

CITY OF WILLOW PARK, TEXAS

ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2017**



GMS

CHARTERED PUBLIC
ACCOUNTANTS

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CITY OF WILLOW PARK, TEXAS
Annual Financial Report
For the Year Ended September 30, 2017

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CITY OF WILLOW PARK, TEXAS

Annual Financial Report

For the Year Ended September 30, 2017

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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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

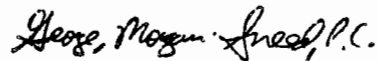
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. The combining nonmajor governmental funds financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining nonmajor governmental funds financial statements and schedule of expenditures of federal awards 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 basic 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 combining nonmajor governmental funds financial statements and schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic 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 March 7, 2018, 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

March 7, 2018

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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, 2017. 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 \$12,373,016 (*net position*). Of this amount, \$3,866,253 (*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 \$1,171,134. The City's operations increased the governmental activities by \$266,651 and increased the business-type activities by \$904,483.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,180,304, or 36% of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$12,373,016 as of September 30, 2017.

The largest portion of the City's net position (59%) 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.

\$1,215,946 represents resources that are subject to external restrictions on how they may be used. The \$3,866,253 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	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 8,992,203	\$ 8,831,317	\$ 7,113,948	\$ 4,471,584	\$ 16,106,151	\$ 13,302,901
Capital assets	5,883,199	5,731,186	9,438,310	8,186,423	15,321,509	13,917,609
Total Assets	<u>14,875,402</u>	<u>14,562,503</u>	<u>16,552,258</u>	<u>12,658,007</u>	<u>31,427,660</u>	<u>27,220,510</u>
Deferred outflows of resources	<u>134,800</u>	<u>138,377</u>	<u>33,376</u>	<u>39,693</u>	<u>168,176</u>	<u>178,070</u>
Long-term liabilities	11,692,979	11,848,477	6,124,968	3,823,478	17,817,947	15,671,955
Other liabilities	395,382	186,263	976,188	290,663	1,371,570	476,926
Total liabilities	<u>12,088,361</u>	<u>12,034,740</u>	<u>7,101,156</u>	<u>4,114,141</u>	<u>19,189,517</u>	<u>16,148,881</u>
Deferred inflows of resources	<u>26,114</u>	<u>37,064</u>	<u>7,189</u>	<u>10,753</u>	<u>33,303</u>	<u>47,817</u>
Net Position:						
Invested in capital assets net of related debt	1,149,833	1,042,352	6,140,984	5,888,206	7,290,817	6,930,558
Restricted	387,891	331,347	828,055	482,828	1,215,946	814,175
Unrestricted	1,358,003	1,255,377	2,508,250	2,201,772	3,866,253	3,457,149
Total Net Position	<u>\$ 2,895,727</u>	<u>\$ 2,629,076</u>	<u>\$ 9,477,289</u>	<u>\$ 8,572,806</u>	<u>\$ 12,373,016</u>	<u>\$ 11,201,882</u>

Governmental Activities. Governmental activities increased the City's net position by \$266,651 in the current year. Total governmental activities revenues increased \$260,924 (7%) to \$4,007,556. Property taxes increased \$299,874 due to a \$16 million increase in the taxable value of property in the City and an increase in the tax rate of \$.0762 per \$100 of valuation. Total expenses increased \$48,895 (1%) to \$3,745,754.

Business-type activities. Business-type activities increased the City's net position by \$904,483. Total business-type activities revenues increased \$556,426 (21%) to \$3,162,675. Water and wastewater charges for services increased \$69,261 and \$59,533 due to an increase in gallons of water sold and impact fees increased \$274,309 due to new construction including a new subdivision with about 120 homes. Capital grants and contributions increased \$70,922 because of the grant portion of funds from Texas Water Development Board for the water system improvements project and a developer contribution for wastewater improvements. Expenses decreased \$166,330 primarily due to a decrease in supplies and contractual services for repairs and maintenance and decrease in personnel costs.

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

Statement of Activities

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues:						
Program revenues:						
Charges for services	\$ 537,641	\$ 552,182	\$ 3,024,394	\$ 2,574,578	\$ 3,562,035	\$ 3,126,760
Operating grants and contributions	6,276	22,435	-	-	6,276	22,435
Capital grants and contributions	-	-	74,912	3,990	74,912	3,990
General revenues:						
Property taxes	2,156,694	1,856,820	-	-	2,156,694	1,856,820
Sales taxes	852,606	834,871	-	-	852,606	834,871
Franchise taxes	346,216	386,114	-	-	346,216	386,114
Hotel Occupancy taxes	13,858	14,901	-	-	13,858	14,901
Investment earnings	50,385	4,997	38,072	7,681	88,457	12,678
Other revenue	43,880	74,312	25,297	20,000	69,177	94,312
Total revenues	<u>4,007,556</u>	<u>3,746,632</u>	<u>3,162,675</u>	<u>2,606,249</u>	<u>7,170,231</u>	<u>6,352,881</u>
Expenses						
Administration	367,720	394,221	-	-	367,720	394,221
Development services	273,612	231,211	-	-	273,612	231,211
Legislative	137,755	120,025	-	-	137,755	120,025
Municipal court	149,626	138,553	-	-	149,626	138,553
Police	1,127,593	1,093,938	-	-	1,127,593	1,093,938
Fire and rescue	829,305	778,155	-	-	829,305	778,155
Public works parks & roads	579,075	643,892	-	-	579,075	643,892
Tourism	-	9,646	-	-	-	9,646
Interest on long-term debt	281,068	105,624	-	-	281,068	105,624
Debt issuance costs	-	181,594	-	-	-	181,594
Water	-	-	1,575,595	1,840,263	1,575,595	1,840,263
Wastewater	-	-	465,057	387,156	465,057	387,156
Solid Waste	-	-	212,691	192,254	212,691	192,254
Total expenses	<u>3,745,754</u>	<u>3,696,859</u>	<u>2,253,343</u>	<u>2,419,673</u>	<u>5,999,097</u>	<u>6,116,532</u>
Increase (decrease) in net position before transfers and special items	261,802	49,773	909,332	186,576	1,171,134	236,349
Transfers	4,849	(154,482)	(4,849)	154,482	-	-
Increase (decrease) in net position	266,651	(104,709)	904,483	341,058	1,171,134	236,349
Net Position October 1	<u>2,629,076</u>	<u>2,733,785</u>	<u>8,572,806</u>	<u>8,231,748</u>	<u>11,201,882</u>	<u>10,965,533</u>
Net Position September 30	<u>\$ 2,895,727</u>	<u>\$ 2,629,076</u>	<u>\$ 9,477,289</u>	<u>\$ 8,572,806</u>	<u>\$ 12,373,016</u>	<u>\$ 11,201,882</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 \$1,180,304. 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 36% of the total general fund expenditures. Fund balance of the general fund increased \$117,986.

The debt service fund has a total fund balance of \$320,041, all of which is restricted for the payment of debt service.

In 2016 the City issued \$6,330,000 in general obligation bonds for a new Public Safety Building and road improvements. These are accounted for in the Building Capital Projects Fund and Roads Capital Projects Fund.

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

The City's water fund, wastewater fund and solid waste fund are enterprise funds that comprise the City's proprietary funds. Unrestricted net position of the water fund, wastewater fund and solid waste fund at the end of the year amounted to \$3,319,857, (\$1,110,072) and \$298,465 respectively. The total change in net position for the three funds was \$633,214, \$195,780 and \$75,489 respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The general fund budget was not amended during the year.

During the year, actual revenues were \$106,782 less than budgeted and actual expenditures were \$331,756 more than budgeted. Actual expenditures were greater than budgeted primarily because of a \$406,651 fire truck purchased with a capital lease.

Capital Assets

The City's investment in capital assets for its governmental and business type activities as of September 30, 2017, amounts to \$15,321,509 (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:

- \$406,651 Pumper fire truck
- \$146,926 Engineering for public safety building
- \$134,922 Engineering for road projects

Business-type activities:

- \$246,372 Construction began on a temporary wastewater treatment plant
- \$1,506,233 Engineering and construction of TWDB water system improvements

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

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 126,024	\$ 126,024	\$ 383,897	\$ 383,897	\$ 509,921	\$ 509,921
Construction in progress	281,848	-	1,752,605	177,415	2,034,453	177,415
Buildings and improvements	386,252	403,766	53,500	55,476	439,752	459,242
Furniture and equipment	468,286	536,086	501,843	562,737	970,129	1,098,823
Vehicles	848,080	608,879	135,913	160,812	983,993	769,691
Infrastructure	3,772,709	4,056,431	-	-	3,772,709	4,056,431
Water system	-	-	4,537,144	4,699,280	4,537,144	4,699,280
Wastewater system	-	-	2,073,408	2,146,806	2,073,408	2,146,806
Total	<u>\$ 5,883,199</u>	<u>\$ 5,731,186</u>	<u>\$ 9,438,310</u>	<u>\$ 8,186,423</u>	<u>\$ 15,321,509</u>	<u>\$ 13,917,609</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 \$16,552,648 in bonds and leases outstanding. \$10,275,000 are general obligation bonds that are backed by the full faith and credit of the City. \$5,565,000 are certificates of obligation secured by surplus revenues of the water and wastewater fund and ad valorem taxes. The City also had \$712,648 in capital leases outstanding.

City of Willow Park's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Capital leases	\$ 600,552	\$ 231,820	\$ 112,096	\$ 125,948	\$ 712,648	\$ 357,768
General Obligation Bonds	9,220,000	9,625,000	1,055,000	1,390,000	10,275,000	11,015,000
Certificates of Obligation	760,912	834,522	4,804,088	2,145,478	5,565,000	2,980,000
Total	<u>\$ 10,581,464</u>	<u>\$ 10,691,342</u>	<u>\$ 5,971,184</u>	<u>\$ 3,661,426</u>	<u>\$ 16,552,648</u>	<u>\$ 14,352,768</u>

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

Economic factors and the Next Year's Budgets and Rates

For Fiscal Year 2017-18 the city's steady commercial and residential growth will insure the increase of ad valorem tax revenues and sales tax revenues. Newly completed single family homes and retail construction have been completed as well as other projects underway are continuing to improve the tax base for Willow Park.

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

Implementing new measures within the finance department, which included the separation of financial duties, improving bank statement reconciliation, and providing professional oversight within the financial systems of the city. January of 2018 wastewater utility rate increase was adopted, insuring adequate revenues to finance wastewater operations

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

Request for Information

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

BASIC FINANCIAL STATEMENTS

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CITY OF WILLOW PARK, TEXAS
Statement of Net Position
September 30, 2017

	Primary Government			Component Unit
	Governmental	Business-type	Total	Willow Park
	Activities	Activities		Fire and Rescue
ASSETS:				
Cash and cash equivalents	\$ 8,284,251	\$ 6,188,281	\$ 14,472,532	\$ 47,155
Certificates of deposit	248,029	27,554	275,583	-
Receivables (Net of allowances for uncollectibles)				
Property taxes	15,348	-	15,348	-
Sales taxes	142,710	-	142,710	-
Franchise taxes	143,702	-	143,702	-
Accounts	-	354,835	354,835	-
Miscellaneous	158,163	-	158,163	-
Restricted assets:				
Cash and investments	-	325,330	325,330	-
Certificates of deposit	-	217,948	217,948	-
Capital assets:				
Nondepreciable	407,872	2,136,502	2,544,374	-
Depreciable, net of accumulated depreciation	5,475,327	7,301,808	12,777,135	-
Total Assets	14,875,402	16,552,258	31,427,660	47,155
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred Outflows Related to Pensions	134,800	33,376	168,176	-
Total Deferred Outflows of Resources	134,800	33,376	168,176	-
LIABILITIES:				
Accounts payable	273,977	756,549	1,030,526	-
Payroll liabilities	62,692	18,095	80,787	-
Court bonds payable	7,063	-	7,063	-
Current Liabilities Payable from Restricted Assets:				
Interest payable	51,650	53,832	105,482	-
Customer deposits	-	147,712	147,712	-
Noncurrent liabilities:				
Due Within One Year	748,827	527,002	1,275,829	-
Due in More Than One Year	10,944,152	5,597,966	16,542,118	-
Total Liabilities	12,088,361	7,101,156	19,189,517	-
DEFERRED INFLOWS OF RESOURCES:				
Deferred Inflows Related to Pensions	26,114	7,189	33,303	-
Total Deferred Inflows of Resources	26,114	7,189	33,303	-
NET POSITION:				
Investments in Capital Assets, Net of Debt	1,149,833	6,140,984	7,290,817	-
Restricted Net Assets (Expendable)				
Debt service	273,983	-	273,983	-
Police	19,247	-	19,247	-
Tourism	43,439	-	43,439	-
Impact fees	-	828,055	828,055	-
Public educational governmental fees	51,222	-	51,222	-
Unrestricted Net Position	1,358,003	2,508,250	3,866,253	47,155
Total Net Position	\$ 2,895,727	\$ 9,477,289	\$ 12,373,016	\$ 47,155

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, 2017

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
Administration	\$ 367,720	\$ -	\$ -	\$ -
Development services	273,612	270,448	-	-
Legislative	137,755	-	-	-
Municipal court	149,626	32,903	-	-
Police	1,127,593	234,290	1,405	-
Fire and rescue	829,305	-	61	-
Public works parks & roads	579,075	-	4,810	-
Interest on long-term debt	281,068	-	-	-
Total governmental activities	<u>3,745,754</u>	<u>537,641</u>	<u>6,276</u>	<u>-</u>
Business-type activities:				
Water	1,575,595	2,124,861	-	40,360
Wastewater	465,057	613,257	-	34,552
Solid Waste	212,691	286,276	-	-
Total business-type activities	<u>2,253,343</u>	<u>3,024,394</u>	<u>-</u>	<u>74,912</u>
Total primary government	<u>\$ 5,999,097</u>	<u>\$ 3,562,035</u>	<u>\$ 6,276</u>	<u>\$ 74,912</u>
Component Unit				
Fire and Rescue	\$ 10,328	\$ -	\$ 2,127	\$ -
	<u>\$ 10,328</u>	<u>\$ -</u>	<u>\$ 2,127</u>	<u>\$ -</u>

General Revenues:

Taxes:

Property taxes, levied for general purposes

Property taxes, levied for debt service

Sales and use

Franchise

Hotel occupancy tax

Investment Earnings

Gain (loss) on sale of capital assets

Other revenue

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

Net Position - Ending

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

Exhibit B-1

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Willow Park Fire and Rescue
\$ (367,720)	\$ -	\$ (367,720)	\$ -
(3,164)	-	(3,164)	-
(137,755)	-	(137,755)	-
(116,723)	-	(116,723)	-
(891,898)	-	(891,898)	-
(829,244)	-	(829,244)	-
(574,265)	-	(574,265)	-
(281,068)	-	(281,068)	-
<u>(3,201,837)</u>	<u>-</u>	<u>(3,201,837)</u>	<u>-</u>
-	589,626	589,626	-
-	182,752	182,752	-
-	73,585	73,585	-
<u>-</u>	<u>845,963</u>	<u>845,963</u>	<u>-</u>
<u>\$ (3,201,837)</u>	<u>\$ 845,963</u>	<u>\$ (2,355,874)</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ (8,201)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (8,201)</u>
\$ 1,199,973	\$ -	\$ 1,199,973	\$ -
956,721	-	956,721	-
852,606	-	852,606	-
346,216	-	346,216	-
13,858	-	13,858	-
50,385	38,072	88,457	21
-	25,297	25,297	-
43,880	-	43,880	-
4,849	(4,849)	-	-
<u>3,468,488</u>	<u>58,520</u>	<u>3,527,008</u>	<u>21</u>
266,651	904,483	1,171,134	(8,180)
2,629,076	8,572,806	11,201,882	55,335
<u>\$ 2,895,727</u>	<u>\$ 9,477,289</u>	<u>\$ 12,373,016</u>	<u>\$ 47,155</u>

CITY OF WILLOW PARK, TEXAS
Balance Sheet
Governmental Funds
September 30, 2017

	General	Debt Service Fund	Building Capital Projects	Roads Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS						
Assets:						
Cash and cash equivalents	\$ 1,077,968	\$ 292,523	\$ 4,576,222	\$ 2,196,781	\$ 140,757	\$ 8,284,251
Certificates of deposit	248,029	-	-	-	-	248,029
Receivables (Net of allowances for uncollectibles)						
Property taxes	9,756	5,592	-	-	-	15,348
Sales taxes	142,710	-	-	-	-	142,710
Franchise taxes	143,702	-	-	-	-	143,702
Miscellaneous	158,163	-	-	-	-	158,163
Due from other funds	-	27,518	-	-	-	27,518
Total assets	<u>\$ 1,780,328</u>	<u>\$ 325,633</u>	<u>\$ 4,576,222</u>	<u>\$ 2,196,781</u>	<u>\$ 140,757</u>	<u>\$ 9,019,721</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 157,113	\$ -	\$ 78,828	\$ 37,922	\$ 114	\$ 273,977
Payroll liabilities	62,692	-	-	-	-	62,692
Court bonds payable	7,063	-	-	-	-	7,063
Due to other funds	27,518	-	-	-	-	27,518
Total liabilities	<u>254,386</u>	<u>-</u>	<u>78,828</u>	<u>37,922</u>	<u>114</u>	<u>371,250</u>
Deferred inflows of resources:						
Deferred revenue	<u>294,416</u>	<u>5,592</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>300,008</u>
Total deferred inflows of resources	<u>294,416</u>	<u>5,592</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>300,008</u>
Fund balances:						
Restricted	51,222	320,041	4,497,394	2,158,859	62,686	7,090,202
Committed					77,957	77,957
Unassigned	<u>1,180,304</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,180,304</u>
Total fund balances	<u>1,231,526</u>	<u>320,041</u>	<u>4,497,394</u>	<u>2,158,859</u>	<u>140,643</u>	<u>8,348,463</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,780,328</u>	<u>\$ 325,633</u>	<u>\$ 4,576,222</u>	<u>\$ 2,196,781</u>	<u>\$ 140,757</u>	<u>\$ 9,019,721</u>

CITY OF WILLOW PARK, TEXAS
Reconciliation of the Governmental Funds Balance Sheet
To the Statement of Net Position
September 30, 2017

Total Fund Balances - Governmental Funds	\$ 8,348,463
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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 \$9,320,525 and the accumulated depreciation was \$3,437,326.	5,883,199
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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	(51,650)	
General obligation bonds	(9,220,000)	
Certificate of obligation bonds	(760,912)	
Premium on bonds	(808,155)	
Capital leases	(600,552)	
Compensated absences	(102,909)	
		(11,544,178)

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	15,348	
Court fines	126,497	
Franchise taxes	158,163	
		300,008

Included in the items related to noncurrent liabilities is the recognition of the City's net pension liability in the amount of \$200,451, a deferred resource outflow related to pensions of \$134,800 and a deferred resource inflow related to pensions of \$26,114. This resulted in a decrease to net position.	(91,765)
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Net Position of Governmental Activities	\$ 2,895,727
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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, 2017

	General	Debt Service Fund	Building Capital Projects	Roads Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes:						
Property	\$ 1,208,976	\$ 960,441	\$ -	\$ -	\$ -	\$ 2,169,417
Sales and use	852,606	-	-	-	-	852,606
Franchise	349,980	-	-	-	-	349,980
Hotel occupancy tax	-	-	-	-	13,858	13,858
Court fines and fees	237,122	-	-	-	5,150	242,272
Licenses and permits	270,448	-	-	-	-	270,448
Investment Earnings	6,283	3,186	26,802	13,091	1,023	50,385
Intergovernmental	1,327	-	-	-	-	1,327
Contributions	4,949	-	-	-	-	4,949
Other revenue	15,426	6,513	12,036	5,946	3,959	43,880
Total revenues	<u>2,947,117</u>	<u>970,140</u>	<u>38,838</u>	<u>19,037</u>	<u>23,990</u>	<u>3,999,122</u>
EXPENDITURES						
Current						
Administration	353,074	-	-	-	-	353,074
Development services	271,856	-	-	-	-	271,856
Legislative	136,999	-	-	-	-	136,999
Municipal court	146,890	-	-	-	1,286	148,176
Police	1,002,192	-	-	-	19,816	1,022,008
Fire and rescue	723,762	-	-	-	-	723,762
Public works parks & roads	254,731	-	-	-	-	254,731
Capital outlay	406,651	-	147,182	135,178	-	689,011
Debt service:						
Principal	-	516,529	-	-	-	516,529
Interest and fiscal charges	-	333,541	-	-	-	333,541
Total expenditures	<u>3,296,155</u>	<u>850,070</u>	<u>147,182</u>	<u>135,178</u>	<u>21,102</u>	<u>4,449,687</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (349,038)</u>	<u>\$ 120,070</u>	<u>\$ (108,344)</u>	<u>\$ (116,141)</u>	<u>\$ 2,888</u>	<u>\$ (450,565)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	60,373	-	-	-	-	60,373
Transfers out	-	-	-	-	(55,524)	(55,524)
Issuance of capital lease	406,651	-	-	-	-	406,651
Total other financing sources (uses)	<u>467,024</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(55,524)</u>	<u>411,500</u>
NET CHANGE IN FUND BALANCES	<u>117,986</u>	<u>120,070</u>	<u>(108,344)</u>	<u>(116,141)</u>	<u>(52,636)</u>	<u>(39,065)</u>
FUND BALANCE, OCTOBER 1, 2016	<u>1,113,540</u>	<u>199,971</u>	<u>4,605,738</u>	<u>2,275,000</u>	<u>193,279</u>	<u>8,387,528</u>
FUND BALANCE, SEPTEMBER 30, 2017	<u>\$ 1,231,526</u>	<u>\$ 320,041</u>	<u>\$ 4,497,394</u>	<u>\$ 2,158,859</u>	<u>\$ 140,643</u>	<u>\$ 8,348,463</u>

CITY OF WILLOW PARK, TEXAS
Reconciliation of Statement of Revenues,
Expenditures and Changes in Fund Balances of
The Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2017

Total Net Change in Fund Balances - Governmental Funds	\$ (39,065)
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 \$688,499 of capital outlays and \$516,529 of debt principal payments is to increase net assets.	1,205,028
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, disposals and transfers between activities) is to decrease net position.	(3,925)
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.	(532,561)
Current year capital leases are other financing sources in the fund financial statements. The net effect of the increase in capital leases is a decrease in net position.	(406,651)
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	(17,602)
Premium on bonds	70,075
Compensated absences	(27)
	52,446
Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the funds.	8,434
The City recognized their net pension liability, deferred resource outflow related to pensions and deferred resource inflow related to pensions. The changes in these balances decreased net position.	(17,055)
Change in Net Position of Governmental Activities	<u>\$ 266,651</u>

CITY OF WILLOW PARK, TEXAS
Statement of Net Position
Proprietary Funds
September 30, 2017

	Water	Wastewater	Solid Waste	Totals
ASSETS:				
Current Assets:				
Cash and cash equivalents	\$ 2,851,306	\$ 3,077,812	\$ 259,163	\$ 6,188,281
Certificates of deposit	-	27,554	-	27,554
Receivables (Net of allowance for uncollectibles):				
Accounts	236,834	76,582	41,419	354,835
Restricted Assets:				
Cash and cash equivalents	325,330	-	-	325,330
Certificates of deposit	217,948	-	-	217,948
Total current assets	<u>3,631,418</u>	<u>3,181,948</u>	<u>300,582</u>	<u>7,113,948</u>
Noncurrent Assets:				
Due from other funds	1,453,535	-	-	1,453,535
Capital assets, at cost:				
Non-depreciable capital assets	1,777,630	358,872	-	2,136,502
Depreciable capital assets	9,473,904	2,957,457	-	12,431,361
Less: accumulated depreciation	(4,270,321)	(859,232)	-	(5,129,553)
Capital assets, net	<u>6,981,213</u>	<u>2,457,097</u>	<u>-</u>	<u>9,438,310</u>
Total noncurrent assets	<u>8,434,748</u>	<u>2,457,097</u>	<u>-</u>	<u>10,891,845</u>
Total assets	<u>\$ 12,066,166</u>	<u>\$ 5,639,045</u>	<u>\$ 300,582</u>	<u>\$ 18,005,793</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred outflows related to pensions	27,167	6,209	-	33,376
Total deferred outflows of resources	<u>27,167</u>	<u>6,209</u>	<u>-</u>	<u>33,376</u>
LIABILITIES:				
Current Liabilities:				
Accounts payable	\$ 528,039	\$ 226,393	\$ 2,117	\$ 756,549
Payroll liabilities	14,535	3,560	-	18,095
Compensated absences	30,010	3,498	-	33,508
Current portion of long-term liabilities	493,494	-	-	493,494
Current Liabilities Payable from Restricted Assets:				
Interest payable	10,323	43,509	-	53,832
Customer deposits payable	147,712	-	-	147,712
Total current liabilities	<u>1,224,113</u>	<u>276,960</u>	<u>2,117</u>	<u>1,503,190</u>
Noncurrent Liabilities:				
Due to other funds	-	1,453,535	-	1,453,535
Net Pension Liability	47,342	7,834	-	55,176
Capital lease payable	97,741	-	-	97,741
Bonds payable	2,720,049	2,725,000	-	5,445,049
Total noncurrent liabilities	<u>2,865,132</u>	<u>4,186,369</u>	<u>-</u>	<u>7,051,501</u>
Total liabilities	<u>4,089,245</u>	<u>4,463,329</u>	<u>2,117</u>	<u>8,554,691</u>
DEFERRED INFLOWS OF RESOURCES:				
Deferred inflows related to pensions	6,168	1,021	-	7,189
Total deferred inflows of resources	<u>6,168</u>	<u>1,021</u>	<u>-</u>	<u>7,189</u>
NET POSITION:				
Investment in capital assets, net of debt	3,995,259	2,145,725	-	6,140,984
Restricted impact fees (Expendable)	682,804	145,251	-	828,055
Unrestricted	3,319,857	(1,110,072)	298,465	2,508,250
Total net position	<u>\$ 7,997,920</u>	<u>\$ 1,180,904</u>	<u>\$ 298,465</u>	<u>\$ 9,477,289</u>

CITY OF WILLOW PARK, TEXAS
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended September 30, 2017

	<u>Water</u>	<u>Wastewater</u>	<u>Solid Waste</u>	<u>Totals</u>
Operating revenues:				
Charges for services	\$ 1,827,371	\$ 479,582	\$ 286,276	\$ 2,593,229
Tap fees	6,250	4,720	-	10,970
Impact fees	216,493	128,735	-	345,228
Other fees	74,747	220	-	74,967
	<u>2,124,861</u>	<u>613,257</u>	<u>286,276</u>	<u>3,024,394</u>
Total operating revenue				
Operating expenses:				
Personnel	453,988	100,401	-	554,389
Supplies	225,795	38,102	-	263,897
Contractual services	325,363	104,132	212,691	642,186
Utilities	102,147	46,088	-	148,235
Franchise fees	98,020	-	-	98,020
Depreciation	313,209	77,041	-	390,250
	<u>1,518,522</u>	<u>365,764</u>	<u>212,691</u>	<u>2,096,977</u>
Total operating expenses				
Operating income (loss)	<u>606,339</u>	<u>247,493</u>	<u>73,585</u>	<u>927,417</u>
Nonoperating revenues (expenses):				
Investment earnings	23,164	13,028	1,880	38,072
Gain (loss) on sale of capital assets	25,297	-	-	25,297
Interest expense	(57,073)	(43,509)	-	(100,582)
Debt issuance costs	-	(55,784)	-	(55,784)
	<u>(8,612)</u>	<u>(86,265)</u>	<u>1,880</u>	<u>(92,997)</u>
Total nonoperating revenues (expenses)				
Income (loss) before contributions and transfers	597,727	161,228	75,465	834,420
Capital contributions and transfers:				
Capital Grants and Contributions	40,360	34,552	-	74,912
Transfers in	-	-	24	24
Transfers out	(4,873)	-	-	(4,873)
	<u>35,487</u>	<u>34,552</u>	<u>24</u>	<u>70,063</u>
Total capital contributions and transfers				
Change in Net Position	633,214	195,780	75,489	904,483
Net Position, October 1, 2015	7,364,706	985,124	222,976	8,572,806
Net Position, September 30, 2016	<u>\$ 7,997,920</u>	<u>\$ 1,180,904</u>	<u>\$ 298,465</u>	<u>\$ 9,477,289</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, 2017

	Water	Wastewater	Solid Waste	Totals
Cash flows from operating activities:				
Cash received from customers	\$ 2,131,083	\$ 602,589	\$ 289,638	\$ 3,023,310
Cash paid to suppliers	(623,838)	(179,214)	(228,235)	(1,031,287)
Cash paid to employees	(433,767)	(103,905)	-	(537,672)
Cash paid for interfund services	(98,020)	-	-	(98,020)
Net cash provided by operating activities	<u>975,458</u>	<u>319,470</u>	<u>61,403</u>	<u>1,356,331</u>
Cash flow from noncapital financing activities:				
Net transfers	(4,873)	-	24	(4,849)
Repayment of interfund loans	(39,424)	-	-	(39,424)
Net cash provided (used) by noncapital financing activities	<u>(44,297)</u>	<u>-</u>	<u>24</u>	<u>(44,273)</u>
Cash flow from capital and related financing activities:				
Proceeds from issuance of bonds	-	2,669,216	-	2,669,216
Principal payments on long-term debt	(415,242)	-	-	(415,242)
Capital grants and contributions	-	87,004	-	87,004
Capital expenditures	(942,877)	(54,345)	-	(997,222)
Proceeds from sale of capital assets	25,297	-	-	25,297
Interest paid on long-term debt	(76,646)	-	-	(76,646)
Net cash (used) by capital and related financing activities	<u>(1,409,468)</u>	<u>2,701,875</u>	<u>-</u>	<u>1,292,407</u>
Cash flow from investing activities:				
Investment earnings	23,164	13,028	1,880	38,072
Reinvested in certificates of deposits	(272)	-	-	(272)
Net cash provided by investing activities	<u>22,892</u>	<u>13,028</u>	<u>1,880</u>	<u>37,800</u>
Net increase (decrease) in cash and cash equivalents	(455,415)	3,034,373	63,307	2,642,265
Cash and cash equivalents, beginning	<u>3,632,051</u>	<u>43,439</u>	<u>195,856</u>	<u>3,871,346</u>
Cash and cash equivalents, ending	<u>\$ 3,176,636</u>	<u>\$ 3,077,812</u>	<u>\$ 259,163</u>	<u>\$ 6,513,611</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	<u>\$ 606,339</u>	<u>\$ 247,493</u>	<u>\$ 73,585</u>	<u>\$ 927,417</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	313,209	77,041	-	390,250
(Increase) decrease in accounts receivable	(5,549)	(10,668)	3,362	(12,855)
Increase (decrease) in accounts payable	29,467	10,331	(15,544)	24,254
Increase (decrease) in payroll liabilities	3,020	257	-	3,277
Increase (decrease) in customer meter deposits	11,771	-	-	11,771
Increase (decrease) in accrued administrative penalty	-	(1,223)	-	(1,223)
Increase (decrease) in compensated absences payable	6,392	190	-	6,582
Increase (decrease) in pension related balances	10,809	(3,951)	-	6,858
Total adjustments	<u>369,119</u>	<u>71,977</u>	<u>(12,182)</u>	<u>428,914</u>
Net cash provided by operating activities	<u>\$ 975,458</u>	<u>\$ 319,470</u>	<u>\$ 61,403</u>	<u>\$ 1,356,331</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, 2017

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 support for 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 bookkeeping services for the organization. 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, 2017

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, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

The City reports the following major proprietary fund:

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

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

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

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

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

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

CITY OF WILLOW PARK, TEXAS

Notes to Financial Statements

September 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity

1. *Cash and Cash Equivalents*

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

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

2. *Receivables and Payables*

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. Enterprise funds accounts receivable aged 90 days or more comprise the allowance for uncollectible accounts of \$213,067. The property tax receivable and municipal court allowances of \$15,348 and \$1,423,469 are equal to 50% and 90% respectively of the outstanding balances at September 30, 2017.

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 \$101,846 at September 30, 2017.

4. *Prepaid Expenses*

Payments made for services that will benefit periods beyond September 30, 2017, are recorded as prepaid expenses in both the government-wide and fund financial statements.

5. *Capital Assets*

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

CITY OF WILLOW PARK, TEXAS
Notes to Financial Statements
September 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

5. *Capital Assets* (Continued)

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities and proprietary funds are included as part of the capitalized value of the assets constructed. The total interest expense incurred by the water and wastewater funds during the current fiscal year was \$100,582. Of this amount \$0 was included as part of the cost of capital assets under construction in connection with water and sewer construction projects. Property, plant and equipment of the primary government and component unit are depreciated using the straight-line method over the following estimated useful lives:

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

6. *Compensated Absences*

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

CITY OF WILLOW PARK, TEXAS
Notes to Financial Statements
September 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

7. *Pensions*

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

8. *Long-term Obligations*

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

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

9. *Fund Balance – Governmental Funds*

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

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

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

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

CITY OF WILLOW PARK, TEXAS
Notes to Financial Statements
September 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

9. Fund Balance – Governmental Funds (Continued)

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

Unassigned – All amounts not included in other spendable classifications.

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

	General Fund	Debt Service Fund	Building Capital Projects Fund	Roads Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Restricted:						
Debt service	\$ -	\$ 320,041	\$ -	\$ -	\$ -	\$ 320,041
Construction			4,497,394	2,158,859	-	6,656,253
Municipal court	-	-	-	-	-	-
Police	-	-	-	-	19,247	19,247
Tourism	-	-	-	-	43,439	43,439
Public educational governmental fees	51,222	-	-	-	-	51,222
Committed:						
Equipment replacement	-	-	-	-	77,957	77,957
Unassigned	1,180,304	-	-	-	-	1,180,304
	<u>\$ 1,231,526</u>	<u>\$ 320,041</u>	<u>\$ 4,497,394</u>	<u>\$ 2,158,859</u>	<u>\$ 140,643</u>	<u>\$ 8,348,463</u>

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

The City Council adopted a minimum fund balance policy for the general fund. The policy requires the City to strive to maintain an unassigned fund balance in the general fund of 75 days of annual budgeted expenditures. At the end of the year, the unassigned fund balance of \$1,180,304 was \$562,721 above the minimum fund balance requirement of \$617,583

CITY OF WILLOW PARK, TEXAS
Notes to Financial Statements
September 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

10. *Net Position*

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

11. *Use of Estimates*

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

NOTE 2: DEPOSITS AND INVESTMENTS

A. Deposits

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's funds are required to be deposited and invested under the terms of a depository contract. The City's deposits are required to be collateralized with securities held by the pledging institution's trust department or agent in the City's name. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") Insurance. At September 30, 2017, the City's deposits were covered by FDIC Insurance or collateralized with securities held by the bank's agent in the City's name.

B. Investments

The Texas Public Funds Investment Act authorizes the government to invest in obligations of the U.S. Treasury, obligations of states, agencies, counties, cities and other political subdivisions, secured certificates of deposit, repurchase agreements, bankers' acceptance, commercial paper, mutual funds, guaranteed investment contracts and investment pools. Investments are state at fair value except for short-term highly liquid investments which are stated at cost or amortized cost. During the year ended September 30, 2017, the City did not own any types of securities other than those permitted by statute.

CITY OF WILLOW PARK, TEXAS

Notes to Financial Statements

September 30, 2017

NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

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

Credit Risk– Investments

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

Interest Rate Risk – Investments

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

The City's investments at September 30, 2017 included the following:

Investment	Credit Rating	Weighted Average Maturities	Percentage of Total Investments	Cost	Fair Value
TexSTAR Pool	AAAm	28 days	100.00%	<u>\$ 1,874,117</u>	<u>\$ 1,874,117</u>

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

C. Restricted Assets

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

	Cash	Certificates of Deposit	Total
Enterprise Funds			
Customer deposits	\$ -	\$ 105,005	\$ 105,005
2003 bond funds	-	112,943	112,943
2014 bonds	48,556	-	48,556
2016 bonds	276,774	-	276,774
Total	<u>\$ 325,330</u>	<u>\$ 217,948</u>	<u>\$ 543,278</u>

CITY OF WILLOW PARK, TEXAS

Notes to Financial Statements

September 30, 2017

NOTE 3: PROPERTY TAX

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

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

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

NOTE 4: DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

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

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>
Property taxes receivable	\$ 9,756	\$ 5,592	\$ 15,348
Franchise tax receivable	126,497	-	126,497
Court fines and fees receivable	158,163	-	158,163
Total deferred revenue	<u>\$ 294,416</u>	<u>\$ 5,592</u>	<u>\$ 300,008</u>

CITY OF WILLOW PARK, TEXAS
Notes to Financial Statements
September 30, 2017

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, 2017, is as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>	<u>Purpose</u>
General	Water	\$ 4,849	Operating
General	Other governmental funds	55,524	Court
Total Governmental Funds Transfers In		<u>\$ 60,373</u>	
Solid Waste	Water	\$ 24	Operating
Total Proprietary Funds Transfers In		<u>\$ 24</u>	

The composition of interfund receivables and payables for the City's individual major funds and nonmajor funds at September 30, 2017, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Debt service	General	\$ 27,518
Total Governmental Funds		<u>\$ 27,518</u>
Water	Wastewater	\$ 1,453,535
Total Proprietary Funds		<u>\$ 1,453,535</u>

The debt service fund receivable is for debt service. The water fund loaned the wastewater fund for lift station improvements and working capital. The loan is scheduled to be repaid in annual installments over 20 years at 0% interest through September 30, 2035, however a loan repayment was not made during 2017 fiscal year.

CITY OF WILLOW PARK, TEXAS
Notes to Financial Statements
September 30, 2017

NOTE 6: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Non - Depreciable Assets:				
Land	\$ 126,024	\$ -	\$ -	\$ 126,024
Construction in progress	-	281,848	-	281,848
Total non-depreciable assets	<u>126,024</u>	<u>281,848</u>	<u>-</u>	<u>407,872</u>
Depreciable Assets:				
Buildings and improvements	586,253	-	-	586,253
Furniture and equipment	877,493	-	(14,242)	863,251
Vehicles	1,438,632	406,651	(310,000)	1,535,283
Infrastructure	5,927,866	-	-	5,927,866
Total capital assets being depreciated	<u>8,830,244</u>	<u>406,651</u>	<u>(324,242)</u>	<u>8,912,653</u>
Accumulated Depreciation:				
Buildings and improvements	(182,487)	(17,514)	-	(200,001)
Furniture and equipment	(341,407)	(63,875)	10,317	(394,965)
Vehicles	(829,753)	(167,450)	310,000	(687,203)
Infrastructure	(1,871,435)	(283,722)	-	(2,155,157)
Total accumulated depreciation	<u>(3,225,082)</u>	<u>(532,561)</u>	<u>320,317</u>	<u>(3,437,326)</u>
Governmental activities capital assets, net	<u>\$ 5,731,186</u>	<u>\$ 155,938</u>	<u>\$ (3,925)</u>	<u>\$ 5,883,199</u>

CITY OF WILLOW PARK, TEXAS
Notes to Financial Statements
September 30, 2017

NOTE 6: CAPITAL ASSETS (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Non - Depreciable Assets:				
Land	\$ 383,897	\$ -	\$ -	\$ 383,897
Construction in Progress	177,415	1,575,190	-	1,752,605
Total non-depreciable assets	<u>561,312</u>	<u>1,575,190</u>	<u>-</u>	<u>2,136,502</u>
Depreciable Assets:				
Buildings and improvements	79,050	-	-	79,050
Furniture and equipment	774,283	7,973	-	782,256
Vehicles	392,152	-	(47,809)	344,343
Water system	8,248,875	58,974	-	8,307,849
Wastewater system	2,917,863	-	-	2,917,863
Total capital assets being depreciated	<u>12,412,223</u>	<u>66,947</u>	<u>(47,809)</u>	<u>12,431,361</u>
Accumulated Depreciation:				
Buildings and improvements	(23,574)	(1,976)	-	(25,550)
Furniture and equipment	(211,546)	(68,867)	-	(280,413)
Vehicles	(231,340)	(24,899)	47,809	(208,430)
Water system	(3,549,595)	(221,110)	-	(3,770,705)
Wastewater system	(771,057)	(73,398)	-	(844,455)
Total accumulated depreciation	<u>(4,787,112)</u>	<u>(390,250)</u>	<u>47,809</u>	<u>(5,129,553)</u>
Business-type activities capital assets, net	<u>\$ 8,186,423</u>	<u>\$ 1,251,887</u>	<u>\$ -</u>	<u>\$ 9,438,310</u>

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

Governmental activities:	
Administration	\$ 12,428
Development services	1,086
Legislative	265
Municipal court	499
Police	94,529
Fire and rescue	99,977
Public works parks & roads	323,777
Total depreciation expense - governmental activities	<u>\$ 532,561</u>
Business-type activities:	
Water	\$ 313,209
Wastewater	77,041
Total depreciation expense - business-type activities	<u>\$ 390,250</u>

CITY OF WILLOW PARK, TEXAS
Notes to Financial Statements
September 30, 2017

NOTE 7: LONG-TERM LIABILITIES

A. Capital Leases Payable

Governmental Activities:

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

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

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

In April 2017 the City acquired a pumper fire truck with a capital lease. The lease requires annual payments of \$48,292 including interest at 3.28% through April 21, 2027.

Total capital assets acquired through capital leases were as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Assets:		
Vehicles	\$ 782,298	\$ 156,458
Less: accumulated depreciation	(207,830)	(45,634)
Total	<u>\$ 574,468</u>	<u>\$ 110,824</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2017, were as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2018	93,758	\$ 18,419
2019	93,758	18,419
2020	93,758	18,419
2021	93,758	18,419
2022	61,840	18,419
2023 - 2027	<u>259,668</u>	<u>36,836</u>
Total minimum lease payments	696,540	128,931
Less: interest portion	(95,988)	(16,835)
Obligations under capital lease	<u>\$ 600,552</u>	<u>\$ 112,096</u>

CITY OF WILLOW PARK, TEXAS
Notes to Financial Statements
September 30, 2017

NOTE 7: LONG-TERM LIABILITIES (Continued)

B. Bonds Payable

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
\$2,665,000; 2010 Refunding bond due in annual installments through February 15, 2021 at interest rates ranging from 2.0% to 4.0%	\$ 250,000	\$ 470,000
\$5,135,000; 2012 Refunding bond due in annual installments through February 15, 2023 at interest rates ranging from 2.0% to 3.0%	2,640,000	585,000
\$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%	-	625,000
\$1,380,000; 2015 Certificates of Obligation due in annual installments through February 15, 2031 at an interest rate of 2.14%	760,912	459,088
\$995,000; 2016 Combination Tax and Revenue Certificates of Obligation due in annual installments through February 15, 2037 at interest rates ranging from 0.04% to 1.62%	-	995,000
\$6,330,000; 2016 General Obligation Bonds due in annual installments through February 15, 2046 at interest rates ranging from 3.0% to 4.0%	6,330,000	
\$2,725,000; 2017 Combination Tax and Revenue Certificates of Obligation due in annual installments through February 15, 2032 at an interest rate of 2.74%	-	2,725,000
Bond Premiums	808,154	65,100
	<u>\$ 10,789,066</u>	<u>\$ 5,924,188</u>

CITY OF WILLOW PARK, TEXAS
Notes to Financial Statements
September 30, 2017

NOTE 7: LONG-TERM LIABILITIES (Continued)

B. Bonds Payable (Continued)

The annual debt service requirements to maturity for bonds outstanding as of September 30, 2017, are as follows:

Bonds Payable Year Ending September 30,	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 498,592	\$ 329,179	\$ 827,771	\$ 461,408	\$ 162,854	\$ 624,262
2019	535,049	315,564	850,613	274,951	122,172	397,123
2020	565,031	299,123	864,154	279,969	115,681	395,650
2021	605,011	281,583	886,594	484,989	106,143	591,132
2022	563,685	264,450	828,135	416,315	95,009	511,324
2023 - 2027	2,151,627	1,084,634	3,236,261	1,758,373	349,448	2,107,821
2028 - 2032	1,976,917	683,232	2,660,149	1,793,083	147,183	1,940,266
2033 - 2037	945,000	418,500	1,363,500	390,000	15,345	405,345
2038 - 2042	1,115,000	239,325	1,354,325	-	-	-
2043 - 2047	1,025,000	62,775	1,087,775	-	-	-
	<u>\$ 9,980,912</u>	<u>\$ 3,978,365</u>	<u>\$ 13,959,277</u>	<u>\$ 5,859,088</u>	<u>\$ 1,113,835</u>	<u>\$ 6,972,923</u>

CITY OF WILLOW PARK, TEXAS
Notes to Financial Statements
September 30, 2017

NOTE 7: LONG-TERM LIABILITIES (Continued)

C. Changes in Long-term Liabilities

Changes in Long-term Liabilities

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 9,625,000	\$ -	\$ 405,000	\$ 9,220,000	\$ 425,000
Certificates of obligation bonds	834,522	-	73,610	760,912	73,592
Bond premiums	878,230	-	70,075	808,155	72,688
Total bonds payable	11,337,752	-	548,685	10,789,067	571,280
Capital leases	231,820	406,651	37,919	600,552	74,638
Compensated absences	102,882	102,909	102,882	102,909	102,909
Net pension liability	176,023	24,428	-	200,451	-
Total Governmental Activities	<u>\$ 11,848,477</u>	<u>\$ 533,988</u>	<u>\$ 689,486</u>	<u>\$ 11,692,979</u>	<u>\$ 748,827</u>
Business-type Activities:					
Certificates of obligation	\$ 2,145,478	\$ 2,725,000	\$ 66,390	\$ 4,804,088	\$ 111,408
General obligation bonds	1,390,000	-	335,000	1,055,000	350,000
Bond premiums	82,832	-	17,732	65,100	17,732
Total bonds payable	3,618,310	2,725,000	419,122	5,924,188	479,140
Capital leases	125,948	-	13,852	112,096	14,354
Accrued administrative penalty	1,223	-	1,223	-	-
Compensated absences	26,926	33,508	26,926	33,508	33,508
Net pension liability	51,071	4,105	-	55,176	-
Total Business-type Activities	<u>\$ 3,823,478</u>	<u>\$ 2,762,613</u>	<u>\$ 461,123</u>	<u>\$ 6,124,968</u>	<u>\$ 527,002</u>
Total Long-term Liabilities	<u>\$ 15,671,955</u>	<u>\$ 3,296,601</u>	<u>\$ 1,150,609</u>	<u>\$ 17,817,947</u>	<u>\$ 1,275,829</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, 2017

NOTE 8: RISK MANAGEMENT

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

NOTE 9: RETIREMENT PLAN

A. PLAN DESCRIPTION

The City participates as one of 872 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

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

B. BENEFITS PROVIDED

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

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

CITY OF WILLOW PARK, TEXAS

Notes to Financial Statements

September 30, 2017

NOTE 9: RETIREMENT PLAN (Continued)

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City for 2017 and 2016 were as follows:

Plan year	2017	2016
Employee deposit rate	7%	7%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	0	0
Annuity Increase (to retirees)	0% of CPI	0% of CPI

EMPLOYEES COVERED BY BENEFIT TERMS

At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Employees covered by benefit terms

Inactive employees or beneficiaries currently receiveing benefits	7
Inactive employees entitled to but not receiving benefits	39
Active employees	38
	<hr/> 84

C. CONTRIBUTIONS

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 7.1% and 6.6% in calendar years 2017 and 2016, respectively. The city's contributions to TMRS for the year ended September 30, 2017, were \$136,067, and were equal to the required contributions.

D. NET PENSION LIABILITY

The city's Net Pension Liability (NPL) was measured as of December 31, 2016, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

CITY OF WILLOW PARK, TEXAS
Notes to Financial Statements
September 30, 2017

NOTE 9: RETIREMENT PLAN (Continued)

ACTUARIAL ASSUPMTIONS:

The Total Pension Liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

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

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

Actuarial assumptions used in the December 31, 2016, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

CITY OF WILLOW PARK, TEXAS
Notes to Financial Statements
September 30, 2017

NOTE 9: RETIREMENT PLAN (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Comestic Equity	17.50%	4.55%
Internaitonal Equity	17.50%	6.35%
Core-Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	4.15%
Real Return	10.00%	4.15%
Real Estate	10.00%	4.75%
Absolute Return	10.00%	4.00%
Private Equity	5.00%	7.75%
Total	100.00%	

DISCOUNT RATE

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

CHANGES IN THE NET PENSION LIABILITY

		<u>Increase (Decrease)</u>	
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balance at 12/31/2015	\$ 1,178,135	\$ 951,040	\$ 227,095
Changes for the Year			
Service Cost	272,355	-	272,355
Interest	86,596	-	86,596
Change of benefit terms	-	-	-
Difference between expected and actual performance	9,269	-	9,269
Changes of assumptions	-	-	-
Contributions- employer	-	134,415	(134,415)
Contributions- employee	-	141,641	(141,641)
Net investment income	-	64,397	(64,397)
Benefit payments, including refunds of employee contributions	(62,812)	(62,812)	-
Administrative expense	-	(726)	726
Other changes	-	(39)	39
Net Changes	305,408	276,876	28,532
Balance at 12/31/2016	<u>\$ 1,483,543</u>	<u>\$ 1,227,916</u>	<u>\$ 255,627</u>

CITY OF WILLOW PARK, TEXAS
Notes to Financial Statements
September 30, 2017

NOTE 9: RETIREMENT PLAN (Continued)

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

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$493,870	\$255,627	\$61,312

PENSION PLAN FIDUCIARY NET POSITION

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

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

For the year ended September 30, 2017, the city recognized pension expense of \$159,980.

At September 30, 2017 the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in expected and actual experience	\$ 7,565	\$ 33,303
Difference in assumptions changes	28,162	-
Differences in projected and actual investment earnings	32,518	-
Contributions subsequent to the measurement date	99,931	-
Total	<u>\$ 168,176</u>	<u>\$ 33,303</u>

\$99,931 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

CITY OF WILLOW PARK, TEXAS
Notes to Financial Statements
September 30, 2017

NOTE 9: RETIREMENT PLAN (Continued)

Year ended September 30:

	Net deferred outflows (inflows) of resources
2017	\$ 6,100
2018	6,101
2019	15,341
2020	6,651
2021	749
Thereafter	-
	<u>\$ 34,942</u>

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS

Supplemental Death Benefits Fund

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

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

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers. The city's contributions to the TMRS SDBF for the years ended 2017, 2016, and 2015, of \$2,291, \$2,289, and 2,232, respectively, were equal to the required contributions each year.

CITY OF WILLOW PARK, TEXAS
Notes to Financial Statements
September 30, 2017

NOTE 11: COMMITMENTS

The City has issued bonds for construction projects that were not complete at September 30, 2017. The following is a schedule of the projects and remaining balance of funds to spend.

Bonds Issued	Projects	Bond Proceeds	Expenditures as of 9/30/17	Balance as of 9/30/17
2016 General Obligation Bonds	Public Safety Building	\$ 4,711,954	\$ 252,272	\$ 4,459,682
2016 General Obligation Bonds	Road Projects	2,323,766	182,487	2,141,279
Total Governmental Activities		<u>\$ 7,035,720</u>	<u>\$ 434,759</u>	<u>\$ 6,600,961</u>
2014 Certificates of Obligation	TWDB Water System Improvements	\$ 685,000	\$ 638,420	\$ 46,580
2016 Certificates of Obligation	TWDB Water System Improvements	995,000	926,352	68,648
2017 Certificates of Obligation	Temporary Wastewater Treatment Plant	2,725,000	302,156	2,422,844
Total Business-type Activities		<u>\$ 4,405,000</u>	<u>\$ 1,866,928</u>	<u>\$ 2,538,072</u>

NOTE 12: SUBSEQUENT EVENTS

Subsequent events were evaluated through March 7, 2018, which is the date the financial statements were available to be issued.

NOTE 13: FUTURE ACCOUNTING PRONOUNCEMENTS

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

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

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, 2017

	Budget		Actual	Variance with
	Original	Final	Amounts GAAP Basis	Final Budget Positive (Negative)
REVENUES				
Taxes:				
Property	\$ 1,348,013	\$ 1,348,013	\$ 1,208,976	\$ (139,037)
Sales and use	823,117	823,117	852,606	29,489
Franchise	337,428	337,428	349,980	12,552
Court fines and fees	208,500	208,500	237,122	28,622
Licenses and permits	191,350	191,350	270,448	79,098
Investment Earnings	-	-	6,283	6,283
Intergovernmental	-	-	1,327	1,327
Contributions	-	-	4,949	4,949
Other revenue	145,491	145,491	15,426	(130,065)
Total revenues	<u>3,053,899</u>	<u>3,053,899</u>	<u>2,947,117</u>	<u>(106,782)</u>
EXPENDITURES				
Current				
Administration	306,088	306,088	353,074	(46,986)
Development services	264,503	264,503	271,856	(7,353)
Legislative	150,383	150,383	136,999	13,384
Municipal court	140,169	140,169	146,890	(6,721)
Police	1,024,029	1,024,029	1,002,192	21,837
Fire and rescue	778,121	778,121	723,762	54,359
Public works parks & roads	301,106	301,106	254,731	46,375
Capital outlay	-	-	406,651	(406,651)
Total expenditures	<u>2,964,399</u>	<u>2,964,399</u>	<u>3,296,155</u>	<u>(331,756)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 89,500</u>	<u>\$ 89,500</u>	<u>\$ (349,038)</u>	<u>\$ (438,538)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	60,373	60,373
Issuance of capital lease	-	-	406,651	406,651
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>467,024</u>	<u>467,024</u>
NET CHANGE IN FUND BALANCES	89,500	89,500	117,986	28,486
FUND BALANCE, OCTOBER 1, 2016	<u>1,113,540</u>	<u>1,113,540</u>	<u>1,113,540</u>	<u>-</u>
FUND BALANCE, SEPTEMBER 30, 2017	<u>\$ 1,203,040</u>	<u>\$ 1,203,040</u>	<u>\$ 1,231,526</u>	<u>\$ 28,486</u>

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

CITY OF WILLOW PARK, TEXAS
Schedule of Changes in Net Pension Liability
and Related Ratios
For the Year Ended September 30, 2017

	2014	2015	2016
Total Pension Liability			
Service Cost	\$ 88,122	\$ 240,748	\$ 272,355
Interest (on the Total Pension Liability)	60,307	68,080	86,596
Changes of benefit terms	122,676	-	-
Differences between expected and actual experience	(71,540)	(4,518)	9,269
Change of assumptions	-	43,222	-
Benefit payments, including refunds of employee contributions	(41,148)	(43,186)	(62,812)
Net Change in Total Pension Liability	158,417	304,346	305,408
Total Pension Liability-Beginning	715,372	873,789	1,178,135
Total Pension Liability-Ending (a)	<u>\$ 873,789</u>	<u>\$ 1,178,135</u>	<u>\$ 1,483,543</u>
Plan Fiduciary Net Position			
Contributions-Employer	30,615	136,696	134,415
Contributions-Employee	75,037	139,169	141,641
Net Investment Income	35,393	1,060	64,397
Benefit payments, including refunds of employee contributions	(41,148)	(43,186)	(62,812)
Administrative Expense	(369)	(645)	(726)
Other	(30)	(32)	(39)
Net Change in Plan Fiduciary Net Position	99,498	233,062	276,876
Plan Fiduciary Net Position-Beginning	618,481	717,979	951,040
Plan Fiduciary Net Position-Ending (b)	<u>\$ 717,979</u>	<u>\$ 951,041</u>	<u>\$ 1,227,916</u>
Net Pension Liability-Ending	<u>\$ 155,810</u>	<u>\$ 227,094</u>	<u>\$ 255,627</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.17%	80.72%	82.77%
Covered Employee Payroll	\$ 1,500,744	\$ 1,876,446	\$ 2,023,438
Net Pension Liability as a Percentage of Covered Employee Payroll	10.38%	12.10%	12.63%

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

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

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

	2014	2015	2016	2017
Actuarially Determined Contribution	\$ 27,362	\$ 106,037	\$ 134,745	\$ 136,067
Contributions in relation to the actuarially determined contribution	<u>\$ 27,362</u>	<u>\$ 106,037</u>	<u>\$ 134,745</u>	<u>\$ 136,067</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 1,381,557	\$ 1,749,548	\$ 1,988,189	\$ 1,954,990
Contributions as a percentage of covered employee payroll	1.98%	6.06%	6.78%	6.96%

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

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

CITY OF WILLOW PARK, TEXAS
Notes to Required Supplementary Information
September 30, 2017

1. Stewardship and Accountability

A. Budgetary Information

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

B. Excess of Expenditures Over Appropriations

The expenditures of the general fund were more than appropriations by \$331,756. The following department expenditures exceeded appropriations:

<u>Department</u>	<u>Line Item</u>	<u>Amount</u>
General Fund		
Administration	Conversion to new accounting software	\$ 46,986
Development services	Consultants, engineering and inspectors	7,353
Municipal court	Software and IT support	6,721
Capital outlay	Fire truck purchased with capital lease	406,651

CITY OF WILLOW PARK, TEXAS
Notes to Required Supplementary Information
September 30, 2017

2. Defined Benefit Pension Plans

Notes to Schedule of Contributions

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

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

Other Information:

Notes There were no benefit changes during the year.

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**COMBINING NONMAJOR
GOVERNMENTAL FUND STATEMENTS**

CITY OF WILLOW PARK, TEXAS
Nonmajor Governmental Funds
Combining Balance Sheet
September 30, 2017

	Special Revenue Funds				
	Court Security	Court Technology	Seizure Fund	Tourism Fund	Total Special Revenue
Assets:					
Cash and cash equivalents	\$ -	\$ -	\$ 19,361	\$ 43,439	\$ 62,800
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,361</u>	<u>\$ 43,439</u>	<u>\$ 62,800</u>
Liabilities and fund balance:					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ 114	\$ -	\$ 114
Total liabilities	<u>-</u>	<u>-</u>	<u>114</u>	<u>-</u>	<u>114</u>
Fund balance:					
Restricted	-	-	19,247	43,439	62,686
Committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance	<u>-</u>	<u>-</u>	<u>19,247</u>	<u>43,439</u>	<u>62,686</u>
Total liabilities and fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,361</u>	<u>\$ 43,439</u>	<u>\$ 62,800</u>

Exhibit F-1

Capital Projects			
Equipment Replacement	TexStar Equipment Replacement	Total Capital Projects	Total Nonmajor Funds
\$ 35,216	\$ 42,741	\$ 77,957	\$ 140,757
<u>\$ 35,216</u>	<u>\$ 42,741</u>	<u>\$ 77,957</u>	<u>\$ 140,757</u>
\$ -	\$ -	\$ -	\$ 114
-	-	-	114
-	-	-	62,686
35,216	42,741	77,957	77,957
35,216	42,741	77,957	140,643
<u>\$ 35,216</u>	<u>\$ 42,741</u>	<u>\$ 77,957</u>	<u>\$ 140,757</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, 2017

	Special Revenue Funds					
	Court Security	Court Technology	Seizure Fund	Tourism Fund	Total Special Revenue	Equipment Replacement
Revenues:						
Hotel occupancy tax	\$ -	\$ -	\$ -	\$ 13,858	\$ 13,858	\$ -
Court fines and fees	2,059	3,091	-	-	5,150	-
Investment earnings	45	82	178	211	516	207
Other	-	-	3,945	14	3,959	-
Total revenues	2,104	3,173	4,123	14,083	23,483	207
Expenditures:						
Current:						
Municipal court	-	1,286	-	-	1,286	-
Police	-	-	19,816	-	19,816	-
Total expenditures	-	1,286	19,816	-	21,102	-
Excess (deficiency) of revenues over (under) expenditures	2,104	1,887	(15,693)	14,083	2,381	207
Other financing sources (uses):						
Transfers out	(20,926)	(34,598)	-	-	(55,524)	-
Total other financing sources (uses):	(20,926)	(34,598)	-	-	(55,524)	-
Net change in fund balances	(18,822)	(32,711)	(15,693)	14,083	(53,143)	207
Fund Balance, October 1, 2016	18,822	32,711	34,940	29,356	115,829	35,009
Fund Balance, September 30, 2017	\$ -	\$ -	\$ 19,247	\$ 43,439	\$ 62,686	\$ 35,216

Exhibit F-2

Capital Projects		
TexStar Equipment Replacement	Total Capital Projects	Total Nonmajor Funds
\$ -	\$ -	\$ 13,858
-	-	5,150
300	507	1,023
-	-	3,959
300	507	23,990
-	-	1,286
-	-	19,816
-	-	21,102
300	507	2,888
-	-	(55,524)
-	-	(55,524)
300	507	(52,636)
42,441	77,450	193,279
<u>\$ 42,741</u>	<u>\$ 77,957</u>	<u>\$ 140,643</u>

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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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 7, 2018.

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 questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses or significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider deficiencies 2017-001 and 2017-002 described in the accompanying schedule of findings and questioned costs to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Willow Park's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the

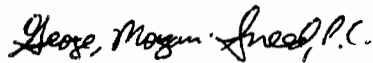
determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and question costs as item 2017-001.

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 question costs. 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
March 7, 2018



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Willow Park, Texas (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2017. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Willow Park, Texas, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2017.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

George Morgan, Jr., P.C.

Weatherford, Texas
March 7, 2018

CITY OF WILLOW PARK, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness identified? Yes X No

Significant deficiency(s) identified that are not considered to be material weaknesses? X Yes None Reported

Noncompliance material to financial statements noted Yes X No

2. Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No

Significant deficiency(s) identified that are not considered to be material weaknesses? Yes X None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
66.468	Capitalization Grants for Drinking Water State Revolving Funds

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes X No

B. Financial Statement Findings

2017-001. Bond Funds

Criteria: The City issued the \$2,725,000 Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 2017. Ordinance No. 745-17 authorized issuance of the Certificates of Obligation. Section 27 says that the proceeds of sale shall be deposited in a construction fund maintained at a City depository.

Condition: The proceeds of the Certificates of Obligation were deposited into the Wastewater Fund's pooled cash operating bank account and comingled with the existing cash of the Wastewater Fund. The proceeds should have been reported in a separate bank account.

Questioned Costs: None

Cause: Management placed the bond funds in the Wastewater Fund's pooled cash operating bank account because they anticipated the funds would be paid out shortly after the funds came in.

Recommendations: We recommend that the proceeds of bonds be reported in a separate bank account by either opening a new bank account or creating a new pooled cash account to track the funds separately.

Views of responsible officials:

The funds were placed into the wastewater fund's pooled cash because the thought was that the funds would be paid out on the temporary package plant as soon as the funds came in. There were many unanticipated delays with the package plant including Hurricane Harvey. The City will open a new pooled cash accounting beginning October 1, 2018 to track the funds separately as recommended.

2017-002. TMRS Reporting

Criteria: All wages and employee contributions should be reported to the Texas Municipal Retirement System (TMRS) and all employee contributions should be paid to TMRS.

Condition: During the audit we selected a sample of 13 employees and compared information provided by TMRS with the City's records. We discovered that the wages and employee contributions for 2 of the employees were reported incorrectly by the City. The employees left service with the City during the year and received payments for accrued comp and vacation time. This portion of their wages were not reported to TMRS and the TMRS contributions withheld on these wages were not paid to TMRS.

We performed the same test in the previous year and reported a finding and recommendation related to errors in TMRS reporting in our management comment letter.

Questioned Costs: None

Cause: There were several issues with the QuickBooks software.

Recommendations: We recommend the City implement a review process before the information is reported to TMRS.

Views of responsible officials: The City makes every effort to insure that the reporting of TMRS contributions is correct. The report is run after the end of the month so that it will include all contributions. There were several issues with the QuickBooks software. The City is now using STW and feel that this change will fix any past issues. The City will look into a review process as recommended, but feels that the software change has corrected any past issues.

C. Federal Award Findings and Questioned Costs

NONE

CITY OF WILLOW PARK, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2017

Financial Statement Findings

2016-001. Audit Adjustments

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

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

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

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

Current Status: The City changed government specific accounting program and employees received training for the new software. The City also contracted with a CPA to assist with bookkeeping and financial reporting. During the 2017 audit we proposed 19 audit adjustments.

2016-002. Bidding Procedures

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

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

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

Recommendation:

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

Current Status: During the 2017 audit we tested a sample of expenditures over \$50,000 for compliance with purchasing laws. The sample we tested were in compliance with State Laws.

Federal Award Findings

None

CITY OF WILLOW PARK, TEXAS
CORRECTIVE ACTION PLAN
YEAR ENDED SEPTEMBER 30, 2017

Contact for Corrective Action Plan:

Bryan Grimes
City Administrator

Financial Statement Findings

2007-001 Bond Funds and 2017-002 TMRS Reporting

Management is reviewing and evaluating various plans to improve the efficiency and accountability of fiscal process, to ensure accurate recognition of transactions. The current policy is that someone independent of the preparation/initial process validates such entries. We believe that this will mitigate the possibility of undetected material errors.

Federal Award Findings

None.

CITY OF WILLOW PARK, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Passed Through To Subrecipients</u>	<u>Federal Expenditures</u>
<u>U.S. Environmental Protection Agency</u>				
Pass-through from Texas Water Development Board				
Capitalization Grants for Drinking Water State Revolving Funds	66.468	62588	-	512,052
Capitalization Grants for Drinking Water State Revolving Funds	66.468	62682	-	816,766
Total U.S. Environmental Protection Agency			-	1,328,818
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ -	\$ 1,328,818

The accompanying notes are an integral part of this schedule.

CITY OF WILLOW PARK, TEXAS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

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.

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal program activity of the City of Willow Park, Texas and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

Indirect Cost Rate

The City has elected not to use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance.

Texas Water Development Board Loans

The City issued bonds that were purchased by the Texas Water Development Board with Drinking Water State Revolving Funds. The amounts of federal awards reported in the Schedule of Expenditures of Federal Awards are the amount of grant and bond funds spent during the period. The following is a summary of the bonds outstanding that were purchased with Drinking Water State Revolving Funds.

Combinaiton Tax and Surplus Revenue Certificates of Obligation Series 2014	DWSRF	\$ 625,000
Combination Tax and Surplus Revenue Certificates of Obligation Series 2016	DWSRF	995,000
		<u>\$ 1,620,000</u>