the City has refinanced the debt of Willow Park Fire and Rescue.

Subsequent events were evaluated through May 5, 2015, which is the date the financial statements were available to be issued.

**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

**CITY OF WILLOW PARK, TEXAS**

**Notes to Financial Statements**

**September 30, 2014**

**NOTE 16: FUTURE ACCOUNTING PRONOUNCEMENTS (Continued)**

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.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to Measurement Date – an amendment of GASB No. 68*. This Statement addresses issues related to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement will be implemented with GASB Statement No. 68, effective for the fiscal year ending September 30, 2015.

## **REQUIRED SUPPLEMENTARY INFORMATION**

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**CITY OF WILLOW PARK, TEXAS**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**General Fund**  
**For the Year Ended September 30, 2014**

	Budget		Actual	Variance with
	Original	Final	Amounts	Final Budget
			GAAP	Positive
			Basis	(Negative)
<b>REVENUES</b>				
Taxes:				
Property	\$ 1,627,073	\$ 1,603,976	\$ 1,532,074	\$ (71,902)
Sales and use	681,153	807,628	849,687	42,059
Franchise	210,824	210,824	227,077	16,253
Court fines and fees	177,345	174,465	169,377	(5,088)
Licenses and permits	193,930	174,130	195,780	21,650
Investment Earnings	-	-	1,236	1,236
Contributions	-	-	3,548	3,548
Other revenue	5,300	5,300	40,088	34,788
Total revenues	<u>2,895,625</u>	<u>2,976,323</u>	<u>3,018,867</u>	<u>42,544</u>
<b>EXPENDITURES</b>				
Current				
Administration	190,953	243,992	308,822	(64,830)
Development services	218,514	220,537	201,157	19,380
Legislative	168,177	168,285	69,291	98,994
Municipal court	102,185	102,750	90,430	12,320
Police	1,019,728	1,041,247	960,412	80,835
Fire and rescue	561,299	561,299	574,454	(13,155)
Public works parks & roads	241,004	544,448	121,392	423,056
Debt service:				
Principal	24,075	223,279	50,699	172,580
Interest and fiscal charges	8,220	8,220	4,711	3,509
Total expenditures	<u>2,534,155</u>	<u>3,114,057</u>	<u>2,381,368</u>	<u>732,689</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>\$ 361,470</u>	<u>\$ (137,734)</u>	<u>\$ 637,499</u>	<u>\$ 775,233</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	118,071	118,071
Transfers out	(11,124)	(11,124)	(454,661)	(443,537)
Total other financing sources (uses)	<u>(11,124)</u>	<u>(11,124)</u>	<u>(336,590)</u>	<u>(325,466)</u>
<b>NET CHANGE IN FUND BALANCES</b>	350,346	(148,858)	300,909	449,767
<b>FUND BALANCE, OCTOBER 1, 2013</b>	<u>1,225,165</u>	<u>1,225,165</u>	<u>1,225,165</u>	<u>-</u>
<b>FUND BALANCE, SEPTEMBER 30, 2014</b>	<u>\$ 1,575,511</u>	<u>\$ 1,076,307</u>	<u>\$ 1,526,074</u>	<u>\$ 449,767</u>

**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>
12/31/2011	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%
12/31/2013	588,069	715,372	82.2%	127,303	1,391,744	9.1%

**CITY OF WILLOW PARK, TEXAS**  
**Notes to Required Supplementary Information**  
**September 30, 2014**

**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 less than appropriations by \$732,689.

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**COMBINING NONMAJOR  
GOVERNMENTAL FUND STATEMENTS**

**CITY OF WILLOW PARK, TEXAS**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**September 30, 2014**

	Special Revenue Funds					
	Court Security	Court Technology	Seizure Fund	Tourism Fund	Total Special Revenue	Total Nonmajor Funds
Assets:						
Cash and investments	\$ 7,077	\$ 29,376	\$ 37,634	\$ 12,219	\$ 86,306	\$ 86,306
Receivables (Net of allowances for uncollectibles)						
Miscellaneous	-	-	-	3,218	3,218	3,218
Total assets	<u>\$ 7,077</u>	<u>\$ 29,376</u>	<u>\$ 37,634</u>	<u>\$ 15,437</u>	<u>\$ 89,524</u>	<u>\$ 89,524</u>
Liabilities and fund balance:						
Liabilities:						
Accounts payable	\$ -	\$ 9,557	\$ -	\$ -	\$ 9,557	\$ 9,557
Total liabilities	<u>-</u>	<u>9,557</u>	<u>-</u>	<u>-</u>	<u>9,557</u>	<u>9,557</u>
Fund balance:						
Restricted	<u>7,077</u>	<u>19,819</u>	<u>37,634</u>	<u>15,437</u>	<u>79,967</u>	<u>79,967</u>
Total fund balance	<u>7,077</u>	<u>19,819</u>	<u>37,634</u>	<u>15,437</u>	<u>79,967</u>	<u>79,967</u>
Total liabilities and fund balance	<u>\$ 7,077</u>	<u>\$ 29,376</u>	<u>\$ 37,634</u>	<u>\$ 15,437</u>	<u>\$ 89,524</u>	<u>\$ 89,524</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, 2014**

	Special Revenue Funds					
	Court Security	Court Technology	Seizure Fund	Tourism Fund	Total Special Revenue	Total Nonmajor Funds
Revenues:						
Hotel occupancy tax	\$ -	\$ -	\$ -	\$ 14,617	\$ 14,617	\$ 14,617
Court fines and fees	5,502	7,324	-	-	12,826	12,826
Investment earnings	-	5	-	-	5	5
Contributions				2,155	2,155	2,155
Total revenues	5,502	7,329	-	16,772	29,603	29,603
Expenditures:						
Current:						
Municipal court	994	12,407	-	-	13,401	13,401
Police	-	-	11,952	-	11,952	11,952
Tourism	-	-	-	5,457	5,457	5,457
Total expenditures	994	12,407	11,952	5,457	30,810	30,810
Excess (deficiency) of revenues over (under) expenditures	4,508	(5,078)	(11,952)	11,315	(1,207)	(1,207)
Other financing sources (uses):						
Transfers out	-	-	-	(758)	(758)	(758)
Total other financing sources (uses):	-	-	-	(758)	(758)	(758)
Net change in fund balances	4,508	(5,078)	(11,952)	10,557	(1,965)	(1,965)
Fund Balance, October 1, 2013	2,569	24,897	49,586	4,880	81,932	81,932
Fund Balance, September 30, 2014	\$ 7,077	\$ 19,819	\$ 37,634	\$ 15,437	\$ 79,967	\$ 79,967

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**OVERALL COMPLIANCE AND INTERNAL CONTROL  
SECTION**

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Willow Park Texas (the "City") as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 5, 2015.

**Internal Control over Financial Reporting**

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

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

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

attention by those charged with governance. We consider deficiencies 2014-1 and 2014-2 described in the accompanying schedule of findings and responses to be material weaknesses.

### **Compliance and Other Matters**


As part of obtaining reasonable assurance about whether the City of Willow Park's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

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

### **Purpose of this Report**

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



George, Morgan & Sneed, P.C.

Weatherford, Texas

May 5, 2015

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

Financial Statement Findings

2014-1. Utility Receivables and Deposits

**Criteria:** Utility accounts receivable and deposits subsidiary ledgers should agree with the balances in QuickBooks.

**Condition:** The City's uses utility billing software from AVR and QuickBooks accounting software. The two programs are not integrated. The City makes journal entries in QuickBooks for utility billing transactions processed through AVR. Audit adjustments of (\$38,891), \$34,716 and \$29,139 were required to reconcile the water fund accounts receivable, wastewater fund accounts receivable and utility deposits accounts to the AVR subsidiary ledger at 9/30/14.

**Recommendation:** We recommend that the accounts receivable report in AVR be reconciled to QuickBooks monthly.

2014-2. Audit Adjustments

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

**Condition:** During the audit we proposed 46 audit adjustments. Approximately 22 of these adjustments were necessary to correct errors. The other adjustments were in the nature of accrual entries.

Approximately 9 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.

